Aeris RESOURCES

2018 Annual Report

ASX | AIS
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About Us

Aeris Resources Limited (ASX:AIS) (Aeris or the Company) is an established Australian copper producer that has built a solid platform for growth.

The Company's Tritton Copper Operations in New South Wales, which includes multiple mines and a 1.8 million tonne per annum processing plant, is targeting copper production of 24,500 tonnes in FY2019.

Aeris maintains a lean corporate structure and continues to build on a culture of operational excellence. The Board and Executive team have a shared vision and clear opportunity to grow Aeris into a mid-sized, multi-mine company. The current growth strategy is predicated on:

- Building on recent exploration success within the highly prospective Tritton tenement package to extend the current five-year mine life and leverage existing infrastructure at the Tritton Copper Operations;
- Progressing the large, drill-ready Torrens project in South Australia; and
- Actively pursuing appropriate merger and acquisition opportunities.

FY2018 Highlights

Substantial share price re-rating

Successful conclusion of 5-year turnaround strategy

- Senior debt reduced from US$63.3 million to US$30 million
- Share capital reduced by 50 per cent for $1
- Copper Price Participation Agreement with SCB cancelled for $1

Tritton ventilation shaft commissioned

Murrawombie

Ramp-up of Murrawombie Underground Mine to full production rates

Tritton tenement

Greenfields exploration success on the Tritton tenement package

Torrens Project

Final approval enabling drilling to commence

Executive Chairman's Statement

2018 was a significant period for Aeris, with notable achievements across the Company's corporate, operational and exploration activities.

CORPORATE

The corporate and debt restructure announced in February 2018 delivered three value enhancing events in a single transaction. Senior debt was reduced by 53 per cent from US$63.3 million to US$30 million; the Company's share capital was reduced by 50 per cent for $1; and the Copper Price Participation Agreement with Standard Chartered Bank was cancelled for $1, allowing Aeris to retain the benefit of copper prices above A$8,000/t.

This restructure marks the successful completion of a 5-year operational and financial turnaround and sees Aeris in its best position in several years to actively pursue growth.

CAPITAL PROJECTS

Three major capital investment projects were delivered in the past year, each representing a strategic investment in the future of the Tritton Copper Operations:

- The Tritton Underground Mine ventilation shaft was commissioned in September 2017. This essential infrastructure ensures that production at Tritton can be maintained at more than one million tonnes per year as mining moves deeper;
- The Murrawombie Underground Mine which provides a second source of ore to the 1.8Mtpa Tritton copper processing plant attained full production levels; and
- The geophysical survey portion of the two-year, $7.5 million greenfields exploration program which commenced in the first half of FY2017 was completed, with highly encouraging results for follow up in FY2019.

OPERATIONS

A continued focus on operational performance and cost management at Tritton saw full year production increase by 14 per cent to 26,686 tonnes of copper, with average C1 Unit cash costs maintained at 2017 levels of A$2.60 per pound.

TRITTON UNDERGROUND

Ore production from Tritton was impacted during the first half of the year due to stope sequencing. This was reversed during the second half as sequencing moved back on plan and the higher grade stopes were mined.

Brownfields exploration at the Tritton deposit has identified a number of opportunities to extend the life of the operation, including extensions to the orebody, which remains open at depth. Further drilling and evaluation will be undertaken in FY2019.

MURRAWOMBIE

A revision of the geology model was completed as production at the newly-developed Murrawombie Underground Mine ramped up during the year to full production levels. The revised model incorporated grade control drilling information and mapping of development drives inside the orebody. The updated information has required flexibility in mine planning as detailed stope designs were modified to match the changes in geology models.

The new mine design features cemented backfill which allows selective mining methods to target areas of higher grade ore at this operation which remains open at depth.

PROCESSING

Throughput at the processing plant was impacted by harder ore from both mines, however the plant continued to deliver excellent copper recoveries and availability. Approximately 1.6 million tonnes of ore was processed during the year with a copper recovery rate of over 95 per cent.

EXPLORATION

TRITTON

Aeris' ongoing greenfields exploration program delivered a number of successes during the year, identifying a further 65 kilometres of geological trend on the Tritton tenement package and multiple new anomalies for further exploration in FY2019.

As part of the broader regional exploration strategy which is targeting repeats of larger (10Mt+) deposits, drilling also re-commenced at the Kurrajong prospect. Results from the initial six hole campaign have exceeded expectations, with sulphide mineralisation intersected in five drill holes and massive sulphide intersected in four (AIS: 21 August 2018). The massive sulphide envelope has now been traced over 800 metre down-plunge and mineralisation shows no signs of abating along the plunge direction. Several modelled electromagnetic conductors will be tested in a second phase of drilling in FY2019.

Whilst it is early stages in Aeris' revitalised greenfields exploration program, and more work is required, the results to date are highly encouraging and the Company hopes to build on recent success in the coming year.

TORRENS

The Torrens Project, a joint venture between Aeris (70 per cent) and Argonaut Resources NL (ASX: ARE 30 per cent), is exploring for iron-oxide copper-gold systems within the highly prospective Stuart Shelf region of South Australia. The project, which lies within 50 kilometres of Oz Minerals' Carrapateena deposit and 75 kilometres from BHP's Olympic Dam mine, covers a large magnetic and gravity anomaly with a footprint greater than Olympic Dam.

The Project achieved a major milestone in February 2018 when the South Australian Minister for Aboriginal Affairs and Reconciliation approved up to 70 deep diamond drill holes within the Torrens project area. This was the final approval required to enable the Torrens Joint Venture to proceed with on-ground exploration activities, including a major drilling program. An airborne gravity survey was recently flown over the entire exploration tenement (EL5614) to more accurately define prospective targets for drilling in FY2019.

SAFETY AND PEOPLE

Safety is central to every process, every day across Aeris' operations. The Company's safety management system framework is consistent with resource industry best practice, as described by International Council of Mining and Metals (ICMM), with ongoing programs continuing to build on a culture of safety and workforce wellness.

OUTLOOK

As one of Australia's few pure copper plays, Aeris offers investors strong leverage to copper price upside as the world transitions to new electrical technologies ranging from electric vehicles to solar and wind energy systems. Demand for copper is forecast to remain robust in the coming decade. This combined with declining copper grades at current mines and few large new copper mines in the pipeline has resulted in copper deficiencies being forecast from the start of the next decade.

$35.1 MILLION EQUITY RAISING

Subsequent to the end of the financial year, Aeris successfully completed a share placement and institutional entitlement offer to collectively raise $28.4 million, with strong support from existing shareholders as well as new institutional and sophisticated investors. A fully underwritten retail entitlement offer to raise approximately $6.7 million was underway at the time this report went to print. (ASX: AIS 21 September 2018 and 25 September 2018.)

The combined raisings totalling approximately $35.1 million will significantly strengthen Aeris' financial position and its ability to grow shareholder value, with the funds raised to further reduce corporate debt and accelerate exciting exploration programs at both Tritton and Torrens.

STAKEHOLDERS

We continue to invest in the communities within which we operate and give preference to employing locally to our operations to support strong, sustainable regional communities. On behalf of our Board and management team, I would like to thank our host communities, our employees and contractors, and not least our shareholders, for your valued support in FY2018.

Andre Labuschagne

Executive Chairman

Review of Operations and Activities

Financial Results

The Group recorded a profit after tax for the financial reporting year to 30 June 2018 of $55.304 million, compared with a loss after tax for the year ended 30 June 2017 of $33.299 million. The June 2018 financial result for the Group was impacted by a number of key factors, including:

- Increased revenues resulting from increased production compared to prior year and increased copper prices. The copper price increased by more than 10 per cent from ~US$5,900 per tonne on 1 July 2017 to ~US$6,500 per tonne at the end of the financial year;
- Gain on debt restructure of $54.846 million, offset by;
- Increased costs mainly due to increased production, compared to prior year; and foreign exchange loss of $1.354 million.

Financial Position

At 30 June 2018 Aeris had a positive net asset position of $54.999 million, cash and cash equivalents at $23.332 million, inventories of $16.309 million, financial assets at fair value through profit or loss of $3.722 million (investments) and $7.190 million of restricted cash.

The Company's net cash inflow from operating activities during the financial year was $50.518 million, with net cash outflows from investing activities of $29.340 million and net cash outflows from financing activities of $7.544 million.

The Group continues to meet its working capital requirements principally as a result of positive operating cash flows generated by the Tritton Copper Operations and management of cash flows to meet obligations as and when due.

At 30 June 2018 US$15.500 million of the SPOV Tranche A Facility had been drawn down, with US$9.500 million undrawn. The SPOV Tranche A Facility has a 2 year term, expiring on 14 March 2020.

Profit/(loss)	30 June 2018 ($M)	30 June 2017 ($M)
Revenue from continuing operations	236.0	168.1
Gross Profit	37.8	(4.2)
Profit/(Loss) from continuing operations	61.5	(27.0)
Profit/(Loss) for the year	55.3	(33.3)

Tritton Copper Operations

	Units	FY18	FY17	FY16	FY15
Mined	Tonnes	1,615,855	1,457,406	1,693,951	1,622,829
Grade	Cu (%)	1.76	1.66	1.86	1.94
Ore milled	Tonnes	1,592,165	1,467,244	1,700,860	1,641,483
Grade milled	Cu (%)	1.75	1.67	1.88	1.93
Recovery	Cu (%)	95.23	94.84	94.31	94.65
Copper concentrate produced	Tonnes	118,366	99,567	125,469	123,367
Copper concentrate grade	Cu (%)	22.45	23.35	24.01	24.37
Contained copper in concentrate	Tonnes	26,576	23,253	30,122	30,059
Copper cement produced	Tonnes	110	151	303	186
Total copper produced	**Tonnes**	**26,686**	**23,404**	**30,425**	**30,245**

Tritton Copper Operations located near the town of Nyngan in central New South Wales, is operated by Tritton Resources Pty Ltd, a 100 per cent subsidiary of Aeris Resources Limited (Aeris or the Company).

There are two active underground mines; Tritton Underground Mine (Tritton); and Murrawombie Underground Mine (Murrawombie). The combined ore production from both mines is treated at the Tritton ore processing plant. The capacity of the Tritton plant is up to 1.8 million tonnes per annum, depending on the hardness of the ore.

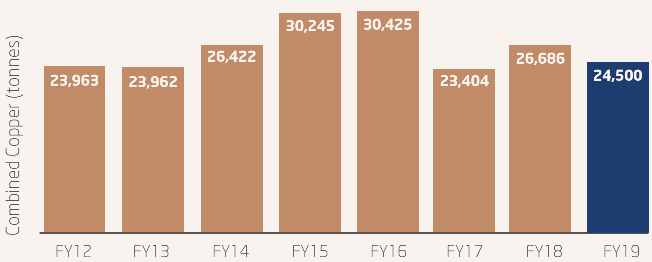
There are four additional mine projects scheduled for future production, which together with Tritton and Murrawombie form the current Life of Mine plan (LOM). These projects will supplement and then replace production from Tritton and Murrawombie as the latter are exhausted. Exact timing for the additional mine projects is dependent on the success of exploration in extending the life of existing mines and finding new deposits in the region.

The current LOM is supported by Ore Reserves. Extension of the Mineral Resource is possible at all of the deposits scheduled in the LOM as they all remain open at depth. Aeris is confident that drilling will grow these known deposits and that mine life will progressively extend. Exploration success in finding new deposits in this highly prospective region could increase production rates and/or significantly increase the life of the operation.

The significant capital program for the year has predominantly been focused on continuing to develop Murrawombie as it ramped up to full production levels. Investment in the mining equipment fleet with a refresh of the loader fleet and first rebuilds of the truck fleet.

A regional exploration program with a budget of $7.5 million over two years (starting in 2017) has progressed as planned. This program aims to find new and significant size deposits (+10 million tonnes) in the region, that can be treated at the Tritton processing plant.

Tritton Copper Production



Tritton ore transfer conveyor

Mining

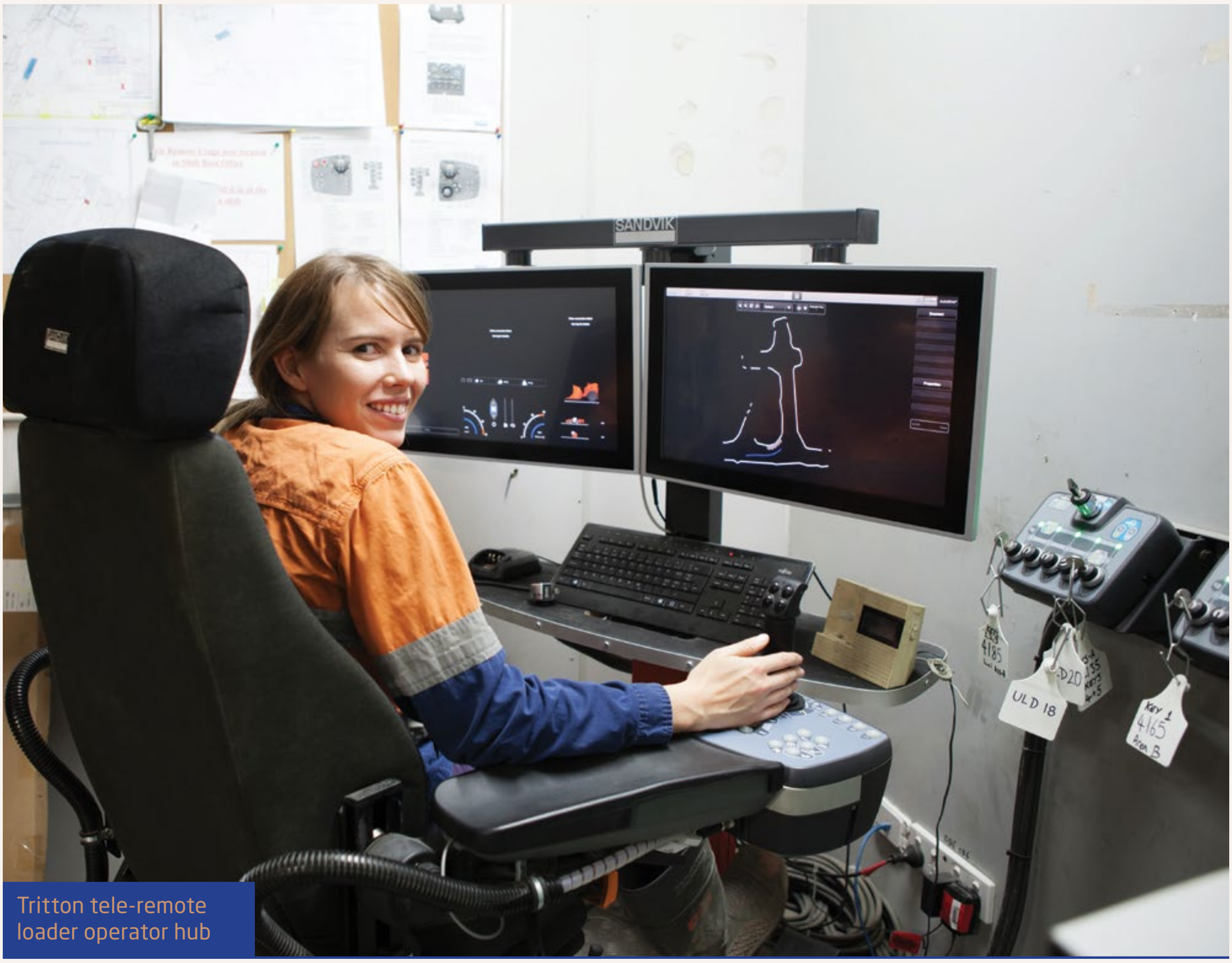
Tritton Underground Mine

Production was sustained at 1.1 million tonnes for the year, an excellent outcome considering the transition to a new mine design in response to a change in orebody geometry.

Stope design and extraction sequence changes continued throughout the year as the mine design evolved with variations in ore body geometry. Stope height has increased up to 60 metres using a vertical design with a more complex chequer board extraction pattern in a plan view. These changes accommodate the reducing strike length of the ore body and its increasing vertical dimension. Average ore tonnes per sub-level has increased due to the greater vertical thickness of the ore body, more than compensating for the shorter strike.

Stope extraction sequence on the lower levels was changed to eliminate pillar stopes. Mining progresses in parallel with the direction of principal ground stress, so the first stope extracted helps to shield remaining stopes in the retreat sequence. It has taken considerable development investment during the year to set up this sequence. In some months the complexity of schedule interactions with development, drilling, stoping and backfill all carried out within a restricted working area resulted in a shortage of broken ore and modest production results. During the year the mining team worked through these issues, and the change to mining sequence is near complete. The investment in capital development has set the mine up for stable stope production in coming years.

A significant upgrade of the primary ventilation circuit was completed during the year, with the new exhaust ventilation fans commissioned in the September quarter.



Tritton tele-remote loader operator hub

These fans draw air from an 864 metre deep, 5 metre diameter exhaust shaft, providing primary ventilation near the active working areas of the mine. Performance of the new system has been excellent with lower than expected power consumption to draw the volume of air required.

The Company continued to invest in mining equipment and technology. During the year we implemented a significant upgrade of the tele-remote loader operation system. Loading operations can now be conducted from the surface control room, allowing loaders to continue bogging ore from the stopes during blast clearance and shift changes. The single controller can also be used to remotely operate more than one loader when necessary.

In the mid-levels of the mine, there is a small Mineral Resource contained in remnant pillar stopes. These pillars were left from the time before the mine had a paste backfill plant. Mining of the remnant pillar stopes started successfully in 2018. The extraction is slow, working in old areas of the mine. Innovative mine design and a careful approach to ensure safe work has been successful, and production from these high-grade pillars will continue for the next two years. There is a reasonable opportunity to achieve higher than planned production from the remnant mining area, if recovery of ore from stopes exceeds the 50 per cent assumed in the Ore Reserves.

TRITTON MINE EXTENSIONS

Opportunities exist to extend mining operations at Tritton from a number of known sources:

- Tritton main deposit extensions at depth;
- North and South wings;
- Improved recovery from remnant pillars; and
- Budgerygar deposit access through Tritton.

Development of the main access decline was suspended late in the year to allow exploratory diamond drilling into the lower levels of the deposit. The exploration program was designed to be drilled from the decline on the nominal footwall of the deposit, and drilling activity takes priority over jumbo development in the limited space at the bottom of the mine. Resource drilling is expected to be completed in first half of FY2019, to be followed by mine design and economic analysis of how to mine the deposit at a depth of up to 1,500 metres below the surface. The mineralisation is known to extend to this depth; however a lack of drilling prevents the design of mine extension. Finding sufficient Mineral Resources at an economic copper grade is necessary before design of the access decline and other infrastructure can proceed.

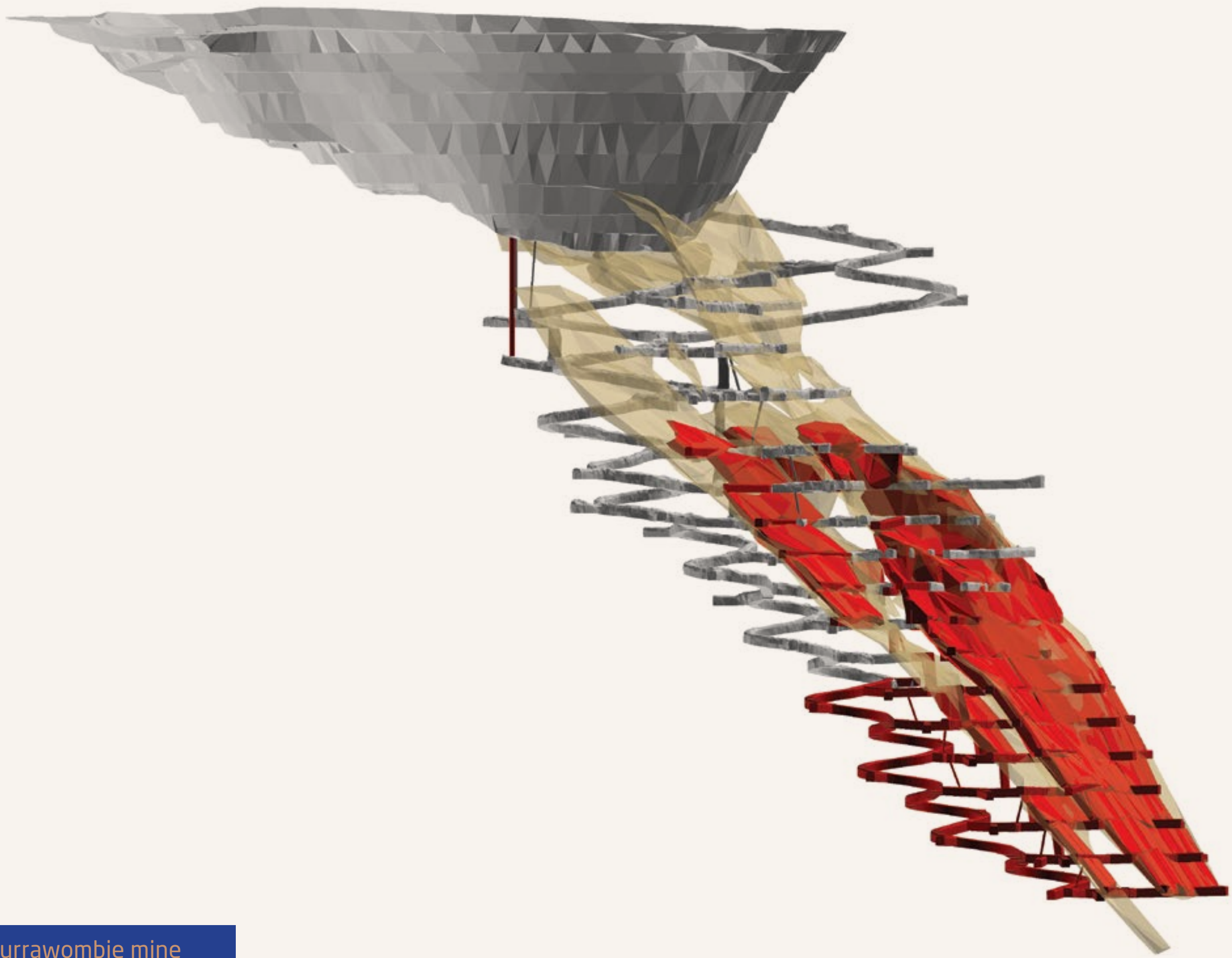
Murrawombie Underground Mine

Murrawombie is the second production source for the Tritton Copper Operations. Development of the mine commenced in late FY2016, and achieved full production rates in FY2018.

The access decline has now been advanced to 4813mRL, approximately halfway through the planned mine. There is another 125 metre vertical to the base of the current plan. If, as is expected, the deposit continues at depth then development will continue to expand the mine, potentially increasing the production rate over time.

The deposit geology is typical for the area with multiple lenses of mineralisation running roughly in parallel at a modest dip (40 to 50 degrees). There are four mineralised lodes included in the mining plan; 101, 102, 105 and 108 lodes. Early production was all from the shallower 101 lode. Mining of the 101 lode was difficult due to poor rock mass conditions close to the base of oxidation and a shallow dip. In 2018 mining progressed into the higher grade 102 lode. Mining conditions have improved significantly, as was expected, and stope performance has been excellent. The good stope performance is expected to continue as the mine gets deeper.

During the year detailed understanding of the deposit geology improved significantly as grade control drilling and level mapping information became available. The rapidly improving geological models allowed for a revision of the mine plan. Geology modelling now identifies coherent blocks of higher and lower grade mineralisation within the deposit. Higher grade sections of mineralisation are heavily controlled by fault structures that are being identified from the additional information available. The Mineral Resource estimates have been significantly revised to reflect the improving geological understanding of the deposit.



Murrawombie mine section view

Mining methods have been changed to take advantage of the improved geological understanding. The sub-level cave design for the northern end of the deposit has been abandoned in favour of a more straightforward mining by sub-level open stope design. This method allows the extraction to be selective, targeting higher grade portions of the deposit. Ore Reserve grades have improved as a result. Mine operations have also been simplified with teams now focussed on well-understood sub-level open stoping.

There is now sufficient detailed geological information to adequately understand the nature of the Murrawombie deposits and future changes in the geology model will be more modest and are not expected to require significant changes in the mine design. The complex structure of the deposit and the structurally controlled remobilisation of copper into pods of high-grade mineralisation will continue to provide design challenges at the stope scale. Hence the mine design needs to be flexible, and the schedule requires adequate time to allow for design changes. These concepts have been included in the plan by retaining a 20 metre sub-level interval in the design and avoiding aggressive production scheduling rates for stope extraction at Murrawombie.

Murrawombie

The change in mining method at Murrawombie has required the introduction of consolidated backfill. Currently, a cemented rock fill technique is used. Installation of a cemented paste backfill system during the coming year is being investigated to improve filling rates, reduce costs and simplify the stoping sequence.

The strategic context is for Murrawombie to be the significant satellite mine supporting Tritton, providing top-up ore to fill the Tritton ore processing plant. Murrawombie was developed to replace the now exhausted North-East and Larsen's underground mine, which was the previous satellite production source. Operating two or more mines at any time is a tactical objective. Having multiple mines in production improves the stability of the ore processing operations by smoothing the combined ore supply from the mines which individually would have high variation in short period output. Modest ore stockpiles on the surface are held at Murrawombie and trucked as required to the Tritton run-of-mine pad when the Tritton mine is underperforming in the short run, assisting in steadying the ore processing plant.

Murrawombie open pit

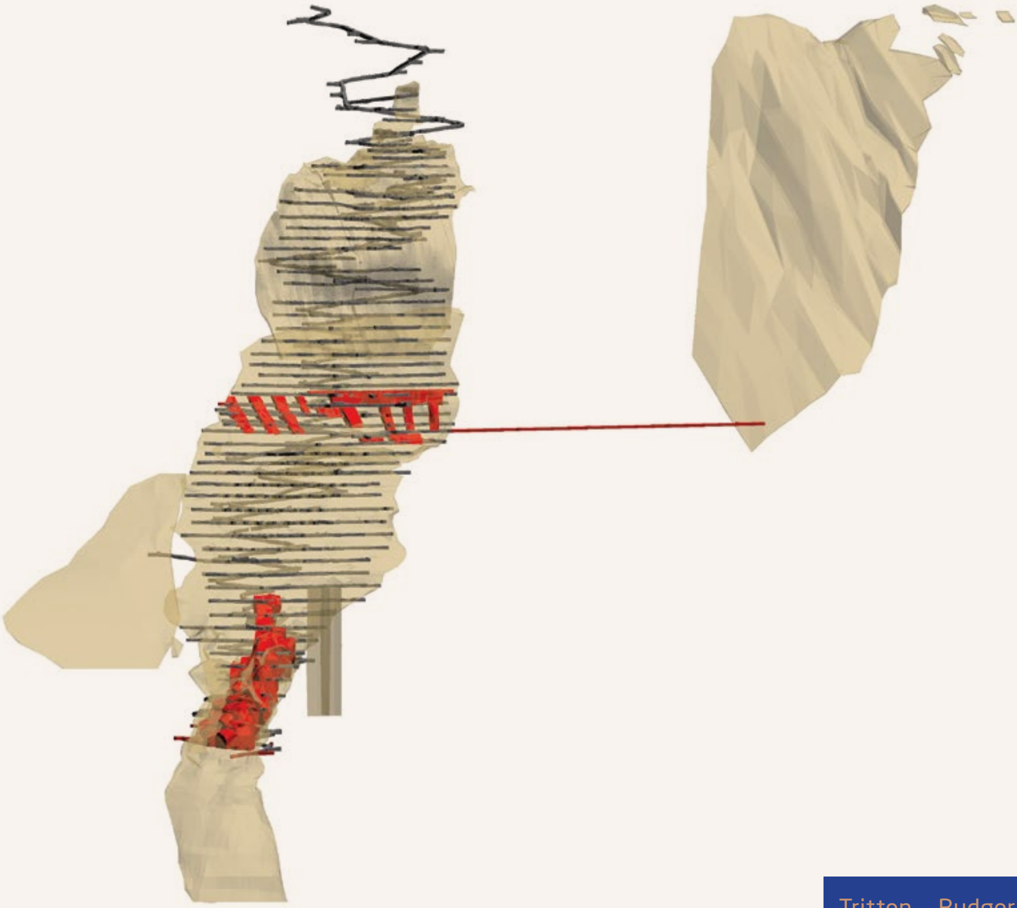
Budgerygar Deposit Conceptual Underground Mine

The Budgerygar deposit is hosted within the Tritton stratigraphic package and located approximately 600 metres north of the Tritton deposit. The deposit has low grade gossanous material outcrops at surface which was mined intermittently during the early 1900s.

Mineralisation is characterised by a large pyrite dominant sulphide envelope (5 metres to 50 metres) striking north-south and dipping moderately east. Copper mineralisation is dominated by chalcopyrite and covers a strike length of 300 metres and traced 800 metres down dip and remains open.

There is no production assumed from the Budgerygar deposit in the current Life of Mine plan. Although it is sufficiently well drilled to support an Inferred Mineral Resource estimate, the narrow width, poor continuity and modest grade of the poorly understood deposit have prevented development of a mining plan. Further drilling is required to identify the attractive higher grade portions of the deposit.

Upgrade of the Tritton primary ventilation circuit last year presents the opportunity to access the Budgerygar deposit from Tritton. Sufficient ventilation air can be diverted for use in development of an exploration and access drive. Mining of an exploration drilling platform for underground drilling of Budgerygar is planned.



Tritton – Budgerygar corridor

Avoca Tank Underground Mine Project

Avoca Tank is a small high grade deposit located 5 kilometres to the north of Murrawombie. It is the next deposit scheduled for development into an underground mine. Mine construction is planned to start in 2019.

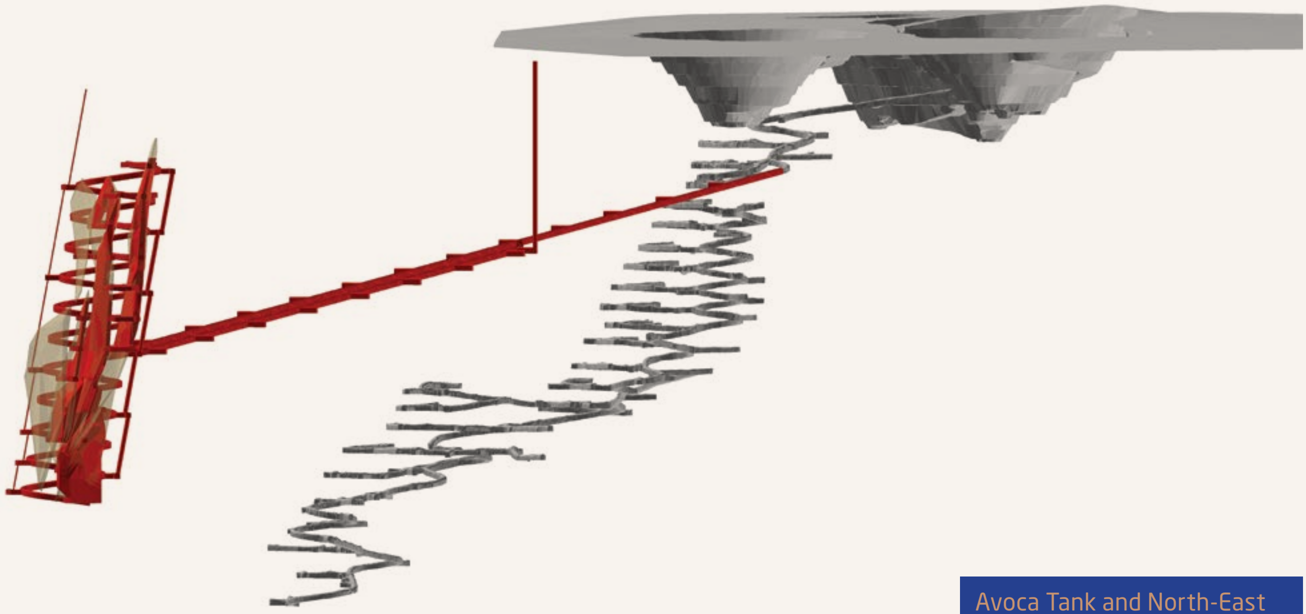
The current planned life of Avoca Tank is four years, including construction, however there is a realistic expectation that exploration drilling can increase the size of the deposit and the mine life will be extended.

Avoca Tank has multiple lenses of mixed chalcopyrite (copper bearing mineral) and pyrite mineralisation with complex structural controls that have probably contributed to the high grades. The deposit is unusual for the region due to its vertical dip and it has an uncharacteristically high gold content at 0.8g/t. The vertical dip and structural controls makes further exploration drilling from surface inefficient.

A pre-feasibility study has been completed for the proposed mine for several years. Start of mine construction has been deferred so that ore production and capital expenditure schedules are optimised for the business and to match the available ore processing plant capacity. As a small scale, high grade mine, Avoca Tank is planned to be mined as a supplementary ore source to top up production from the larger Tritton and Murrawombie mines. The estimated stable production rate from the pre-feasibility mine design is 300,000 tonnes per year.

Feasibility studies to optimise the mine access design, exploration drilling program, and to minimise environmental impact and closure costs will be undertaken in 2018 and 2019.

Design of the optimum access to the deposit is a key item to be the subject of further technical investigation. The pre-feasibility design assumes a box cut and portal for a decline excavated from the surface located directly above the deposit. Mine infrastructure and waste dumps would be established next to the box cut requiring the clearing of land and civil works. An alternative concept to be investigated is to drive an access decline underground from the old North-East mine, using the existing portal in the Hartman pit. This would eliminate the surface disturbance, hence reducing the costs associated with environmental impact and infrastructure development. The Avoca Tank figure below illustrates the access via underground concept design.



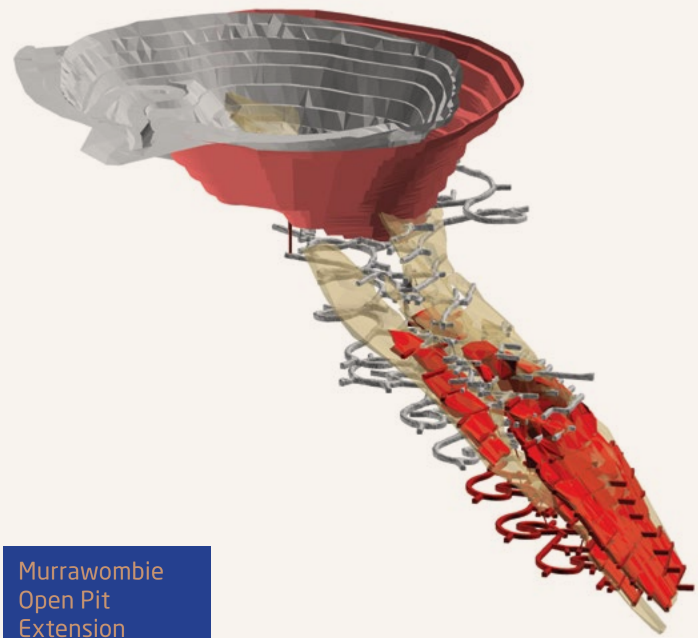
Avoca Tank and North-East Mine Infrastructure

Murrawombie Open Pit Mine Project

Expansion of the old Murrawombie open pit will allow mining of an estimated 1.5 million tonnes of ore that is not suitable for underground mining methods. The expansion entails a small push back of the eastern wall to increase the pit depth.

The pit expansion project has secured State and local Council approval and from a regulatory perspective can proceed at any time. In the Life of Mine plan the project is scheduled as the last mining activity on the Murrawombie deposit. Waste mined from the pit will be used for site rehabilitation and closure works. Use of the pit waste as capping for the adjacent heap leach pads substantially reduces the closure cost for the Murrawombie mine site.

The expanded pit will mine through the upper levels of the underground mine to recover stope pillars and remnants of the 101 and 103 lodes. It would destroy underground mine ventilation and backfill infrastructure,



Murrawombie Open Pit Extension

so mining is scheduled for after completion of the underground mining, or with minimal overlap in time.

A single push back design results in the majority of the pit waste being mined before access to any significant ore. There is not sufficient width to consider splitting the mining into staged sequences. So, the start of waste mining will be carefully timed to avoid interrupting ore supply to the processing plant. Contractors will be engaged for this relatively short life mining project.

Processing

Exploration Geologist reviewing drill core from the Kurrajong prospect

During the year the Tritton ore processing plant treated 1,592,165 tonnes of ore producing 118,366 tonnes of copper concentrate.

The plant throughput was an improvement on the previous year, reflecting increased ore supply from the mines.

Plant feed was a blend of ore from the Tritton and Murrawombie mines and intended to smooth head grade and hardness. Average ore hardness increased during the year compared to the previous year limiting the instantaneous throughput rates. Investigations into mill liner design and flotation circuit optimisation are ongoing to optimise the milling performance.

There was staged replacement of the old and corroded flotation cells in the scavenger and cleaner circuits during the year. Two of the six banks of cells remain to be replaced in FY2019.

Replacement of the primary jaw crusher is planned for FY2019. The new crusher will fit into the existing structure and associated feeders and conveyors. The existing crusher is now 30 years old and close to the end of its useful life.

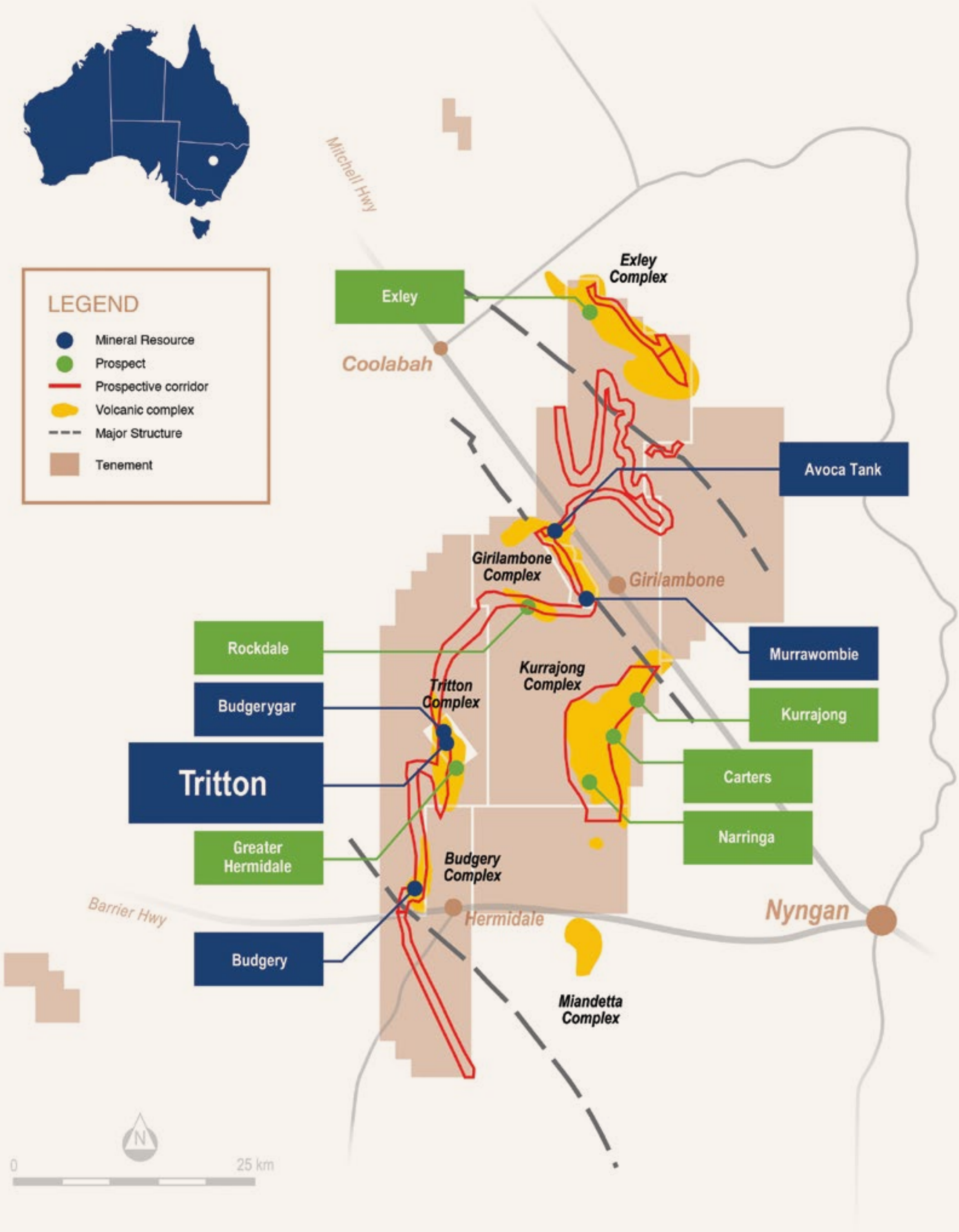
Costs

For FY2018, the C1 Unit cash costs and All-in-sustaining (AISC) unit costs averaged $2.60/lb and $3.51/lb copper respectively. The AISC reflected the high capital spend for the year as the Murrawombie underground mine was brought on line, the loader fleet refreshed and rebuild of the truck fleet commenced and the Tritton ventilation shaft and associated infrastructure was completed.

Outlook

Copper production for FY2019 is forecast to be 24,500 tonnes at a C1 Unit cash cost between $2.75/lb and $2.90/lb.

Exploration



Tritton Tenement Package Prospective Corridor

Aeris Resources' exploration is focussed on two highly prospective areas:

- The package of tenements surrounding the Tritton Copper Operations in New South Wales; and
- The highly prospective Torrens Project (EL5614) in South Australia.

There is also a small gold exploration tenement in central Queensland surrounding the old Yandan gold mine. Yandan exploration is currently a low priority for the Company.

Tritton Greenfields Exploration

Aeris has a number of prospective exploration tenements in New South Wales and three mining leases; collectively referred to as the Tritton tenement package. The tenement package covers an area of 1,800km² and is 100 per cent owned by Aeris. There is also a small tenement at nearby Canbelego held in joint venture (30 per cent), with Helix Resources.

In July 2016, the Aeris Board approved a two year $7.5 million strategic greenfields exploration program on the Tritton tenement package, focusing on discovering Tritton-sized orebodies of more than 10 million tonnes.

The first stage of this program involved using high power electromagnetic (EM) geophysics technology, including moving loop EM technology (MLTEM) which is able to "see" 400-500 metres below surface, compared to the 200 metre depth of the equipment previously used on the tenement package, and airborne EM surveying (VTEM-Max) able to cover large areas quickly but not "see" as deep.

The MLTEM program commenced in December 2016 and was 90 per cent completed by the end of the year. The program has completed approximately 7,800 stations, covering in excess of 200km² within the highly prospective Tritton and Kurrajong stratigraphic corridors.

Results to date from the MLTEM survey have detected several new bedrock EM conductors (anomalies). Importantly, the modelled EM conductors at Kurrajong were also confirmed to extend below 500 metres, providing confidence the technique is successful in detecting conductive bodies to depths significantly greater than EM methods used throughout the mid-to-late 1990s.

Airborne EM surveys of portions of the southern and northern ends of the tenement package were also completed. Airborne EM geophysics is used to cover larger areas at low cost to provide preliminary targeting data. Results from the northern survey were highly encouraging with four new anomalies identified.

The second stage of the exploration program entailed drilling of the identified anomalies from the MLTEM survey. The three highest priority EM anomalies have been drill tested, with the highly encouraging results from the Kurrajong prospect drilling discussed in detail below.

Geology mapping of the northern half of the tenement package (Girilambone to Exley) was successful in identifying the location of the historically prospective sediments. An additional 65 kilometres of the target stratigraphic sediment package has now been identified from stratigraphic and structural mapping, combined with historical geochemistry data. This is unexplored territory and will be targeted for further work with the latest MLTEM and Airborne EM survey techniques. Discovery of several EM anomalies from the scouting airborne EM survey over a small portion of the northernmost area is highly encouraging. The same package of rocks has been traced some 50 kilometres between the known deposits within the Tritton stratigraphic corridor from Budgery to Avoca Tank. Within the earlier identified 50 kilometre corridor approximately 750,000 tonnes of copper metal has been discovered to date.

The ground based MLTEM survey will now be extended further along strike between the Murrawombie and Avoca Tank deposits and then into the northern area, including across the four new anomalies identified from the airborne EM program.

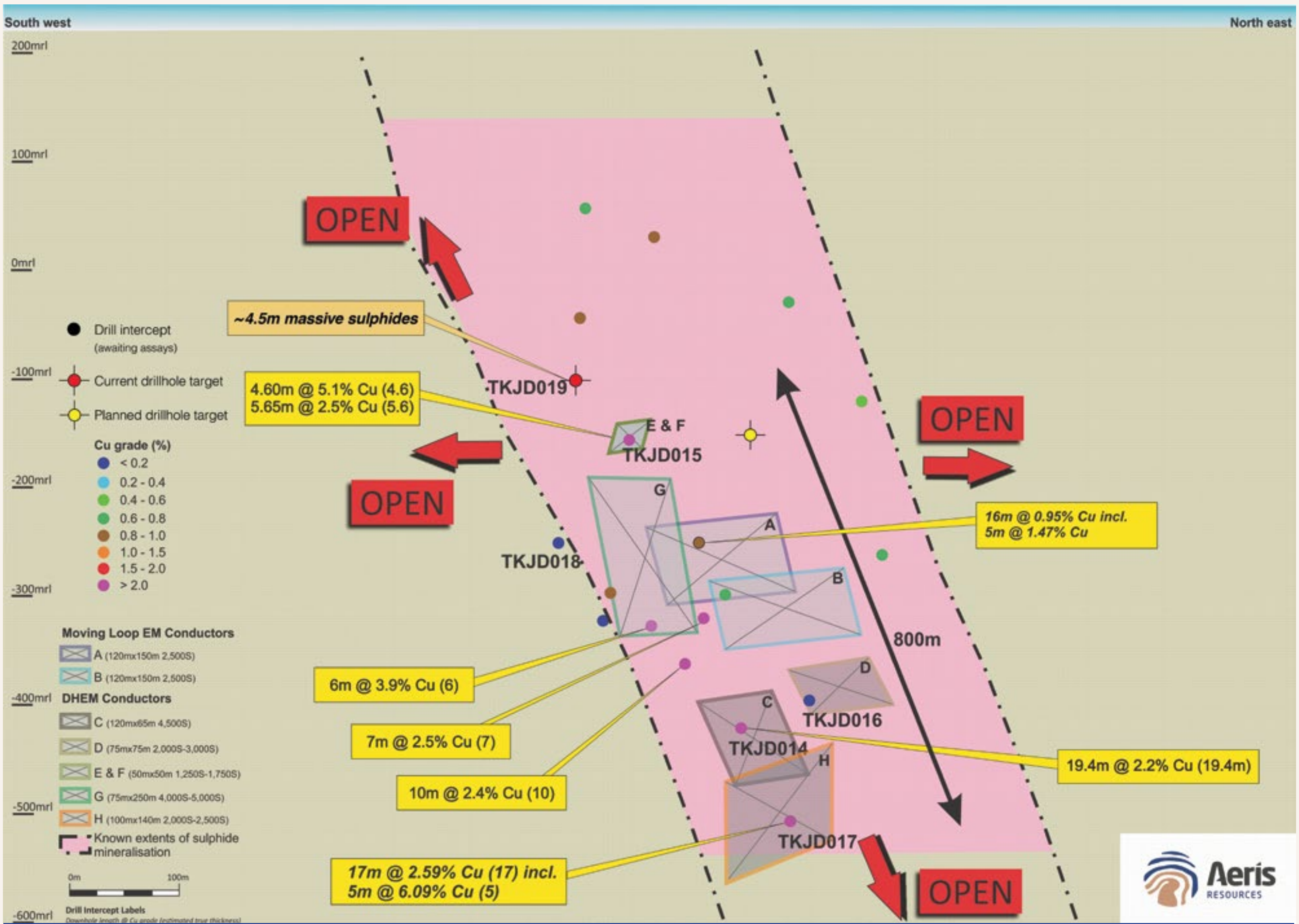
Drilling will continue at the Kurrajong prospect in light of the excellent results achieved from the six hole drill program recently completed.

Drill Program

The greenfields drill program targeted three EM conductors defined from the MLTEM survey; two new targets (Marlin and Galaxy anomalies) located south of Tritton and the Kurrajong prospect which contained two modelled EM plates.

The Marlin and Galaxy anomalies are stratigraphically located in a similar position to the Tritton deposit, 3 kilometres and 7 kilometres south of Tritton respectively. A preliminary drill hole at the Galaxy prospect intersected several pyritic graphite shear zones which accounted for the EM response. At the Marlin prospect one drill hole was completed which intersected thick sequences of mafic volcanics with lesser turbidite sequences. Although the drill hole did not intersect a conductive body the area remains prospective given its close proximity to Tritton and encouraging surface geochemistry results.

The Kurrajong prospect is a known copper mineralised system defined by a broad surface geochemical anomaly and associated shallow historical workings. Two previous drill programs completed at Kurrajong intersected sulphide



Long section view of the interpreted Kurrajong mineralised envelope showing the location and copper grade from drill hole intersections through the sulphide deposit.

mineralisation containing copper from a limited number of drill holes. Best drill intersections included TKJD007 4.0 m @ 2.46% copper, TKJD008 6.0m @ 3.92% copper and TKJD012 10.0m @ 2.43% copper.

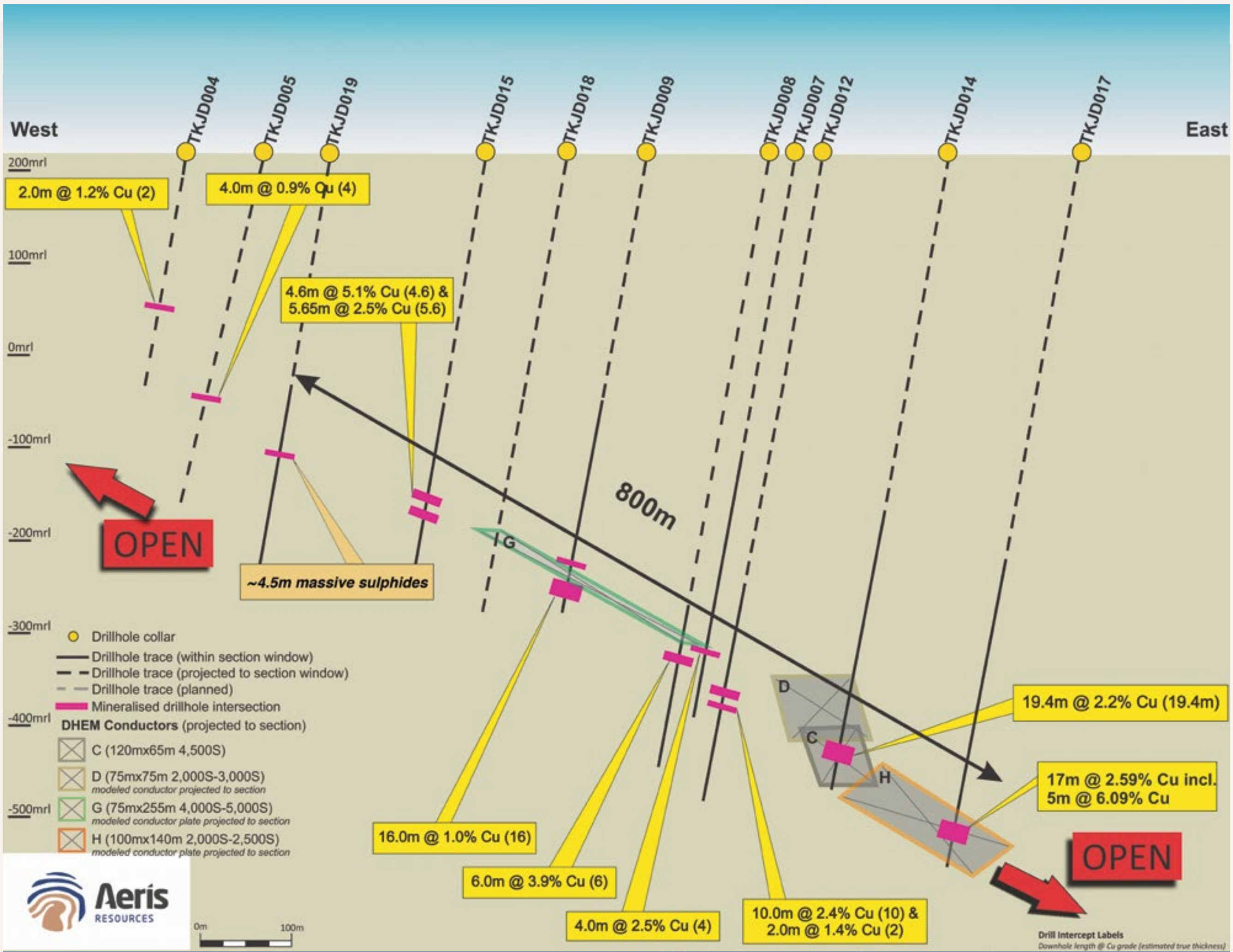
The modelled EM conductor plates from the current MLTEM survey correlate favourably with the historical higher grade drill hole intersections. Three-dimensional modeling of the MLTEM conductors at Kurrajong defined two stacked layers of moderate strength (1,500S to 2,000S) positioned approximately 400 metres below surface, with dimensions in the range of 125 metres (strike) by 150 metres (depth).

Six drill holes have been completed at Kurrajong since drilling re-commenced in April 2018 (refer to ASX announcements "Mineralisation extended at Kurrajong" dated 16 May 2018; "High grade copper intersections at Kurrajong" dated 12 June 2018 and "Kurrajong continues to deliver" dated 21 August 2018). Five drill holes have intersected sulphide mineralisation, with four intersecting massive sulphides containing high grade copper mineralisation. The high grade massive sulphide corridor has been intersected over 800 metre down plunge and remains open in all directions.

The first drill hole (TKJD014) was designed to intersect copper mineralisation 150 metres down plunge from three drill holes which had intersected high grade copper mineralisation from an earlier 2012-2013 drill campaign. TKJD014 intersected a significant zone of massive and semi-massive sulphides from 676.6 metres down hole. Assay results include:

- 19.4m @ 2.18% copper, 0.30g/t gold, 7g/t silver from 676.6m

TKJD015 (the second drill hole) was designed to test the interpreted up-plunge continuity of the high grade system within an area not previously drill tested. Previous electromagnetic surveying at Kurrajong had not detected a conductive body in this area. Two massive/semi-massive sulphide lenses were intersected from 403.4 metres down hole. The upper lens contained massive sulphides,



Cross section through the high grade Kurrajong Cu sulphide prospect. Note TKJD004 and TKJD005 intersections are further along strike (north) from the interpreted high grade Cu zone.

dominated by pyrite and chalcopyrite over a 4.6 metre interval. The lower lens is characterised by banded/semi-massive sulphides (notably pyrite and chalcopyrite) with chalcopyrite veining in places. A 10.1 metre weakly mineralised (<0.5% Cu) to barren turbidite unit separates the mineralised lenses. Assay results returned include:

- 4.60m @ 5.09% copper, 0.79g/t gold, 17g/t silver from 403.4m
- 5.65m @ 2.52% copper, 0.20g/t gold, 6g/t silver from 418.1m

TKJD017 (fourth drill hole) was designed to test the interpreted down-plunge extension of the high grade copper sulphide intersection in TKJD014. TKJD017 successfully intersected sulphide mineralisation including a 5 metre thick massive sulphide lens. Assay results returned from the sulphide zone include:

- 17.0m @ 2.59% copper, 0.30g/t gold, 7g/t silver from 753.0m including
- 5.0m @ 6.09% copper, 0.83g/t gold, 20g/t silver from 765.0m

TKJD019 (sixth drill hole) was designed to test the up-plunge extents of the high grade massive/semi-massive copper sulphide zone intersected in TKJD015. TKJD019 intersected a 4.5 metre thick massive sulphide interval from 340.4 metre down hole. The massive sulphide intersection is located approximately 150 metre up-plunge from TKJD015. Assay results pending.

Copper mineralisation at Kurrajong has now been traced over 800 metres down dip with mineralisation open in all directions.

At the completion of drilling each hole, downhole electromagnetic surveys (DHEM) were performed. DHEM surveys have been used extensively as a successful exploration tool within the Tritton tenement package to assist with detecting and vectoring toward sulphide bodies.

TKJD014 and TKJD017 DHEM surveys detected moderate to strong (2,500S and 4,500S) in-hole EM responses which correlates with the high grade copper sulphide intersections from each drill hole. The modelled DHEM plates overlap providing confidence the high grade mineralisation is continuous between each hole.

TKJD015 DHEM surveying detected two moderate conductive in-hole EM responses correlating with both high grade copper mineralised zones intersected within the drill hole (4.6m @ 5.09% Cu and 5.65m @ 2.52% Cu). A significant strong off-hole conductive response (100m x 175m and 3,500S-4,000S) was also detected down plunge from TKJD015. The modelled plate is located in-line with the interpreted high grade sulphide mineralisation.

Drill hole TKJD016 was designed to target the DHEM off-hole anomaly detected along strike from TKJD014. The drill hole deviated further than expected and intersected the margin of the modelled plate, rather than the centre of the plate as planned. The drill hole intersected a broad zone of stringer sulphide mineralisation containing <10% contained sulphides (visual estimate). Assay results through the interval returned 45.4m @ 0.14% Cu.

The DHEM survey results from TKJD016 constrained the existing modelled DHEM plates and reaffirmed earlier observations that TKJD016 has not adequately tested the modelled DHEM plate. The DHEM plate remains a legitimate drill target and will be tested at a future date.

The DHEM survey from TKJD018 detected a strong (4,500S) and large (75m strike x 250m dip length) conductive EM plate which coincides with the interpreted high grade sulphide horizon.

The Kurrajong prospect is developing into a significant mineralised system with a high grade copper massive sulphide horizon traced over 800 metres down dip within a larger low grade copper sulphide envelope with dimensions of 300 metre (strike) x 1,000 metre (down dip). Based on geological observations at Kurrajong and elsewhere within the Tritton tenement package, high grade copper mineralisation is interpreted to form along structural corridors. The high grade massive sulphide mineralisation discovered at Kurrajong to date is interpreted to represent one such corridor. Within the larger low grade sulphide envelope there remains significant potential to discover further high grade massive sulphide horizons. Importantly, mineralisation remains open in all directions.

Drilling will continue at Kurrajong defining the up-plunge extensions to the massive sulphide mineralised system followed by targeting the existing MLTEM and DHEM targets. An application to complete an additional 12 drill holes at Kurrajong has been approved by the NSW Department of Planning and Environment (Resources and Energy).

HIGH GRADE COPPER INTERSECTIONS FROM DRILL HOLES COMPLETED AT THE KURRAJONG PROSPECT

HOLE ID	FROM (m)	TO (m)	LENGTH (m)	COPPER GRADE (%)
TKJD007	567.0	571.0	4.0	2.46
TKJD008	572.0	578.0	6.0	3.92
TKJD012	603.0	613.0	10.0	2.43
TKJD014	676.6	696.0	19.4	2.18
TKJD015	403.4	408.0	4.60	5.09
TKJD015	418.1	423.75	5.65	2.52
TKJD017	753.0	770.0	17.0	2.59

Regional Geology Compilation

Much of the on-ground exploration within the Tritton tenement package has traditionally been focused within the southern to central portion, between the Budgery and Avoca Tank deposits. On-ground exploration within the northern half of the tenement package has largely been limited, guided by an airborne EM survey flown during the late 1990s. On-ground exploration efforts including ground based EM surveys and surface geochemistry were completed on small "postage size" areas. Outside of these areas little on-ground exploration has been completed.

With the recognition that the known deposits are located proximal to a stratigraphic package referred to as the Budgery Sandstone, a regional mapping program was completed to construct a broad stratigraphic and structural framework over the northern half of the tenement package with a focus on identifying and tracing the Budgery Sandstone unit.

The geological mapping program was successful in tracing the Budgery Sandstone unit a further 65 kilometres along strike through the northern half of the tenement package. The identification of the Budgery Sandstone unit is an outstanding result for Aeris, confirming the prospective horizon continues through the northern half of the tenement package, which has been subject to a limited amount of exploration work previously. Furthermore, of the four EM anomalies detected from the initial high powered airborne EM survey completed within the northern and southern margins of the Tritton tenement package, two are located broadly in-line with the interpreted prospective corridor.

Tritton Brownfields Exploration

TRITTON - BUDGERYGAR CORRIDOR

The Tritton – Budgerygar corridor is a highly prospective copper rich mineralised system. The Budgerygar deposit is located approximately 600 metres along strike to the north of the Tritton deposit and contains an Inferred Mineral Resource of 1.60Mt @ 1.5% Cu. The sulphide envelope defining the Mineral Resource remains open at depth and along strike to the north.

Within the larger 2,000 metre (horizontal) Tritton – Budgerygar mineralised corridor there are numerous drill hole intersections peripheral to both deposits which contain elevated (+0.5% Cu) intersections over multiple metres. The South and North Wings are two examples of sparsely defined sulphide (pyrite-chalcopyrite) lenses located along strike from the main Tritton orebody.

At South Wing, historical drilling has defined multiple sulphide (pyrite-chalcopyrite) lenses over a 250 metre vertical extent from 4,500mRL to 4,250mRL. During the year, a six hole diamond drill campaign was completed from the 4285 level targeting the lower limits of the modelled South Wing. Five drill holes intersected pyrite-chalcopyrite mineralisation with the most significant intersections noted below:

- TRGC943 13.6m at 1.6% copper including 4m at 2.6% copper
- TRGC945 18.9m at 1.3% copper including 4.9m at 2.8% copper

The North Wing sulphide occurrence is defined by three historical drill holes which intersected a pyrite-chalcopyrite sulphide horizon along strike (north) and possibly in the hanging wall of the Tritton deposit. Geological understanding of the North Wing is limited, and a six hole diamond drill campaign was completed during the year testing mineralisation continuity surrounding the historical drill holes. Results from the drill program surpassed expectations with three drill holes returning thick (+30 metres) intersections of massive and semi-massive pyrite dominate with lesser chalcopyrite sulphide packages. Assay results returned included:

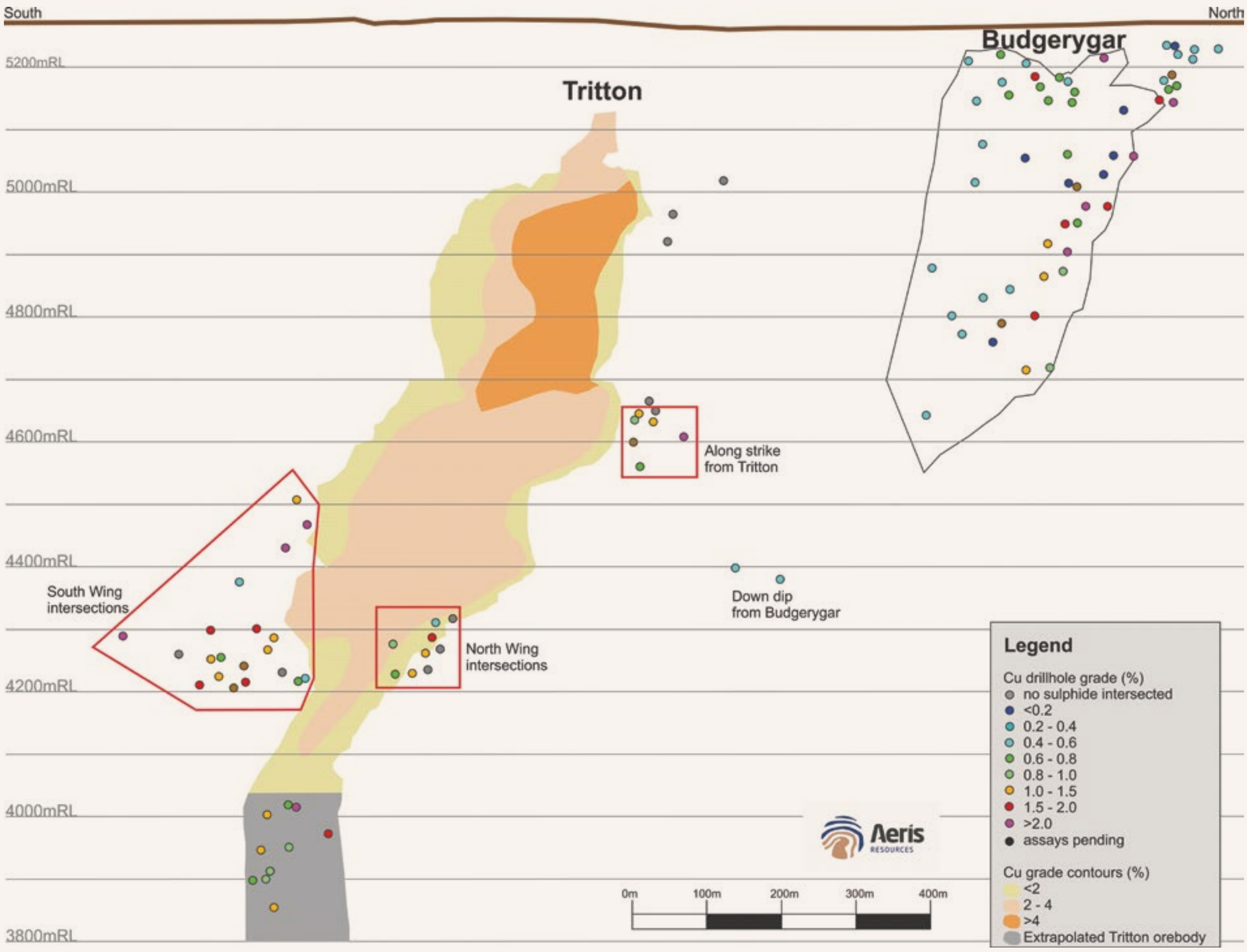
- TRGC949 30.1m at 0.7% copper including 6.1m at 1.3% copper
- TRGC950 38.15m at 0.7% copper including 7.7m at 1.3% copper and 4.1m at 1.3% copper

The results from South Wing and North Wing are highly encouraging and indicate the Tritton – Budgerygar mineralised corridor is highly prospective with significant potential to define new mineralised horizons within the two kilometre corridor.

At the Tritton deposit four drill holes were completed during the year targeting down dip extensions to the main Tritton orebody below the 4,000mRL level. Each drill hole intersected copper mineralisation down to the 3,860mRL level. The results are also highly encouraging indicating the Tritton mineralised system continues at depth. The deposit has now been traced over 2 kilometres down dip and remains open down-dip. Assays results returned include:

- TRGC956 41.8m at 1.9% copper including 12.9m at 4.1% copper
- TRGC957 50.5m at 1.4% copper

Further drilling is planned within the Tritton – Budgerygar corridor in the coming year, focused on increasing



Long section view of the Tritton and Budgerygar modelled copper deposits

the Mineral Resource base at the Tritton deposit and surrounding mineralisation extensions.

The Budgerygar deposit is located 600 metres from the Tritton deposit, and could be accessed and mined using Tritton mine equipment and infrastructure. Resource drilling of Budgerygar is planned to commence within the next two years.

MURRAWOMBIE MINE EXTENSION

There is a good opportunity to extend the Murrawombie mine. The current mine design stops at the limit of the Indicated Mineral Resource, where drill hole information becomes sparse. Extension drilling of the Murrawombie deposit from the surface is constrained by the location of the heap leach pads. When the access decline is sufficiently advanced late in FY2019, the design of an extension drilling program from a suitable underground location will be undertaken.

AVOCA TANK DEPOSIT EXTENSION

Tritton region deposits typically have a long down plunge extent and the same is expected to be true at Avoca Tank. Future exploration drilling of the deposit will be most efficient from an underground platform, and further significant drilling of the deposit will therefore be carried out following the mine development. However, to assist with feasibility studies a small program of up to three exploration drill holes to test the vertical extension of the deposit is planned. This program has the aim of helping to improve the understanding of the deposit's structural controls to optimise the underground drilling location.

Torrens Project (South Australia)

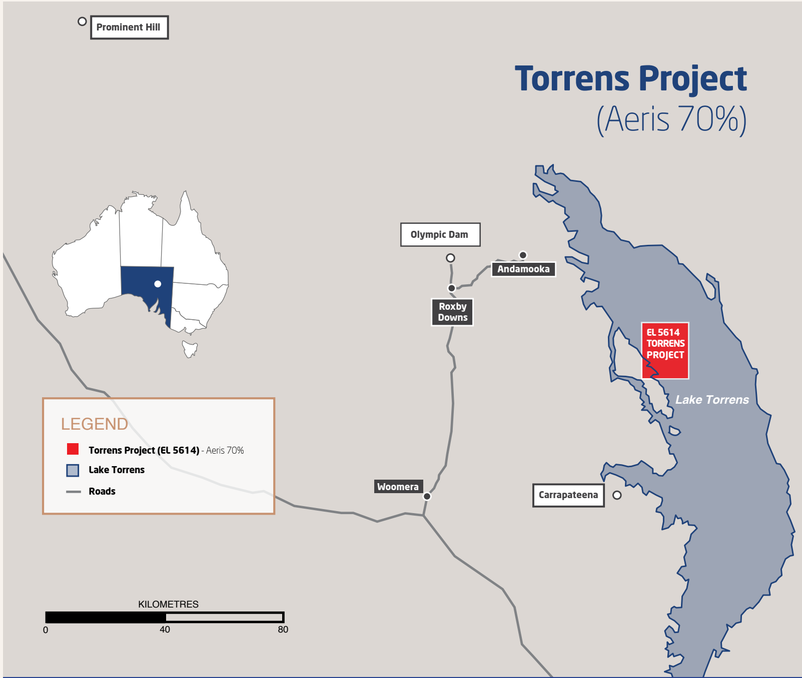
The Torrens Project (EL5614) is a joint venture between Aeris (70 per cent interest) and Kelaray Pty Ltd (a wholly owned subsidiary of Argonaut Resources NL) and is exploring for iron-oxide copper-gold (IOCG) systems.

EL5614 is located within the highly prospective Stuart Shelf region of South Australia and lies within 50 kilometres of Oz Minerals' Carrapateena deposit and 75 kilometres from BHP's Olympic Dam mine. The Torrens tenement covers a large regionally significant coincident magnetic and gravity anomaly with a footprint in excess 120km² (larger footprint than Olympic Dam).

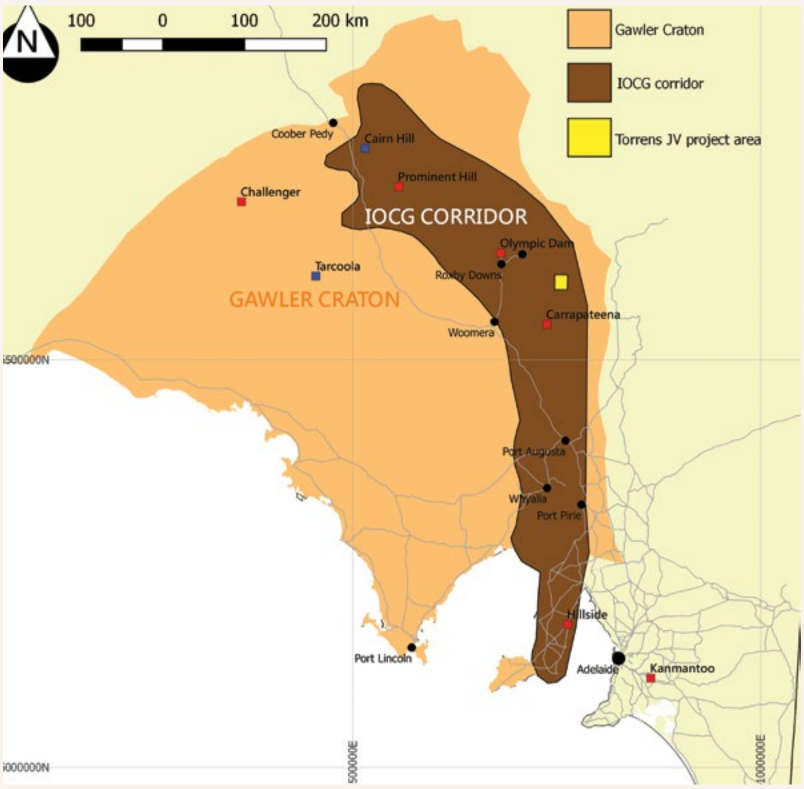
Limited drilling, totaling six drill holes between 1977 and 2008 defined a large magnetite dominant with lesser hematite alteration system interpreted to form the distal component of a large IOCG system. Zones of anomalous copper mineralisation (≥0.1% Cu) were intersected from several drill holes with the most significant mineralised zone associated with TD2 (246m @ 0.1% Cu).

Exploration activity on the project had been suspended since 2008 due to uncertainty regarding the native title status of the project area, and Aboriginal Heritage restrictions.

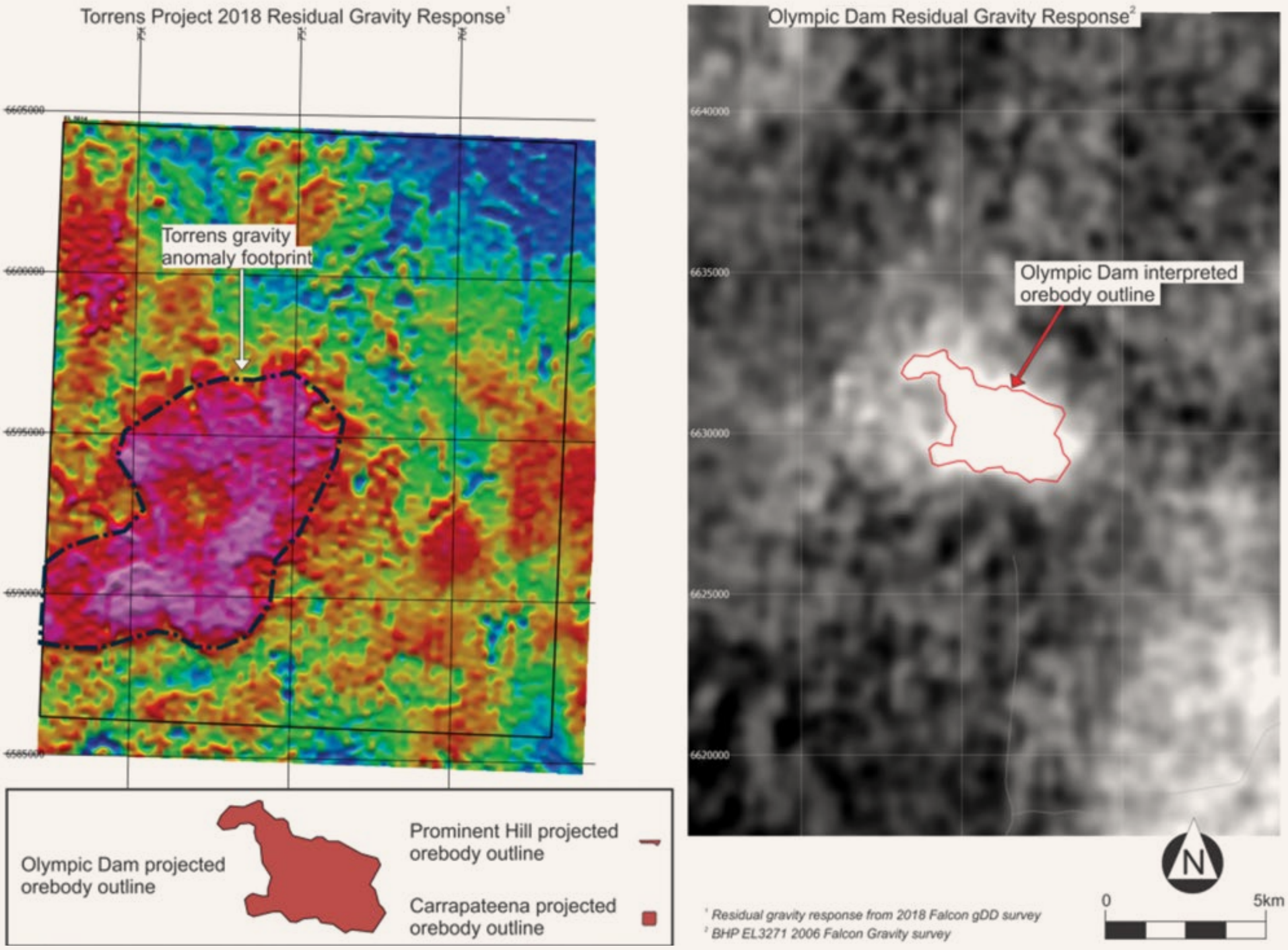
On 9 August 2016, Justice Mansfield of the Federal Court handed down his decision on the Lake Torrens Overlap Proceedings (No3). These proceedings were in respect of overlapping applications for a determination of native title rights over the lands and water of Lake Torrens, claimed by three separate native title claimant groups. The Torrens Project (EL5614) is located within the disputed claim area. Justice Mansfield ruled that none of the overlapping claims had been proved. All claimants made appeals to the Full Federal Court and all were dismissed by the Court in March 2018.



Torrens loacation map



Stuart Shelf region in South Australia



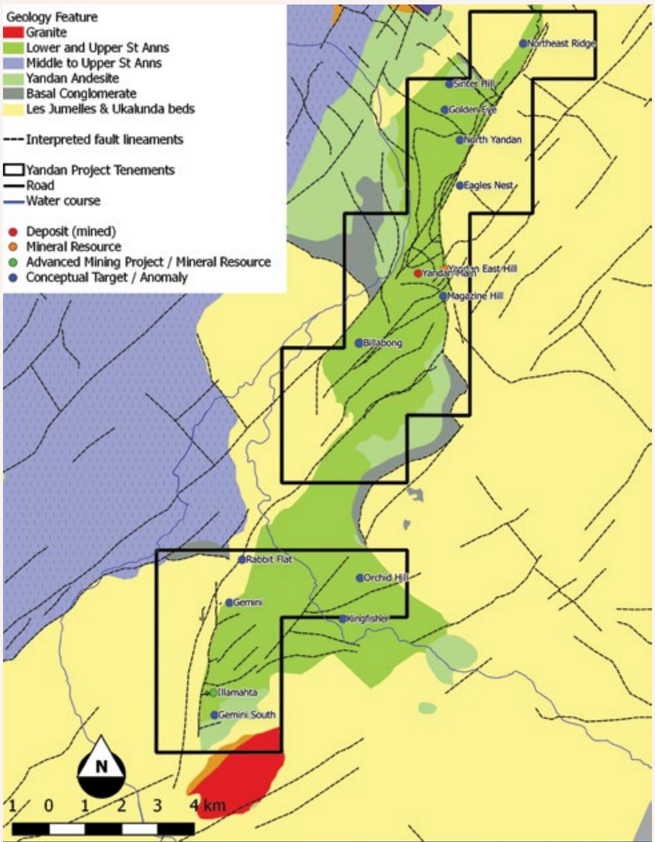
2018 residual gravity image over the Torrens Project area and 2006 residual gravity image over the Olympic Dam deposit

On 15 February 2018, the South Australian Minister for Aboriginal Affairs and Reconciliation approved an application by the Torrens Joint Venture under Section 23 of the Aboriginal Heritage Act 1988. The authorisation allows for up to 70 deep diamond drill holes covering an area of 120km² over the Torrens geophysical anomalies. This was the final approval required to enable the Torrens Joint Venture to proceed with on-ground exploration activities, including a major drill program.

A common feature consistent with known Iron Oxide Copper Gold (IOCG) deposits within the Gawler Craton, i.e. Olympic Dam, Prominent Hill and Carrapateena, are their association with a gravity "high" geophysical anomaly. With this in mind an airborne gravity survey was flown over the entire exploration tenement (EL5614) during March 2018. The high resolution gravity survey supersedes previous gravity data compilations dating back to the 1970s. The high resolution gravity dataset has enabled the geologists to identify 28 gravity anomalies, which is more than previously seen from the old dataset.

The new dataset is being used in conjunction with other geological data to refine the geology model and assist with identifying prospective areas. A predictive structural model is in progress and once completed will be used in conjunction with the geophysical data to rank targets for the first round of drilling which is expected to commence before the end of the 2018 calendar year.

Other Exploration Projects



Plan view of central Queensland regional geology showing location of the Yandan Project

Yandan Project, Queensland

Straits Gold Pty Ltd (a wholly owned subsidiary of Aeris Resources Limited) is the 100 per cent holder of the tenements comprising the Yandan Project. The Yandan Project is located approximately 40 kilometres to the west of the township of Mount Coolon and 155 kilometres south-east of Charters Towers in North Queensland. The Yandan Project is located on the eastern margin of the western arm of the Drummond Basin, proximal to the contact of the Drummond Basin within the Anakie Inlier. The Drummond Basin is highly prospective for epithermal gold rich mineral systems, most notable for Pajingo (~5Moz Au), Ravenswood (~4Moz Au) and Mt Leyshon (~3.5Moz).

The Yandan gold mine was operated by Ross Mining between 1985 and 1990 and produced more than 350,000 ounces of gold by heap leach and from a carbon-in-leach plant. An initial Mineral Resource Estimate (JORC 2004 compliant) has been determined for the East Hill mineralised system:

- 4Mt at 2.4 g/t Au for 308,000 ounces gold Inferred Resource with no lower cut-off[1]

Regional studies have defined other mineralised centres with significant potential to delineate economic gold systems, including the Illamahta prospect which represents a shallow low grade mineralised system approximately 14 kilometres south-west of the Yandan deposit.

The mining lease has significant water dams and rights to harvest water from the adjacent Sutor River. The gold processing plant was removed before the property was purchased.

The Company is considering future options for the asset.

Canbelego Project, New South Wales

The Canbelego Project (EL6105) is a joint venture with Oxley Exploration Pty Ltd (70 per cent interest), a subsidiary of Helix Resources Limited.

The Canbelego Project covers approximately 40km² and is located 45 kilometres south-west of the Tritton Copper Operations. Tenement EL6105 covers a 10 kilometre long, north-west trending magnetic complex, which is very prospective for base metal VMS deposits. Exploration activities have been focused on targeting mineralisation extensions below the historical Canbelego workings and regional geophysical and geochemical surveys to define regional targets within the tenement.

Significant intersections at Canbelego include nine metres at 2.5 per cent copper from 36 metres in CANRC001, 10 metres at 2.0 per cent copper from 145 metres in CANRC002 and 15 metres at 1.1 per cent copper from 140 metres in CANRC004.

1 Mineral Resource figures reported from three domains which represent high grade epithermal vein systems. All block estimates within each domain have been reported (0 g/t Au cut-off).

2018 Resources and Reserves

Aeris Resources Limited has updated its Mineral Resource and Ore Reserves estimates for its Tritton Copper Operations as at 30 June 2018.

Total reported Measured and Indicated Mineral Resource estimate, after mining depletions, are 14.1 million tonnes at 1.6 per cent copper for 220,000 tonnes of contained copper metal. Inferred Mineral Resource is 7.0 million tonnes at 1.3 per cent copper for 90,000 tonnes of contained copper.

This represents a 3 per cent net decrease in contained copper compared with the 30 June 2017 estimate.

Total reported Proved and Probable Ore Reserves, after mining depletions, are estimated at 8.4 million tonnes at 1.5 per cent copper for 130,000 tonnes of contained copper metal. This represents a 13 per cent net decrease in contained copper compared with the 30 June 2017 inventory.

FY2018 Mineral Resources

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
Tritton Underground							
Measured	3,800	1.7	64	0.13	16	5.9	720
Indicated	2,700	1.2	33	0.08	6	3.4	290
Total M + I	6,500	1.5	97	0.11	23	4.9	1,020
Inferred	4,000	1.3	50	0.12	14	4.0	490
TOTAL	**10,300**	**1.4**	**150**	**0.11**	**37**	**4.5**	**1,510**
Tritton Pillars (Recoverable)							
Measured	-	-	-	-	-	-	-
Indicated	420	2.6	11	0.22	3	9.6	130
Total M + I	420	2.6	11	0.22	3	9.6	130
Inferred	-	-	-	-	-	-	-
TOTAL	**420**	**2.6**	**11**	**0.22**	**3**	**9.6**	**130**
Murrawombie							
Measured	-	-	-	-	-	-	-
Indicated	4,600	1.6	74	0.29	43	6.0	900
Total M + I	4,600	1.6	74	0.29	43	6.0	900
Inferred	800	1.3	10	0.27	10	5.4	140
TOTAL	**5,400**	**1.5**	**84**	**0.29**	**50**	**5.9**	**1,040**
Avoca Tank							
Measured	-	-	-	-	-	-	-
Indicated	770	2.9	23	0.86	21	15.6	390
Total M + I	770	2.9	23	0.86	21	15.6	390
Inferred	100	1.0	0	0.23	0	3.2	10
TOTAL	**900**	**2.6**	**24**	**0.77**	**22**	**13.8**	**402**

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
Budgerygar							
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total M + I	-	-	-	-	-	-	-
Inferred	1,600	1.5	20	0.11	10	-	-
TOTAL	**1,600**	**1.5**	**20**	**0.11**	**10**	**-**	**-**
Budgery							
Measured	-	-	-	-	-	-	-
Indicated	1,700	1.1	19	0.13	7	-	-
Total M + I	1,700	1.1	19	0.13	7	-	-
Inferred	300	0.9	3	0.07	1	-	-
TOTAL	**2,000**	**1.1**	**22**	**0.12**	**8**	**-**	**-**
Stockpiles							
Measured	30	2.1	1	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total M + I	30	2.1	1	-	-	-	-
Inferred	-	-	-	-	-	-	-
TOTAL	**30**	**2.1**	**1**	**-**	**-**	**-**	**-**
Total							
Measured	3,900	1.7	64	0.13	16	-	-
Indicated	10,200	1.6	160	0.25	81	-	-
Total M + I	14,100	1.6	220	0.22	98	-	-
Inferred	7,000	1.3	90	0.13	30	-	-
TOTAL	**20,700**	**1.5**	**310**	**0.19**	**130**	**-**	**-**

Note:

1. Mineral Resource cut-off grades: 0.6% Cu Tritton, 0.6% Cu Murrawombie, 0.6% Cu Avoca Tank, 0.6% Cu Budgerygar and 0.5% Cu Budgery.
2. Gold and silver grades have been reported for the FY2018 Mineral Resource estimates at Tritton, Murrawombie, Avoca Tank, Budgerygar (gold only) and Budgery (gold only). The Mineral Resource estimates for Budgery and Budgerygar do not include silver estimates.Consequently, silver grade and metal figures are omitted from the Total Reported Figures.
3. Discrepancy in summation may occur due to rounding.

Actual copper production was 26,686 tonnes in concentrate with processing recoveries estimated at 95.23 per cent.

Aeris' Statement of Mineral Resources and Ore Reserves as at 30 June 2018 for the significant projects at the Tritton Copper Operations, have been reported in accordance with the guidelines in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012). Full documentation of the estimates can be found at the Company website.

The estimates for the Company's other projects that are not considered to be significant and where there was no change since last reporting are documented in accordance with the JORC Code 2004. These estimates were prepared and first disclosed under the JORC Code 2004. They have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The following projects continue to be reported in accordance with JORC Code 2004:

- Budgerygar Mineral Resource;
- Budgery Mineral Resource; and
- Yandan Mineral Resource.

FY2017 Mineral Resources

	Tonnes (kt)	Cu (%)	Cu (kt)
Tritton Underground			
Measured	3,700	1.8	69
Indicated	3,700	1.3	49
Total M + I	7,400	1.6	120
Inferred	2,000	1.2	20
TOTAL	**9,400**	**1.5**	**140**
Tritton Pillars (Recoverable)			
Measured	-	-	-
Indicated	490	2.6	13
Total M + I	490	2.6	13
Inferred	-	-	-
TOTAL	**490**	**2.6**	**13**
Murrawombie			
Measured	-	-	-
Indicated	5,700	1.6	89
Total M + I	5,700	1.6	89
Inferred	800	1.3	10
TOTAL	**6,600**	**1.5**	**100**
Avoca Tank			
Measured	-	-	-
Indicated	770	2.9	23
Total M + I	770	2.9	23
Inferred	100	1.0	0
TOTAL	**900**	**2.6**	**24**

	Tonnes (kt)	Cu (%)	Cu (kt)
Budgerygar			
Measured	-	-	-
Indicated	-	-	-
Total M + I	-	-	-
Inferred	1,600	1.5	20
TOTAL	**1,600**	**1.5**	**20**
Budgery			
Measured	-	-	-
Indicated	1,700	1.1	19
Total M + I	1,700	1.1	19
Inferred	300	0.9	3
TOTAL	**2,000**	**1.1**	**22**
Stockpiles			
Measured	11	1.2	0
Indicated	-	-	-
Total M + I	11	1.2	0
Inferred	-	-	-
TOTAL	**11**	**1.2**	**0**
Total			
Measured	3,700	1.8	69
Indicated	12,400	1.6	190
Total M + I	16,200	1.6	260
Inferred	4,800	1.3	60
TOTAL	**21,000**	**1.5**	**320**

Competent Person Statement

The Mineral Resource statement has been prepared by Mr Brad Cox. Mr Cox confirms that he is the Competent Person for all the Mineral Resources estimates summarised in this Report and he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Cox is a Competent Person as defined by the JORC Code, 2012 Edition, having relevant experience to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Cox is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM No. 220544). Mr Cox has reviewed the Report to which this Consent Statement applies. Mr Cox is a full time employee of Aeris Resources Limited.. With respect to the sections of this report for which Mr Cox is responsible – Mineral Resource estimates – Mr Cox consents to the release of the Mineral Resources Statements as at 30 June 2018 by the Directors of Aeris Resources Limited.

Note:
1. Mineral Resource cut-off grades: 0.6% Cu Tritton, 0.6% Cu Murrawombie, 0.6% Cu Avoca Tank, 0.6% Cu Budgerygar and 0.5%Cu Budgery.
2. Discrepancy in summation may occur due to rounding.

Mineral Resource

Aeris' copper Mineral Resource inventory is focused at the Tritton Copper Operations, located 45 kilometres north-west of Nyngan in central western New South Wales.

The only gold Mineral Resource is located in the Drummond Basin (Yandan gold project) in Queensland. This project is not considered significant to the Company.

The Tritton Copper Operations area is host to a cluster of deposits. Mineralisation across the Tritton Copper Operations deposits are hosted within Ordovician turbidite sequences within the Lachlan fold belt. The deposits are characterised by massive to semi-massive pyrite and chalcopyrite sulphide deposits. Deposit geometries are characterised as tabular systems. Dimensions vary depending on the size of the system and range between 15 metres to 250 metres (strike), 90 metres to >2,000 metres (down dip) and 2 metres to 300 metres (width). Mineralised assemblages are dominated by pyrite with lesser chalcopyrite, gold and silver concentrations. Primary copper mineralisation occurs as banded and stringer chalcopyrite within pyritic rich units.

The Tritton Copper Operations area deposits Mineral Resource estimates are defined by diamond drilling and some reverse circulation percussion drilling. Holes are geologically logged and assayed. Mineral Resource volumes are developed from geology interpretation of the drill hole data at nominal copper cut-off grades between 0.4% to 0.5% copper (varies with the deposit). Quality assurance and control procedures are in place for the assay information used in the resource estimation. The deposits are all located on granted Mining Lease or Exploration Lease. Resource modelling and grade interpolation within the interpreted mineralised volumes uses Ordinary Kriging with careful domain control to limit the influence of high grade data. Reconciliation of Mineral Resource estimates against mined and processed ore for the Tritton and Murrawombie deposits mined during the year shows a similar grade and slight increase in tonnes after allowance for dilution and ore loss. Details of the Mineral Resource estimates can be found in the reports on Aeris' website.

TRITTON DEPOSIT CHANGES

Since 30 June 2017, the Tritton deposit Measured and Indicated Mineral Resource has been depleted by an estimated 23 000 tonnes of contained copper metal. In addition to this depletion, additions and changes to the Measured and Indicated Mineral Resource inventory during the period are based on detailed grade control drilling ahead of stope production. A small resource definition drill program targeting mineralisation below the base of Indicated Mineral Resource (4,000mRL) intersected thicker intervals of sulphide mineralisation which has led to an increase in the Inferred Mineral Resource inventory.

TRITTON UPPER LEVEL REMNANT PILLARS

The Tritton upper level remnant pillars are a small portion of the Tritton Deposit Indicated Mineral Resource estimate (420,000 tonnes). They are the remnant blocks of mineralisation left between mined out stopes that have not been filled with cemented paste backfill. Due to the higher risk nature of pillar mining these blocks of mineralisation are critically reviewed to ensure they have a reasonable likelihood of successful extraction to qualify for inclusion in the Mineral Resource estimate.

Mining of the pillars commenced in FY2018. Two pillar stopes were successfully extracted, improving the confidence in the Mineral Resource.

MURRAWOMBIE DEPOSIT CHANGES

Since 30 June 2017, the Murrawombie deposit Indicated Mineral Resource has been depleted by an estimated 15,000 tonnes of contained copper metal. The depletion is a result of mining activity and changes to the grade control model based on grade control drilling and detailed underground mapping. As a consequence, the geology and resource estimation models for the Murrawombie deposit have changed since the previous report. In general, the changes have resulted in a modest reduction in tonnage and an increase in copper grade. The net effect is a minor decrease in the total contained copper metal.

OTHER PROJECTS

There were no changes to the Mineral Resource estimates at projects outside the Tritton Copper Operations area. The Yandan gold project (Drummond Basin) is the only outside deposit to have a Mineral Resource estimate.

Other Projects

There were no changes to the Mineral Resource estimates at projects outside the Tritton Copper Operations area.

JUNE 2018

	Tonnes (kt)	Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
Yandan Project					
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Total M + I	-	-	-	-	-
Inferred	4,000	-	2.4	-	300
TOTAL	**4,000**	**-**	**2.4**	**-**	**300**

Yandan Gold project (Drummond Basin) is the only outside deposit to have a Mineral Resource estimate.

JUNE 2017

	Tonnes (kt)	Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
Yandan Project					
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Total M + I	-	-	-	-	-
Inferred	4,000	-	2.4	-	300
TOTAL	**4,000**	**-**	**2.4**	**-**	**300**

Competent Person Statement

The Mineral Resource statement has been prepared by Mr Brad Cox. Mr Cox confirms that he is the Competent Person for all the Mineral Resources estimates summarised in this Report and he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Cox is a Competent Person as defined by the JORC Code, 2012 Edition, having relevant experience to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Cox is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM No. 220544). Mr Cox has reviewed the Report to which this Consent Statement applies. Mr Cox is a full time employee of Aeris Resources Limited.. With respect to the sections of this report for which Mr Cox is responsible – Mineral Resource estimates – Mr Cox consents to the release of the Mineral Resources Statements as at 30 June 2018 by the Directors of Aeris Resources Limited.

Notes:

1. Reported Mineral Resource figures for the Yandan project are reported from three domains which represent high grade epithermal vein systems. All block estimates within each domain have been reported (0g/t Au cut-off).
2. Discrepancy in summation may occur due to rounding.

Ore Reserves

The 30 June 2018 Ore Reserves estimate is a revision of the 30 June 2017 estimate that accounts for changes in the Mineral Resource, depletion due to mining, changes to cut-off grades, and changes to mining methods at the Murrawombie mine.

The mining method assumed in the Ore Reserve estimate varies with the deposit. At the Tritton deposit, the method is sub-level open stoping with cemented paste fill. At the Murrawombie, the ore is extracted using a combination of open pit mining, underground bench stoping and, underground sub-level open stoping with cemented rockfill. The yet to be developed Avoca Tank Deposit Project is planned to use up-hole benching with dry rock fill.

The Tritton deposit Ore Reserve estimate has decreased from depletion due to mining and an increase in the cut-off grade from 1.1% to 1.2% copper. The increase in cut-off grade resulted from economic studies that considered the mining of Mineral Resource in the deeper portions of the mine. Under the study assumptions and using the current mining methods the use of a 1.2% copper cut-off grade results in a better production plan. A portion of the available Mineral Resource has not converted to Ore Reserve at this cut-off grade and remains available for future review, following more resource drilling and improved understanding of the Mineral Resource at depth.

The Murrawombie Deposit Ore Reserve has decreased from a combination of depletion due to mining, revision of the Mineral Resource that resulted from collection of additional geology information and change in the mining methods. The change in mining methods also required a change in the cut-off grade for the deposit. Mining is now planned to extract ore at a higher grade by using selective sub-level open stoping and cemented backfill. Initially backfill will be cemented rockfill; with plans to consider conversion to a cemented paste fill in the future. The Murrawombie deposit contains a number of discrete lenses, with the 101, 102, 105 and 108 lodes being included in the Ore Reserve estimate.

Murrawombie Deposit has both an underground mining Ore Reserve and an open pit mining Ore Reserve.

The Avoca Tank Ore Reserve estimates have not changed since last report.

The cut-off grade criteria applied at all deposits is copper grade (per cent copper). The cut-off grade is applied as a whole of stope average grade after dilution factors are applied. There are no significant deleterious elements in the ore and the by-product value of gold and silver is of modest economic importance. Inclusion of the precious metal value is managed by applying a small copper equivalent adjustment.

At the Tritton deposit; for mining primary stopes the Ore Reserve cut-off grade is 1.2 per cent copper; for mining of remnant pillars the Ore Reserve cut-off grade is 1.5 per cent copper.

At the Murrawombie deposit; for the 102 and 108 lodes the Ore Reserve cut-off grade is 1.1 per cent copper; for the 105 lode the Ore Reserve cut-off grade is 0.8 per cent copper. 105 lode has a lower cut-off grade applied because it's footwall location means it will be mined at low cost in an up dip retreat, last in the mining sequence.

At the Avoca Tank deposit, the Ore Reserve cut-off grade is 1.2 per cent copper. This deposit is high grade and not sensitive to cut-off grade.

All Ore Reserves estimates for the underground mines are entirely sulphide mineralisation. This ore will be treated in the Tritton processing plant by flotation techniques. An average recovery of copper to concentrate of 93 to 95 per cent is assumed, consistent with historical plant performance.

Ore Reserves are estimated following the application of modifying factors that account for dilution and ore loss. The factors applied vary with the deposit, detailed design of the stopes, fill exposures and planned extraction sequence.

In this report, for the first time, the Ore Reserve estimates for Tritton and Murrawombie deposits include gold and silver. The economic impact of the gold and silver by-product credits is now considered significant enough to warrant reporting in the Ore Reserve. The change has been made only where sufficient geology confidence exists to make an estimate, generally in the active mines.

Details of the Ore Reserve estimates can be found in the Mineral Resource and Ore Reserve reports on the Aeris website. All estimates are reported according to the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

2018 Ore Reserves Tritton Tenement Package

JUNE 2018

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
Tritton Underground							
Proved	3,400	1.5	51	0.1	400	5.1	560
Probable	300	1.7	5	0.1	34	5.4	50
TOTAL	**3,700**	**1.5**	**56**	**0.1**	**440**	**5.2**	**610**
Murrawombie Underground							
Proved	0	0.0	0.0	0.0	0.0	0.0	0
Probable	2,300	1.6	38	0.3	23	6.6	500
TOTAL	**2,300**	**1.6**	**38**	**0.3**	**23**	**6.6**	**500**
Murrawombie Open Pit							
Proved	0	0.0	0	0.0	0	0.0	0
Probable	1,600	0.9	14	0.1	8	2.8	150
TOTAL	**1,600**	**0.9**	**14**	**0.1**	**8**	**2.8**	**150**
Avoca Tank							
Proved	0	0.0	0	-	-	-	-
Probable	700	2.5	18	-	-	-	-
TOTAL	**700**	**2.5**	**18**	**-**	**-**	**-**	**-**
Stockpiles							
Proven	30	2.1	1	-	-	-	-
Probable	0	0.0	0	-	-	-	-
TOTAL	**30**	**2.1**	**1**	**-**	**-**	**-**	**-**
Total							
Proven	3,400	1.5	52	-	-	-	-
Probable	5,000	1.5	75	-	-	-	-
TOTAL	**8,400**	**1.5**	**130**	**-**	**-**	**-**	**-**

JUNE 2017

	Tonnes (kt)	Cu (%)	Cu (kt)
Tritton Underground			
Proved	3,000	1.7	51
Probable	2,200	1.4	31
TOTAL	**5,200**	**1.6**	**82**
Murrawombie Underground			
Proved	29	1.2	0
Probable	2,900	1.4	40
TOTAL	**3,000**	**1.4**	**41**
Murrawombie Open Pit			
Proved	0	0.0	0
Probable	1,600	0.9	14
TOTAL	**1,600**	**0.9**	**14**
Avoca Tank			
Proved	0	0.0	0
Probable	700	2.5	18
TOTAL	**700**	**2.5**	**18**
Stockpiles			
Proven	10	1.2	0
Probable	0	0.0	0
TOTAL	**10**	**1.0**	**0**
Total			
Proven	3,100	1.7	51
Probable	7,400	1.4	100
TOTAL	**10,500**	**1.5**	**150**

Note:
1. The reported FY2018 Ore Reserve figures include gold and silver grade estimates for Tritton and Murrawombie only. Consequently, gold and silver grade and metal figures are omitted from the Total Reported Figures.
2. Discrepancy in summation may occur due to rounding.
3. Mineral Resources are reported as inclusive of the material converted to this Ore Reserve estimate.

Competent Person Statement

Mr Ian Sheppard, confirms that he is the Competent Person for all the Ore Reserves estimates summarised in this Report and Mr Sheppard has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Sheppard is a Competent Person as defined by the JORC Code, 2012 Edition, having sufficient year experience that is relevant to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Sheppard is a Member of The Australasian Institute of Mining and Metallurgy, No. 105998. Mr Sheppard has reviewed the Report to which this Consent Statement applies. Mr Sheppard is a full time employee of Aeris Resources Limited.

Mr Sheppard has disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Specifically Mr Sheppard has rights to 22,418,546 share options that were issued on 15 December 2015 that will vest over five years from the issue date and may be converted to shares over time when various conditions are met.

With respect to the sections of this report for which Mr Sheppard is responsible – Ore Reserve estimates – Mr Sheppard consents to the release of the Mineral Resources and Ore Reserves Statements as at 30 June 2018 by the Directors of Aeris Resources Limited.

Health, Safety and Environment

Health and Safety

The safety of people is Aeris' highest priority. During FY2018 the Company continued to improve its safety management systems.

Aeris is committed to the continual improvement of its health and safety performance and manages its operations to ensure the highest standards of health and safety are maintained for its employees, contractors and visitors. It recognises that effective health and safety management is required for excellent business performance.

The Company has a safety management system framework that has been developed to be consistent with resource industry best practice, as described by the International Council of Mining and Metals (ICMM). The ICMM approach is consistent with New South Wales' regulatory compliance obligations. As recommended by the ICMM, Critical Control Management is used to develop Aeris' safety management system.

The Company's framework has evolved as it adjusts to recent changes in New South Wales' regulatory requirements and latest industry thinking on management of safety in mines. The system will continue to improve as the Company works with the regulators on improved outcomes. The management control plans that describe the detail of Aeris' safety system are developed to focus on control of the critical hazards that have the potential to cause life changing injuries.

Since 2012, significant progress has been made in improving safety performance, with an aspiration to reduce the Total Reportable Injury Frequency Rate (TRIFR) year on year. This year Tritton's TRIFR was maintained at 24, with no improvement on the previous year. The TRIFR statistic is dominated by the more frequent, low potential incidents and eliminating these small incidents remains a focus for Aeris' personnel. The FY2018 result does not reasonably reflect the significant effort that has been applied to the management of all hazards and strong focus on Critical Control Management on the basis that control plans together with behavioural change will over time reduce the incidence of low potential incidents.

Tritton Mechanic in the workshop

Human Factors and Safety Leadership

Human behaviour is critical in ensuring control of risks and preventing incidents, accidents and injuries. The term 'interdependent safety culture' is discussed frequently and is a status that the Company is actively working to achieve and maintain. The cornerstone for achieving interdependence is to focus heavily on desired behaviours, to which the Company is committed at all levels of the organisation through leadership training and personal development.

Soft Tissue Injury Prevention

A large portion of the low potential incidents that impacted the TRIFR in the past year were soft tissue sprain and strain injuries. A specialist advisor has been engaged to assist with management of this issue to help the Company minimise soft tissue injuries in the future. The soft tissue injury prevention program involves:

- Task analysis of high risk roles that are physically demanding;
- Body ergonomic and injury prevention education;
- Work station ergonomic assessments;
- Pre-employment functional assessment; and
- Improved physiotherapy injury management.

Supporting Mental Health

Another focus for the year in review, was on mental health and well-being. Aeris is partnered with a specialist provider to Australia's mining and resources sector to develop a psychology service for employees. The free service supports employees who may be experiencing personal problems, with Aeris also providing flexible arrangements for travel to the service.

Emergency Response

Tritton Copper Operation has a well trained and equipped emergency response team. Strong commitment from the workforce to get involved is supported by an investment in training and leadership. When required, the emergency response team of volunteer employees have provided excellent service.

We recognise with pride the great response to the truck fire at the Tritton Mine in June. Within two hours, three rescue and fire teams had mobilised to control the situation in a very professional manner.

Environment

The Company continues to entrench environmental awareness throughout its operations, creating keen environmental awareness among employees. This is achieved through regular toolbox talks and environmental induction programs, paired with established environmental management systems and processes.

At the Tritton Copper Operations environmental impacts and mine closure are actively managed. Research into improving the methods for final mine closure and rehabilitation at the Murrawombie heap leach site is being conducted. Tritton is relining the heap leach drainage ponds as a first step in closure of the site. Revised closure designs have been prepared for the heap, following extensive testing of soils and rock materials at the site, targeted for use as rehabilitation covers.

Native revegetation program surrounding Tritton waste rock

Community

Aeris Tritton Rugby League team under 13

Aeris has an active program of community engagement, through which the Company contributes to various education support activities, charities, sporting groups, apprenticeships and community development programs.

The focus of the Company's community involvement is to deliver initiatives which contribute to long term outcomes in the Nyngan, Hermidale and Girilambone communities which surround the Tritton Copper Operations.

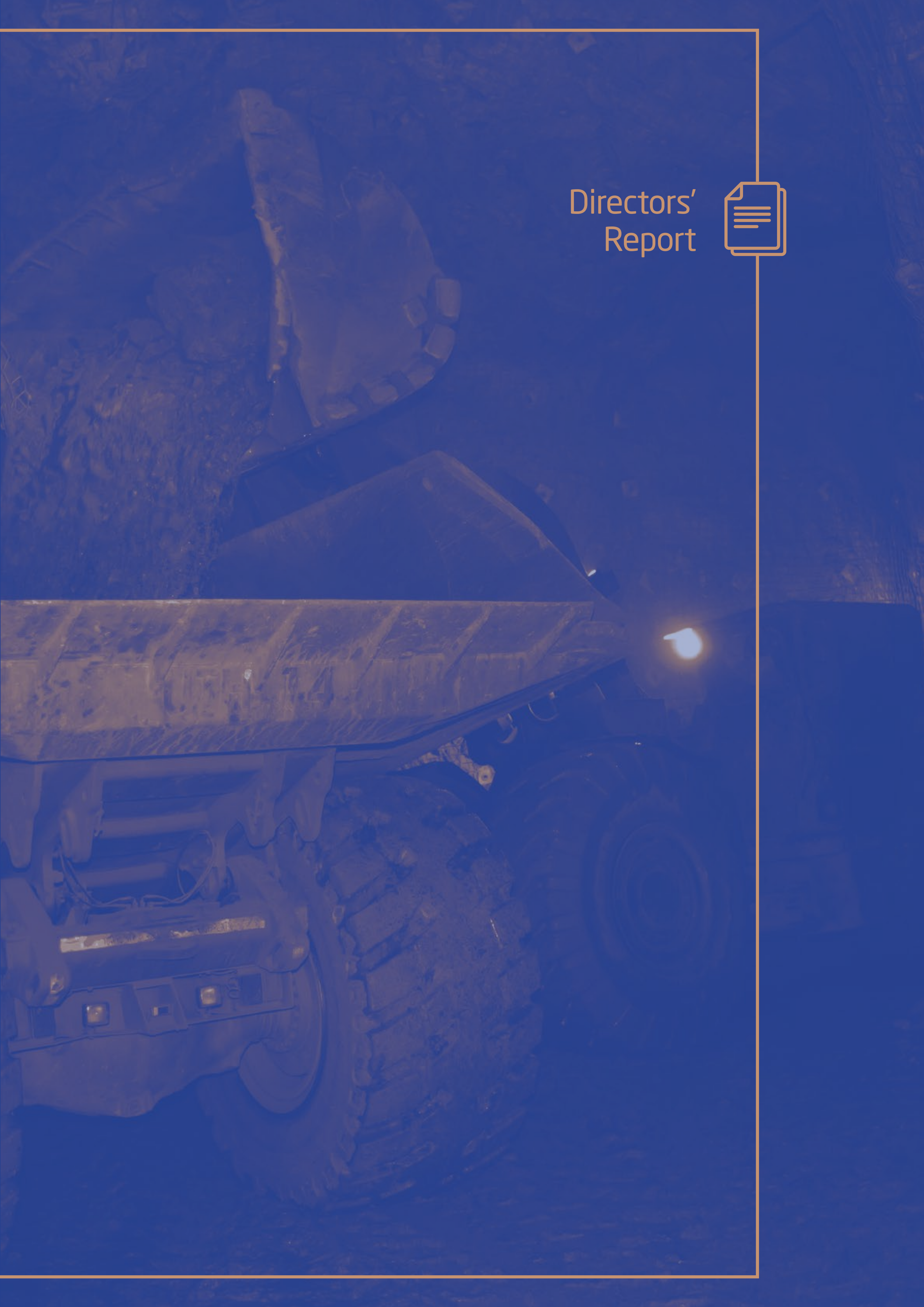
Examples of active community initiatives during FY2018 included:

- Training local apprentices to give them practical experience in a mining environment;
- Anzac Day March;
- Local careers expo;
- Outback Science and Engineering Challenge;
- Providing funding for local school activities; and
- Supporting local sporting teams through key sponsorship.

Wherever possible, Aeris gives preference to employing locally and training people from local communities with the various skills required to join the Company's workforce. As a result, Aeris continues to be a major employer in the region with 78 per cent of its workforce employed locally.

The prioritisation of local employment in turn reinforces the Company's community commitment, with workforce expenditure contributing to the local economy, and resident employees contributing to the fabric of their local communities.

Directors' Report



Directors' Report

The Directors present their report together with the financial statements of Aeris Resources Limited ('Aeris') and its controlled entities ('the consolidated entity') for the 12 months to 30 June 2018.

Directors

The Directors of the Company in office during the financial year and up to the date of this report were:

Experience	Special Responsibilities	Appointed	Classification
Andre Labushagne			
Mr Labuschagne is an experienced mining executive with a career spanning over 25 years across operations in Australia, Indonesia, South Africa, PNG and Fiji. Mr Labuschagne has held various corporate and operational roles in companies including Norton Gold Fields, Emperor Gold Mines, DRD Gold and AngloGold Ashanti. Mr Labuschagne holds a Bachelor of Commerce from Potchefstroom University in South Africa. Other current directorships (ASX listed entities): Magontec Limited Former directorships in the past 3 years (ASX listed entities): None	Executive Chairman of the Company Member of Nomination Committee	Appointed 20-Dec-2012	Executive
Alastair Morrison			
Mr Morrison is a highly experienced international banker. Mr Morrison has worked in private equity for over 30 years in the UK and Asia and has broad experience in growing companies across a range of industrial sectors. He was a founding Managing Director of Standard Chartered Private Equity. He was with Standard Chartered Bank from April 2002 until March 2014. Prior to joining Standard Chartered Bank he spent 20 years at 3i Group, the leading European private equity house, where he was Director for 3i Asia Pacific. He co-founded 3i's Asia Pacific operations in 1997, having previously run an investment team in London focusing on buy-outs and expansion financing. Mr Morrison has investment experience across a wide range of industries in Europe and Asia. He holds an M.A. degree in Politics, Philosophy and Economics and M.Phil degree in Management Studies from Oxford University. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): None	Non-executive Director Member of Audit Committee and Remuneration Committee	Appointed 10-Dec-2010	Independent
Michele Muscillo			
Mr Muscillo is a Partner specialising in corporate law with HopgoodGanim Lawyers. Mr Muscillo is an admitted Solicitor and has a practice focussed almost exclusively on mergers & acquisitions and capital raising. Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and acquisitions. Mr Muscillo has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal. Other current directorships (ASX listed entities): Cardinal Resources Limited Xanadu Mines Limited Mako Gold Limited Former directorships in the past 3 years (ASX listed entities): Orbis Gold Limited	Non-executive Director Chairman of the Audit Committee, Remuneration Committee and Nomination Committee	Appointed 2-May-2013	Independent

Experience	Special Responsibilities	Appointed	Classification
Marcus Derwin			
Mr Derwin is a highly experienced corporate executive and Board director, with an extensive background in corporate restructuring. He brings international experience, across a diverse range of industry sectors. His professional career has encompassed a combination of advisory and principal executive capacities, including managing a $A2Bn global Alternative Assets portfolio over 5 years and also the formation and management of a $A550m LIC. Additionally, he has advised boards – both public and private and worked within and alongside executive teams on implementation, stakeholder management and recapitalisation strategies. Mr Derwin's professional background includes senior roles at AMP, National Australia Bank, Allco Equity Partners, PwC and KPMG. Other current directorships (ASX listed entities): None Former directorships in the past 3 years (ASX listed entities): None	Non-executive Director	Appointed 18-April-2016	Not Independent

Company Secretary

ROBERT BRAINSBURY - CPA

Mr Brainsbury is an experienced financial executive and has held senior operational and finance roles with several blue chip industrial and resources companies including Norton Gold Fields, MIM, Xstrata, Rio Tinto and BIS Industrial Logistics.

DANE VAN HEERDEN - CA

Ms van Heerden is a qualified chartered accountant, with over 15 years' experience in both Australia and abroad.

Principal Activities

The principal activities of the consolidated entity for the year ended 30 June 2018 were the production and sale of copper, gold and silver and the exploration for copper. Other than as referred to on pages 35 to 36, there were no significant changes in those activities during the financial year.

Operating and Financial Review

During the year, the Tritton Copper Operations continued to benefit from a number of major capital investment projects that were successfully delivered during the financial year ended 30 June 2018, all of which represent a strategic investment in the future of Aeris' Tritton Copper Operations:

- The Tritton Underground Mine ventilation shaft was commissioned in September 2017. This essential infrastructure ensures that production at Tritton can be maintained at more than one million tonnes per year as mining moves deeper;
- The Murrawombie Underground Mine commissioned in FY2017, ramped up to full production levels during the year; and
- The geophysical survey portion of the two-year, $7.5 million greenfields exploration program which commenced in the first half of FY2017 was completed. This program identified a further 65 kilometres of geological trend strike, multiple new anomalies for further exploration in FY2019 and reaffirmed the EM conductors at the Kurrajong prospect.

In FY2018 the Tritton Copper Operations produced 26,686 tonnes of Copper (in concentrate and in copper cement).

Tritton Underground Mine (Tritton)

Ore production from Tritton was lower than planned as mining was impacted by lower than plan grade during the first half of the year due to stope sequencing. This was reversed during the second half as sequencing moved back on plan and the higher grade stopes were mined.

Brownfields exploration at the Tritton deposit has identified a number of opportunities to extend the life of the operation, including extensions to the orebody, which remains open at depth. Further drilling and evaluation will be undertaken in FY2019.

Murrawombie Underground Mine (Murrawombie)

Murrawombie ore production ramped up to full production during the financial year. A revision of the geology model was completed during the year, incorporating grade control drilling information and mapping of development drives inside the orebody. The updated information has resulted in a change in mining method with stopes now designed to target more selective mining of higher grade areas of the orebody.

Processing

Throughput at the processing plant was impacted by harder ore from both mines; however it continued to deliver excellent copper recoveries and availability. Approximately 1.600 million tonnes of ore was processed during the year with a copper recovery rate of more than 95%. During the financial year, three of the float cells in the processing plant were replaced. In FY2019 we intend to replace a further two sets of float cells and the crusher.

Exploration

Greenfields exploration activities on our Tritton tenement package during the year resulted in some exciting developments. Over 750,000 tonnes of copper has been discovered to date along a 50 kilometres geological trend on the southern half of the tenement package. Geological mapping in the northern half of our tenement package during the year extended the prospective geological corridor by a further 65 kilometres, which is highly encouraging in our search for new "Tritton" sized (+10Mt) orebodies. We also re-commenced drilling at the Kurrajong prospect. All three holes completed to date have hit copper mineralization as well as identifying additional off-hole EM targets.

The Torrens Project, a joint venture between Aeris (70%) and Argonaut Resources NL (30%) (ASX: ARE) achieved a major milestone this year. The joint venture is exploring for iron-oxide copper-gold systems within the highly prospective Stuart Shelf Region of South Australia, and in February 2018 secured the final approval required to proceed with on-ground exploration activities, including a major drilling program.

The Torrens Project lies within 50 kilometres of Oz Minerals' Carrapateena deposit and 75 kilometres from BHP's Olympic Dam mine. It covers a large magnetic and gravity anomalous zone with a footprint greater than Olympic Dam.

An airborne gravity survey was flown over the entire exploration tenement (EL5614) to more accurately define prospective targets for drilling in the year ahead. The survey confirmed the existence of 28 discrete gravity anomalies, which is a very exciting outcome and reinforces our belief that this is a highly prospective exploration project.

Debt

The Company completed a major debt and capital restructure during the financial year, as announced on 28 February 2018 and 14 March 2018.

The restructuring transaction involved the sale by Standard Chartered Bank (SCB) to Special Portfolio Opportunity V Limited (SPOV), a subsidiary of a fund managed by PAG, of the senior term debt (Senior Debt) provided to Aeris by SCB. SPOV is the provider of Aeris' existing Working Capital facility.

To facilitate the overall restructuring, SPOV and Aeris entered into an agreement (Restructuring Agreement) to:

- Reduce the senior debt by 53% from US$63.3 million to US$30 million (including a US$5 million arranger fee) (SPOV Tranche B facility);
- Reduced Aeris' share capital by 50%, with 467 million (80%) of Convertible Redeemable Preference Shares held by Standard Chartered Bank (SCB) redeemed for $1 and subsequently cancelled; and
- Cancelled the Copper Price Participation Agreement with SCB for $1, allowing Aeris to retain the benefit of copper prices above $8,000/t.

The Company also secured an extension on the maturity of its Working Capital facility (SPOV Tranche A Facility) so that it coincides with the maturity of the SPOV Tranche B Facility of 14 March 2020. SPOV also agreed to guarantee the environmental bond facility provided by SCB for 3 years.

SPOV converted its holding of 140 million convertible preference shares to ordinary shares. The conversion was formalised on 21 March 2018, which resulted in SPOV becoming Aeris' major shareholder with a shareholding of 50% (issued ordinary equity), which was previously approved by Aeris shareholders.

As a result of the restructure, Aeris also entered into a copper hedging program with a reputable local bank as the hedge counterparty. On 7 March 2018 it was announced that Aeris' subsidiary, Tritton Resources Pty Ltd (Tritton), had entered into a swap contract of 12,000 copper tonnes at an average price of A$8,670 per tonne with scheduled deliveries of 1,000 copper tonnes per month out to February 2019. The swap contract also provides Tritton the opportunity to participate in the upside of the same schedule above an average price of A$10,170 per tonne.

Financial Results

The Group recorded a profit after tax for the financial reporting year to 30 June 2018 of $55.304 million, compared with a loss after tax for the year ended 30 June 2017 of $33.299 million.

The June 2018 financial result for the Group was impacted by a number of key factors, including:

- Increased revenues resulting from increased production compared to prior year and increased copper prices. The copper price increased by more than 10% from ~US$5,900 per tonne on 1 July 2017 to ~US$6,500 per tonne at the end of the financial year;
- Gain on debt restructure of $54.846 million, offset by;
- Increased costs mainly due to increased production, compared to prior year; and
- Foreign exchange loss of $1.354 million.

Financial Position

At 30 June 2018 Aeris had a positive net asset position of $54.999 million, cash and cash equivalents at $23.332 million, financial assets at fair value through profit or loss of $3.722 million (investments) and $7.190 million of restricted cash.

The Company's net cash inflow from operating activities during the financial year was $50.518 million, with net cash outflows from investing activities of $29.340 million and net cash outflows from financing activities of $7.544 million. The Group has been able to continue to meet its working capital requirements principally as a result of positive operating cash flows generated by the Tritton Copper Operations; and management of the timing of cash flows to meet obligations as and when due. At 30 June 2018 US$15.500 million of the SPOV Tranche A Facility had been drawn down, with US$9.500 million undrawn. The SPOV Trance A Facility has a 2 year term, expiring on 14 March 2020.

Events Subsequent To Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report, any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity; the results of those operations; or the state of affairs of the consolidated entity in subsequent financial years.

Outlook

Aeris is targeting 24,500 tonnes of copper production in FY2019 at a C1 cash cost between A$2.75 and A$2.90 per pound.

Dividend

The Directors do not recommend payment of a dividend for the year to 30 June 2018. No dividend was paid during the current year.

Environmental Regulations

The Company's operations are subject to various Commonwealth and State environmental regulations governing the protection of the environment in areas ranging from air and water quality, waste emissions and disposal, environmental impact assessments, mine rehabilitation and access to, and use of ground water and/or surface water. In particular, some operations are required to conduct certain activities under the environmental protection legislation with development consents of the jurisdiction in which they operate. The Directors are not aware of any material breaches of the Company's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

Shares Under Option

Executive management options (Options) issued were approved by shareholders at an Extraordinary General Meeting (EGM) held on 15 December 2015. The number of Options granted on 15 December 2015 totalled 93,410,609 at a $nil exercise price and has a remaining contractual life of 2.5 years. The were no additional shares issued under option nor any shares under option cancelled at 30 June 2018.

Shares Issued On The Exercise Of Options

There were no ordinary shares of the Company issued during the twelve months to 30 June 2018 on the exercise of Options.

Meetings Of Directors

The attendance of Directors at Board and Committee meetings during the financial year were as follows:

Director	Directors' Meetings		Audit Committee Meetings	
	A	B	A	B
Andre Labuschagne	10	10	2	2
Alastair Morrison	10	10	2	2
Michele Muscillo	10	10	2	2
Marcus Derwin	10	10	2	2

A = Number of meetings held during the time the Director was a member of the Board and/or Committee

B = Number of meetings attended during the time the Director was a member of the Board and/or Committee

There were no meetings of the Remuneration Committee or Nomination Committee during the financial year. As the Board is comprised of only four Directors, the Board considered it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by the Remuneration Committee.

Directors' And Officers' Insurance And Indemnity

The Constitution of the Company provides that the Company may indemnify each Officer (including Secretaries) and Director against any liability, loss, damage, cost or expense incurred by the Officer or Director in or arising out of the conduct of any activity of the Company.

In accordance with the Company's Constitution, the Company has entered into Deeds of Indemnity, Access and Insurance with each of the Directors and Officers of the Company.

The Company has paid a premium and other charges for a Directors and Officers Liability insurance policy for the benefit of the Directors and Officers of the Group. The policy prohibits the disclosure of the nature of the liabilities insured and the amount of premium paid.

Loans To Directors

No loans have been provided by the Company to Directors.

Proceedings On Behalf Of The Company

No proceedings have been brought or intervened on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001 during the year ended 30 June 2018 or at the date of this report.

Indemnity Of Auditors

Aeris Resources Limited has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from Aeris' breach of their agreement. The indemnity stipulates that Aeris Resources Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and/or consolidated entity are important.

Details of the amounts paid or payable to the external auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the financial year are set out in Note 20 to the accounts.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out in Note 20 to the accounts, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 50.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2018 may be accessed from the Company's website at http://www.aerisresources.com.au/about-aeris/corporate-governance.html.

Rounding Of Amounts To Nearest Thousand Dollars

The Company is of a kind referred to in Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Legislative Instrument.


1000MM

Remuneration Report

The Directors are pleased to present your Company's 2018 Remuneration Report which sets out remuneration information for Aeris Resources Limited's Non-executive Directors, Executive Directors and other Key Management Personnel.

Remuneration Principles And Overview

In establishing the executive reward framework the Board has adopted a remuneration strategy intended to support the delivery of long-term shareholder value and to ensure executive rewards reflect achievement.

As a Company developing resource assets in highly cyclical markets, financial results can differ significantly from year to year, dependent on the development stage of assets and on pricing of commodities in international markets. It is important to the Company that its remuneration philosophy enables the Company to retain and motivate its executive team to manage through these cycles.

In terms of developing a remuneration strategy the Board has adopted the following remuneration principles:

- Strong relationship between performance and reward;
- Recognition of calibre and skills of executives;
- Transparency of remuneration philosophy; and
- Policy and practice are consistent with industry and community standards.

To support the remuneration principles, our remuneration and benefits strategy aims to:

- Maintain fair, consistent and equitable total remuneration practices in alignment with core values, vision and mission;
- Be competitive with the market;
- Build in individual differentiation based on performance and contribution;
- Reward superior performance;
- Reward by aligning remuneration achievement to the success of the Company and individual achievement;
- Attract the best potential candidate, motivate and retain our highest potential and skilled people;
- Ensure sufficient flexibility in the structure of remuneration to adjust to changing economic conditions; and
- Communicate effectively our remuneration and benefits proposition.

To achieve the strategy, Aeris will reward employees in a way that reflects the dynamics of the market and the context in which the Company operates. Remuneration will at all times be aligned to the strategic direction and business specific value drivers of Aeris.

Use Of Remuneration Consultants

The Remuneration Committee of Aeris Resources Limited did not employ the services of a remuneration consultant during the year ended 30 June 2018, to provide recommendations as defined in section 9B of the Corporations Act 2001.

Key Management Personnel

Directors of the Company during the financial year, including experience, qualification and special responsibilities are set out on pages 34 to 35.

The Key Management Personnel of the Company during the year ended 30 June 2018 are set out on pages 43 to 45.

Executive Remuneration

Remuneration packages are based around a combination of the following:

- Fixed remuneration;
- Variable remuneration;
    - Short-term incentive; and
    - Long-term incentive.

FIXED REMUNERATION

Fixed remuneration provides a regular base reward that reflects the job size, role, responsibilities and professional competence of each executive according to their knowledge, experience and accountabilities. A senior executive's fixed remuneration could include any or all of the following:

- Base salary;
- Leased motor vehicle;
- Superannuation;
- Coverage for death and total and permanent incapacity; and
- Salary continuance insurance.

The fixed remuneration will be reviewed annually and any adjustments are approved by the Board after recommendation by the Remuneration Committee. External remuneration data is obtained prior to recommendations being made to ensure that fixed remuneration is in line with general industry and community standards.

The Board considers that executive remuneration must be at levels to attract and retain a talented and capable senior executive team.

VARIABLE REMUNERATION - SHORT TERM INCENTIVE (STI) PAYMENTS

The Company's remuneration philosophy recognises the importance of 'at risk' or variable pay as an integral component of total potential reward. The Remuneration Committee (Committee) has established a Short Term Incentive Plan (Plan) structure and review process to strongly link executive remuneration to performance and to the creation of value for shareholders.

The Company's STI Plan is an "at risk" cash award program administered by the Remuneration Committee. The Plan offers executives an opportunity to earn a lump sum cash payment of up to 30% of their base salary - the maximum target varies by particular individual role.

Award outcomes are determined through the Remuneration Committee's assessment of an executive's progress against a range of goals and specific, measurable targets established by the Committee at the start of the performance year. Performance requirements will provide for 'stretch' goals in addition to achievement of Board approved budget objectives, works programmes and strategic plans.

AIMS OF STI PLAN

The Remuneration Committee considers that the STI Plan, as established, will facilitate achievement of the following aims:

- Incentivising superior executive performance in areas of specific challenge;
- Ensuring total target rewards for performance are competitive and appropriate for the results delivered;
- Providing balance to total reward packages sufficient to ensure the Company attracts and retains executives of high calibre and who demonstrate the capacity to manage our operations successfully; and
- To drive successful execution of business plans and achievement of strategic aims directly aligned with enhanced shareholder value.

ESTABLISHMENT OF GOALS

For each STI Plan cycle the Remuneration Committee oversees the identification of appropriate performance measures, setting of goals and endorsement of specific targets for each member of the senior executive team. The Remuneration Committee ensures that these elements clearly reflect the factors deemed critical to the Group's strategic and business plans for the relevant year.

DETERMINATION OF STI OUTCOMES

At the end of a performance cycle the Remuneration Committee determines the award of STI's to the senior executive team based on assessed performance relative to the goals established. The Remuneration Committee retains the discretion to adjust STI awards in exceptional circumstances, including determining that no award will be paid.

TIMING

Awards for performance under the STI Plan will be determined and paid only after the end of the financial year (generally in the first quarter after the end of the reporting period), once the relevant actual performance results (for example – production, operating costs and safety benchmarks) are finalised and compared to the respective STI targets allocated to each eligible senior executive team member.

VARIABLE REMUNERATION - LONG TERM INCENTIVES (LTI)

EMPLOYEE OPTIONS

Executive management options (Options) were approved by shareholders at an Extraordinary General Meeting (EGM) held on 15 December 2015. The Options were issued to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy. The relevant Key Management Personnel in aggregate can earn, through the exercise of the Options over five years (subject to vesting conditions), a total of up to 19.99% of the Company's fully diluted capital.

The Options are granted for no consideration and carry no dividend or voting rights.

When exercisable, each Option is convertible into one ordinary share and will be issued within 10 business days after the Company receives an Exercise Notice. The Options have a $nil exercise price.

The Options may only be exercised so as to not result in the respective Key Management Personnel (Holder) having a voting power in the Company in excess of 19.99%. If a Holder is unable to exercise their remaining vested options, due to this requirement, the Company must use its best and all reasonable endeavours to obtain any approval or consent to allow such exercise.

Upon vesting, the shares will be subject to a period of voluntary escrow, with the shares being released from escrow in progressive tranches from 31 December 2018.

The number of Options granted on 15 December 2015 totaled 93,410,609 at a $nil exercise price and has a remaining contractual life of 2.5 years. At 30 June 2018 47.5% of the options had vested.

Subject to the option holder remaining an employee of the Company Group for at least 12 months from 15 December 2015, the Options will vest in five tranches as follows:

- 30.0% on 31 December 2016;
- 17.5% on 31 December 2017;
- 17.5% on 31 December 2018;
- 17.5% on 31 December 2019; and
- 17.5% on 31 December 2020.

EMPLOYEE SHARE ACQUISITION PLAN (ESAP)

The ESAP provided for long term incentives aligned with the creation of shareholder value, with rights being vested to shares when service and performance hurdles were met. The allocation of ESAP shares to executives is part of the Company's overall recognition and retention strategy and is intended to reward long-term value creation. There are currently no shares issued or allocated under the ESAP Share Plan.

NO HEDGING ON LTI GRANTS

The Company does not permit executives to enter into contracts to hedge their exposure to performance shares granted as part of their remuneration package.

DIRECTORS AND NON-EXECUTIVE DIRECTORS

Fees and payments to Directors and Non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. The Board reviews Non-executive Directors' fees and payments annually. The Chairman is not present at any discussions relating to determination of his own remuneration.

The Board does not pay additional fees to Directors or Non-executive Directors appointed to Committees, nor are fees paid to executives who are appointed to the Board of subsidiary or associated companies.

Non-executive Directors' fees are determined within an aggregate Non-executive Directors' fee pool limit, which is currently $700,000 per annum.

The Board does not reward Non-executive Directors with variable remuneration (short term and long term incentives).

Employment Agreements

Non-executive Directors are retained by way of letter of appointment.

Remuneration and other terms of employment for Executive Directors and other Key Management Personnel are formalised in common law employment contracts in the form of a letter of appointment.

In determining remuneration for Key Management Personnel, the Company takes into account the responsibilities of the role and relevant industry data for attracting persons of the calibre and experience of the person in question. As the Group operates diverse businesses in a number of jurisdictions, the Company looks to acquire and retain the services of experienced senior personnel with relevant international experience.

The Remuneration Committee did not meet during the year ended 30 June 2018. As the Board is comprised of only four Directors, the Board considered it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by the Remuneration Committee.

The Board believes that it has been successful in retaining an experienced and effective executive team and that the executive team has been instrumental in negotiating the Company through a time of vulnerability in precarious financial and commodity markets, and which is currently engaged in re-positioning the Company for future growth.

The major provisions of the contracts of the Directors and Key Management Personnel are set out below.

CURRENT DIRECTORS AND KEY MANAGEMENT PERSONNEL

ANDRE LABUSCHAGNE, EXECUTIVE CHAIRMAN

Andre Labuschagne entered into an employment arrangement with the Company, which commenced on 20 December 2012 and has been amended as a result of the completion of a debt restructure as announced on 15 December 2015, through a deed of variation. Mr Labuschagne's package consists of total fixed remuneration package of $563,750, including superannuation of 10% or maximum contribution cap, an insurance policy allowance, participation in a Short Term Incentive Plan and Bonuses as stipulated in the variation deed and Employee Options.

At an Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Andre Labuschagne and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Labuschagne on 15 December 2015:

- Number of options issued 37,364,244;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $1,264,780;
- Provided Mr Labuschagne remains employed by the Company, the Options will vest and become exercisable, for a $nil exercise price, as follows:
  - 11,209,273 Options on 31 December 2016;
  - 6,538,743 Options on 31 December 2017;
  - 6,538,743 Options 31 December 2018;
  - 6,538,743 Options 31 December 2019;
  - 6,538,743 Options 31 December 2020;
  - to the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Labuschagne's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

ALASTAIR MORRISON, NON-EXECUTIVE DIRECTOR

Alastair Morrison was appointed to the Board as a nominee of the Company's current largest shareholder, Standard Chartered Private Equity on 10 December 2010 and as such was not paid a director's fee as he was employed by Standard Chartered Private Equity. Mr Morrison ceased employment with Standard Chartered Private Equity on 31 March 2014 and entered into a service agreement with the Company as a Non-executive director, effective 1 April 2014. Mr Morrison has not been employed by Standard Chartered Private Equity since entering into the service agreement with the Company and as such is now considered independent. The service agreement does not contemplate a fixed term for Mr Morrison's appointment as a director.

As Non-executive Director, Mr Morrison is paid a fee of $60,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

MICHELE MUSCILLO, NON-EXECUTIVE DIRECTOR

Michele Muscillo was appointed to the Board effective 1 May 2013. The appointment does not contemplate a fixed term for Mr Muscillo's appointment as a Director.

As Non-executive Director, Mr Muscillo is paid a fee of $60,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

MARCUS DERWIN, NON-EXECUTIVE DIRECTOR

Marcus Derwin was appointed to the Board as a nominee of Standard Chartered Bank, effective 18 April 2016. The appointment does not contemplate a fixed term for Mr Derwin's appointment as a Director.

As Non-executive Director, Mr Derwin is paid a fee of $60,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

ROBERT BRAINSBURY, CHIEF FINANCIAL OFFICER AND CO-COMPANY SECRETARY

Robert Brainsbury entered into an employment arrangement with the Company which commenced on 20 December 2012 and has been amended as a result of the completion of a debt restructure on 31 December 2015, through a deed of variation. Mr Brainsbury's package consists of total fixed remuneration package of $394,625, including superannuation of 10% or maximum contribution cap, an insurance policy allowance, participation in a Short Term Incentive Plan and Bonuses as stipulated in the variation deed and Employee Options.

At the Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Brainsbury and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Brainsbury in the prior year:

- Number of options issued 22,418,546;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $758,868;
- Provided Mr Brainsbury remains employed by the Company, the options will vest and become exercisable for a $nil exercise price as follows:
  - 6,725,564 Options on 31 December 2016;
  - 3,923,246 Options on 31 December 2017;
  - 3,923,246 Options 31 December 2018;
  - 3,923,246 Options 31 December 2019;
  - 3,923,246 Options 31 December 2020;
  - to the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Brainsbury's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

IAN SHEPPARD, CHIEF OPERATING OFFICER

Ian Sheppard entered into an employment arrangement with the Company which commenced on 15 March 2013 and has been amended as a result of the completion of the Restructure on 31 December 2015, through a deed of variation. Mr Sheppard's package consists of total fixed remuneration package of $394,625, including superannuation of 10% or maximum contribution cap, an insurance policy allowance, participation in a Short Term Incentive Plan and Bonuses as stipulated in the variation deed and Employee Options.

At the Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Sheppard and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Sheppard in the prior year:

- Number of options issued 22,418,546;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $758,868;
- Provided Mr Sheppard remains employed by the Company, the options will vest and become exercisable for a $nil exercise price as follows:
  - 6,725,564 Options on 31 December 2016;
  - 3,923,246 Options on 31 December 2017;

- 3,923,246 Options 31 December 2018;
- 3,923,246 Options 31 December 2019;
- 3,923,246 Options 31 December 2020;
- to the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Sheppard's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance..

JOHN MILLER, GENERAL MANAGER TRITTON COPPER OPERATIONS

John Miller entered into an employment arrangement with the Company which commenced on 10 December 2012 and has been amended as a result of the completion of the Restructure on 31 December 2015, through a deed of variation. Mr Miller's package consists of total fixed remuneration package of $386,665, including superannuation of 10% or maximum contribution cap, an insurance policy allowance, participation in a Short Term Incentive Plan and Bonuses as stipulated in the variation deed and Employee Options.

At the Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Miller and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Miller in the prior year:

- Number of options issued 11,209,273;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $379,434;
- Provided Mr Miller remains employed by the Company, the options will vest and become exercisable for a $nil exercise price as follows
    - 3,362,782 Options on 31 December 2016;
    - 1,961,623 Options on 31 December 2017;
    - 1,961,623 Options 31 December 2018;
    - 1,961,623 Options 31 December 2019;
    - 1,961,623 Options 31 December 2020;
    - to the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Miller's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

DETAILS OF REMUNERATION

Details of the remuneration of the Directors and the Key Management Personnel of the Group are set out in the following tables. Elements of remuneration relating to STI's and equity are based on personal and Company performance and determined by the Remuneration Committee.

Remuneration of Key Management Personnel ('KMP') of the Group - 30 June 2018

	Short-term benefits							
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Superannuation	Sub-total	Termination Payments	Share based payments	**TOTAL**
	(A)	(B)	(C)	(D)			(E)	
DIRECTORS - NON-EXECUTIVE	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Michele Muscillo	60,000	-	-	-	60,000	-	-	**60,000**
Alastair Morrison	60,000	-	-	-	60,000	-	-	**60,000**
Marcus Derwin	60,000	-	-	-	60,000	-	-	**60,000**
	180,000	-	-	-	180,000	-	-	**180,000**
DIRECORS - EXECUTIVE	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Andre Labuschagne^	537,367	178,750	-	25,000	741,117	-	216,334	**957,451**
	717,367	178,750	-	25,000	921,117	-	216,334	**1,137,451**
OTHER KMP	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Robert Brainsbury^	369,036	94,000	-	25,000	488,036	-	129,800	**617,836**
Ian Sheppard^	370,442	94,000	-	25,000	489,442	-	129,800	**619,242**
John Miller^	356,682	108,767	11566	16,108	493,123	-	64,900	**546,469**
	1,096,160	**296,767**	**11,566**	**66,108**	**1,470,601**	**0**	**324,500**	**1,795,101**
	1,813,527	**475,517**	**11,566**	**91,108**	**2,391,718**	**0**	**540,834**	**2,932,552**

Notes to tables:

^ Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2018.

(A) Includes cash salary, insurance allowance and Directors' fees.

(B) Short-term incentives paid during the 2018 financial year related to the 30 June 2017 financial year, 2018 incentive scheme and restructure bonuses as included in the variation deeds signed upon completion of the 15 December 2015 debt restructure. They have been reflected on a cash basis.

(C) Life insurance non cash benefits paid by the Company on behalf of the key management personnel. The non-cash benefit at the option of employee is able to be reimbursed via an insurance allowance.

(D) Superannuation contributions are paid to meet the Superannuation Guarantee and vary according to seniority and service.

(E) The implied valuation of the options issued grant date in circumstances where there is a $Nil exercise price, the value per option on a fully marketable basis is equal to the value of the underlying share price less dividend ($0.04). The shares are however subject to various escrow periods and as such a discount for lack of marketability to the Options have been applied to take into consideration the escrow period. A discount for lack of marketability of 25%, 20%, 15% and 10% for Tranche 1($0.03), Tranche 2($0.032), Tranche 3($0.034) and Tranche 4 ($0.036) respectively.

Remuneration of Key Management Personnel ('KMP') of the Group - 30 June 2017

	Short-term benefits: Cash salary & fees	Short-term benefits: Short-term incentive	Short-term benefits: Non-cash benefits	Post-employment Superannuation	Sub-total	Termination Payments	Share based payments	TOTAL
	(A)	(B)	(C)	(D)			(E)	
DIRECTORS - NON EXECUTIVE	$	$	$	$	$	$	$	$
Michele Muscillo	60,000	-	-	-	60,000	-	-	**60,000**
Alastair Morrison	60,000	-	-	-	60,000	-	-	**60,000**
Marcus Derwin	60,000	-	-	-	60,000	-	-	**60,000**
	180,000	-	-	-	180,000	-	-	**180,000**
DIRECORS - EXECUTIVE	$	$	$	$	$	$	$	$
Andre Labuschagne^	517,896	262,500	3,176	32,104	815,676	-	267,364	**1,083,040**
	697,896	262,500	3,176	32,104	995,676	-	267,364	**1,263,040**
OTHER KMP	$	$	$	$	$	$	$	$
Robert Brainsbury^	350,000	168,750	-	35,000	553,750	-	160,419	**714,169**
Ian Sheppard^	353,472	168,750	3,652	31,528	557,402	-	160,419	**717,821**
John Miller^	338,096	81,948	4,648	29,125	453,817	-	80,209	**534,026**
	1,041,568	**419,448**	**8,300**	**95,653**	**1,564,969**	**-**	**401,047**	**1,966,016**
	1,739,464	**681,948**	**11,476**	**127,757**	**2,560,645**	**-**	**668,411**	**3,229,056**

Notes to tables:

^ Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2017.

(A) Includes cash salary and Directors' fees.

(B) Short-term incentives paid during the 2017 financial year related to the 30 June 2016 financial year and restructure bonuses as included in the variation deeds signed upon completion of the debt restructure. They have been reflected on a cash basis.

(C) Includes life insurance premiums paid by the Company on behalf of the key management personnel.

(D) Superannuation contributions are paid to meet the Superannuation Guarantee and vary according to seniority and service.

(E) The implied valuation of the options issued grant date in circumstances where there is a $Nil exercise price, the value per option on a fully marketable basis is equal to the value of the underlying share price less dividend ($0.04). The shares are however subject to various escrow periods and as such a discount for lack of marketability to the Options have been applied to take into consideration the escrow period. A discount for lack of marketability of 25%, 20%, 15% and 10% for Tranche 1($0.03), Tranche 2($0.032), Tranche 3($0.034) and Tranche 4 ($0.036) respectively.

The relative proportions of remuneration received that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At Risk - Short Term Incentive		At Risk - Equity	
Name	2017	2016	2017	2016	2017	2016
DIRECTORS						
Michele Muscillo	**100%**	100%	**-**	-	**-**	-
Alastair Morrison	**100%**	100%	**-**	-	**-**	-
Andre Labuschagne	**59%**	51%	**19%**	24%	**22%**	25%
Marcus Derwin	**100%**	100%	**-**	-	**-**	-
KEY MANAGEMENT PERSONEL						
Robert Brainsbury	**64%**	54%	**15%**	24%	**21%**	22%
Ian Sheppard	**64%**	54%	**15%**	24%	**21%**	22%
John Miller	**69%**	69%	**19%**	16%	**12%**	15%

Share-Based Compensation

EMPLOYEE OPTIONS

Executive management options (Options) were approved by shareholders at an Extraordinary General Meeting (EGM) held on 15 December 2015. The Options were issued to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy. As part of the Restructuring approved on 15 December 2015 and completed on 31 December 2015 (Completion Date), the relevant managers in aggregate can earn, through the exercise of the Options over five years (subject to vesting conditions), a total of up to 19.99% of the Company's fully diluted capital.

The number of Options granted on 15 December 2015 totaled 93,410,609 at a $nil exercise price and has a remaining contractual life of 2.5 years.

Name	Year Granted	Number of options issued	Value at Grant Date	Number of options vested	Vested	Cancelled	Maximum total value of grant yet to vest
			$		%	%	$
Andre Labuschagne	2016	37,364,244	1,264,780	17,748,016	47.5%	-	598,662
Robert Brainsbury	2016	22,418,546	758,868	10,648,810	47.5%	-	359,197
Ian Sheppard	2016	22,418,546	758,868	10,648,810	47.5%	-	359,197
John Miller	2016	11,209,273	379,434	5,324,405	47.5%	-	179,599
		93,410,609	**3,161,950**	**44,370,041**	**47.5%**	**-**	**1,496,655**

(A) The grant date for each share based payment was 15 December 2015.

(B) The management options are granted for no consideration and carry no dividend or voting rights and has a $nil exercise price

(C) Subject to the option holder remaining an employee of the Company for at least 12 months from the restructure, the Options will vest in five tranches as follows:

- 30% on first anniversary of Completion Date (31 December 2015)
- 17.5% for each year thereafter until the fifth anniversary (31 December 2020)

(D) The assessed fair value at grant date in circumstances where there is a $Nil exercise price, the value per option on a fully marketable basis is equal to the value of the underlying share price less dividend ($0.04). The shares are however subject to various escrow periods and as such a discount for lack of marketability to the Options have been applied to take into consideration the escrow period. A discount for lack of marketability of 25%, 20%, 15% and 10% for Tranche 1($0.03), Tranche 2($0.032), Tranche 3($0.034) and Tranche 4 ($0.036) respectively.

SHARE-BASED COMPENSATION – EMPLOYEE SHARE ACQUISITION PLAN ("ESAP")

The Aeris Resources Limited Employee Share Acquisition Plan (ESAP) was approved by shareholders at the Demerger Scheme Meeting on 21 January 2011. The purpose of the plan is to attract, retain, motivate and reward key executive employees.

The plan operates by allowing participants to obtain shares in the Company at market price, which are funded by a limited recourse interest free loan provided by the Company. The shares are held in trust with vesting of the shares subject to performance hurdles. If vesting conditions are satisfied, the shares continue to be held in trust subject to a holding lock until the underlying loan is repaid in full.

The ESAP shares were bought back upon completion of a debt restructure as announced on 31 December 2015. This Long Term Incentive plan was previously provided to Key Management Personnel through their participation in the Company's Employee Share Acquisition Plan. Management and senior employees of the Company were previously invited to participate in the ESAP, with the Board exercising its discretion when deciding on the allocation of shares under the Plan.

The ESAP provided for long term incentives aligned with the creation of shareholder value, with rights being vested to shares when service and performance hurdles were met. The allocation of ESAP shares to executives is part of the Company's overall recognition and retention strategy and is intended to reward long-term value creation. There are currently no shares issued or allocated under the ESAP Share Plan.

SHARE-BASED COMPENSATION - EMPLOYEE EXEMPT PLAN

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by the Board on 23 May 2011 and the ASIC exemption relief was published in the ASIC Gazette A045/11 on 7 June 2011. All Australian resident employees are eligible to participate in the scheme.

Under the scheme eligible employees may be offered up to $1,000 worth of fully paid ordinary shares in the Company annually for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price of the previous five trading days, is recognised in the balance sheet as share capital and the income statement as a share based payment. Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment.

No shares have been issued under the scheme for the financial year ending 30 June 2017.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

Name	Opening balance 1 July 2017	Issued and Acquired*	Disposed / Forfeited	Balance 30 June 2018
DIRECTORS				
Non-executive:				
Michele Muscillo	-	-	-	-
Alastair Morrison	-	-	-	-
Marcus Derwin	-	-	-	-
Executive:				
Andre Labuschagne	140,000	-	-	140,000
OTHER KEY MANAGEMENT PERSONELL				
Robert Brainsbury	316,667	-	-	316,667
Ian Sheppard	-	-	-	-
John Miller	33,234	-	-	33,234

* Issued and acquired shares include issues through ESAP and acquisitions on the open market.

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Andre Labuschagne
Executive Chairman
Brisbane - 28 August 2018

Auditor's Independence Declaration

As lead auditor for the audit of Aeris Resources Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aeris Resources Limited and the entities it controlled during the period.

D.G. Smith

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
28 August 2018

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Financial
Report

Aeris Resources Limited ABN 30147131977
Annual Financial Report - 30 June 2018

Contents

These financial statements cover the consolidated financial statements for the consolidated entity consisting of Aeris Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Aeris Resources Limited is a company limited by shares, incorporated and domiciled in Australia. It's registered office and principal place of business is:

Aeris Resources Limited
HQ South Tower Suite 2.2 Level 2
520-540 Wickham Street
FORTITUDE VALLEY, BRISBANE QLD 4006

The financial statements were authorised for issue by the Directors on 28 August 2018. The Directors have the power to amend and reissue the financial statements in accordance with Australian Accounting Standards.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.aerisresources.com.au

Aeris Resources Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2018

	Notes	**2018 $'000**	2017 $'000
Revenue from continuing operations	4	**236,017**	168,098
Cost of goods sold	5	**(198,231)**	(172,338)
Gross profit/(loss)		**37,786**	(4,240)
Exploration expense	5	**(174)**	(369)
Administration and support	5	**(7,223)**	(6,978)
Net foreign exchange (losses)/gains		**(1,317)**	2,028
Other expenses	5	**(3,748)**	(723)
Gain on debt restructure	5	**54,846**	-
Profit/(loss) before net finance costs		**80,170**	(10,282)
Finance expenses	5	**(18,680)**	(16,700)
Profit/(loss) before income tax from continuing operations		**61,490**	(26,982)
Income tax expense	6	**(6,186)**	(6,317)
Profit/(loss) for the year		**55,304**	(33,299)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Changes in the fair value of cash flow hedges	9(c)	**1,905**	-
Income tax relating to components of other comprehensive income	9(c)	**(572)**	-
Other comprehensive income for the year, net of tax		**1,333**	-
Total comprehensive income/(loss) for the year		**56,637**	(33,299)
Total comprehensive income/(loss) for the year attributable to owners of Aeris Resources Limited arises from:			
Continuing operations		**56,637**	(33,299)
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	**30.9**	(23.8)
Diluted earnings per share	21	**15.1**	(23.8)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic earnings per share		**30.9**	(23.8)
Diluted earnings per share		**15.1**	(23.8)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Aeris Resources Limited
Consolidated Balance Sheet
As at 30 June 2018

	Notes	**2018 $'000**	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**23,332**	9,698
Trade and other receivables	7(b)	**9,662**	6,656
Inventories	8(a)	**16,309**	14,795
Financial assets at fair value through profit or loss	7(c)	**3,722**	5,211
Total current assets		**53,025**	36,360
Non-current assets			
Receivables	7(b)	**7,190**	4,902
Mine properties in use	8(c)	**51,137**	45,088
Property, plant and equipment	8(b)	**50,700**	52,931
Deferred tax assets	8(d)	**4,591**	10,205
Exploration and evaluation	8(c)	**17,855**	14,497
Total non-current assets		**131,473**	127,623
Total assets		**184,498**	163,983
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	**25,984**	24,735
Interest bearing liabilities	7(e)	**7,275**	5,144
Derivative financial instruments	12(a)	**1,905**	-
Provisions	8(e)	**7,334**	6,566
Total current liabilities		**42,498**	36,445
Non-current liabilities			
Interest bearing liabilities	7(e)	**75,365**	114,034
Provisions	8(e)	**11,636**	13,017
Total non-current liabilities		**87,001**	127,051
Total liabilities		**129,499**	163,496
Net assets		**54,999**	487
EQUITY			
Contributed equity		**388,180**	360,828
Preference equity	9(b)	**4,208**	31,560
Reserves	9(c)	**(8,630)**	(7,838)
Accumulated losses	9(d)	**(328,759)**	(384,063)
Total equity		**54,999**	487

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Aeris Resources Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

	Attributable to owners of Aeris Resources Limited				
	Contributed Equity $'000	**Convertible Preference Shares $'000**	**Other Reserves $'000**	**Accumulated Losses $'000**	**Total Equity $'000**
Balance at 1 July 2016	360,828	31,560	(8,505)	(350,764)	**33,119**
Loss for the year	-	-	-	(33,299)	**(33,299)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(33,299)**	**(33,299)**
Transactions with owners in their capacity as owners:					
Share based payments	-	-	667	-	**667**
Balance at 30 June 2017	**360,828**	**31,560**	**(7,838)**	**(384,063)**	**487**
Balance at 1 July 2017	360,828	31,560	(7,838)	(384,063)	**487**
Profit for the year	-	-	-	55,304	**55,304**
Other comprehensive loss	-	-	(1,333)	-	**(1,333)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(1,333)**	**55,304**	**53,971**
Transactions with owners in their capacity as owners:					
Conversion of convertible preference shares	6,312	(6,312)	-	-	**-**
Share based payments	-	-	541	-	**541**
Cancellation of preference equity	21,040	(21,040)	-	-	**-**
	27,352	(27,352)	541	-	**541**
Balance at 30 June 2018	**388,180**	**4,208**	**(8,630)**	**(328,759)**	**54,999**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Aeris Resources Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**231,704**	171,567
Payments to suppliers and employees		**(179,099)**	(150,820)
Interest paid		**(2,087)**	(1,678)
Net cash inflow from operating activities		**50,518**	19,069
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and mine properties		**182**	177
Payments for property, plant and equipment and mine properties		**(23,922)**	(31,415)
Payments for exploration expenditure		**(3,358)**	(1,744)
Cash backed security deposits		**(2,242)**	60
Proceeds from sale of exploration tenements		**-**	3,250
Net cash outflow from investing activities		**(29,340)**	(29,672)
Cash flows from financing activities			
Proceeds from borrowings		**5,065**	14,543
Repayment of borrowings		**(5,116)**	(50)
Finance lease payments		**(7,493)**	(5,612)
Net cash (outflow) / inflow from financing activities		**(7,544)**	8,881
Net increase / (decrease) in cash and cash equivalents		**13,634**	(1,722)
Cash and cash equivalents at the beginning of the financial period		**9,698**	11,300
Effects of exchange rate changes on cash and cash equivalents		**-**	120
Cash and cash equivalents at the end of the year	7(a)	**23,332**	9,698

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 About the report

Aeris Resources Limited is a company limited by shares, incorporated and domiciled in Australia and is a for profit entity for the purposes of preparing the financial statements. The financial statements are for the consolidated entity consisting of Aeris Resources Limited (the Company) and its subsidiaries and together are referred to as the Group or Aeris.

The financial statements were approved for issue by the Directors of Aeris Resources Limited (Directors) on 28 August 2018. The Directors have the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board;
- Have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- Are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with Legislative Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated;
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year; and
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017.

The Group has elected to apply AASB 9 Financial Instruments as issued in December 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. See note 25 for further details on the impact of the change in accounting policy.

At 30 June 2018 Aeris has a positive net asset position of $54.999 million, cash and cash equivalents at $23.332 million, other financial assets of $3.722 million (investments) and $7.190 million of restricted cash.

The Group's net cash inflow from operating activities during the financial year was $50.518 million, with net cash outflows from investing activities of $29.340 million and net cash outflows from financing activities of $7.544 million. The Group has been able to continue to meet its working capital requirements principally as a result of positive operating cash flows generated by the Tritton Copper Operations and management of the timing of cash flows to meet obligations as and when due. At 30 June 2018, US$15.5 million of the SPOV Tranche A Facility had been drawn down, with US$9.500 million undrawn. The SPOV Tranche A Facility has a 2 year term, expiring on 14 March 2020.

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

1 About the report (continued)

The Directors believe they have reasonable grounds to expect that they will have sufficient funds to settle the Group's liabilities and meet its debts as and when they fall due. In their assessment of going concern the Directors have considered the funding and operational status of the business, including consideration of the following:

- The US$25.000 million Special Portfolio Opportunity V Limited (SPOV) Facility (US$9.5 million undrawn);
- The Group has generated positive cash flows from operating activities of $50.518 million (June 2017: $19.069 million);
- Continued strong operating cost control and management at the Tritton Copper Operations;
- The Tritton Underground Mine ventilation shaft was commissioned in September 2017. This essential infrastructure ensures that production at the Tritton Underground Mine can be maintained at more than one million tonnes per year as mining moves deeper; and
- The Murrawombie Underground Mine commissioned in FY2017, ramped up to full production levels during the year.

In FY2018, the Tritton Copper Operations produced 26,686 tonnes of Copper (in concentrate and in copper cement).

2 Significant changes in the current reporting period

(a) Debt restructure

The Company completed a major debt and capital restructure (Restructure) during the financial year, as announced on 28 February 2018 and completed on 14 March 2018.

The restructuring transaction involved the sale by Standard Chartered Bank (SCB) to Special Portfolio Opportunity V Limited (SPOV), a subsidiary of a fund managed by PAG, of the senior term debt (Senior Debt) provided to Aeris by SCB. SPOV is the provider of Aeris' existing Working Capital facility.

To facilitate the overall restructuring, SPOV and Aeris entered into an agreement (Restructuring Agreement) to:

- Reduce the senior debt by 53% from US$63.3 million to US$30 million (including a US$5 million arranger fee) (SPOV Tranche B facility);
- Reduced Aeris' share capital by 50%, with 467 million (80%) of Convertible Redeemable Preference Shares held by Standard Chartered Bank (SCB) redeemed for $1 and subsequently cancelled; and
- Cancelled the Copper Price Participation Agreement with SCB for $1, allowing Aeris to retain the benefit of copper prices above $8,000/t.

The Company also secured an extension on the maturity of its Working Capital facility (SPOV Tranche A Facility) so that it coincides with the maturity of the SPOV Tranche B Facility of 14 March 2020. SPOV also agreed to guarantee the environmental bond facility provided by SCB for 3 years.

SPOV converted its holding of 140 million convertible preference shares to ordinary shares. The conversion was formalised on 21 March 2018, which resulted in SPOV becoming Aeris' major shareholder with a shareholding of 50% (issued ordinary equity), which was previously approved by Aeris shareholders.

The reduction in debt from the Restructure resulted in a gain of $54.846 million for the year ended 30 June 2018.

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

3 Segment information

(a) Description of segments

Business segments

The Group's Strategic Steering Committee, consisting of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer examines the Group's performance and determined that there are two reportable segments of its business, Tritton Copper Operations and Other, representing corporate activities and non-core exploration assets.

Geographical segments

The Consolidated Entity only operated in Australia as at 30 June 2018 and 30 June 2017.

Segment results

(b) Segment information provided to the board of directors

2018	Tritton Copper Operations $'000	Other $'000	Total Continuing Operations $'000	Consolidated $'000
Segment Revenue				
Sales	235,879	-	235,879	235,879
Total sales revenue	235,879	-	235,879	235,879
Other revenue	138	-	138	138
Total segment revenue	236,017	-	236,017	236,017
Adjusted EBITDA	55,780	(2,835)	52,945	52,945
Segment assets and liabilities				
Segment assets	165,885	14,022	179,907	179,907
Unallocated assets	-	4,591	4,591	4,591
Total assets	165,885	18,613	184,498	184,498
Segment liabilities	127,414	2,085	129,499	129,499
Other segment information				
Depreciation and amortisation	24,803	12	24,815	24,815
Acquisition of property, plant and equipment, intangibles and other segment assets	34,051	-	34,051	34,051

3 Segment information (continued)

(b) Segment information provided to the board of directors (continued)

2017	Tritton Copper Operations $'000	Other $'000	Total Continuing Operations $'000	Consolidated $'000
Segment Revenue				
Sales	168,043	-	168,043	168,043
Total sales revenue	168,043	-	168,043	168,043
Other revenue	49	6	55	55
Total segment revenue	168,092	6	168,098	168,098
Adjusted EBITDA	15,915	(2,901)	13,014	13,014
Segment assets and liabilities				
Segment assets	**140,628**	**2,945**	**143,573**	**143,573**
Unallocated assets	-	10,205	20,410	20,410
Total assets	140,628	13,150	163,983	163,983
Segment liabilities	**162,072**	**1,424**	**163,496**	**163,496**
Other segment information				
Depreciation and amortisation	24,865	12	24,877	24,877
Acquisition of property, plant and equipment, intangibles and other segment assets	37,863	-	37,863	37,863

Adjusted EBITDA

The Group's Strategic Steering Committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment, gains recognised on refinancing and the effects of foreign exchange which primarily reflects gains/losses on the translation of the USD borrowings.

A reconciliation of adjusted EBITDA to operating profit or loss before income tax from continuing operations is provided as follows:

	2018 $'000	2017 $'000
Adjusted EBITDA (continuing operations)	**52,945**	13,014
Finance costs	**(18,680)**	(16,700)
Net foreign exchange (losses)/gains	**(1,317)**	2,028
Gain on debt restructure	**54,846**	-
Fair value of listed investment	**(1,489)**	(447)
Depreciation and amortisation	**(24,815)**	(24,877)
Profit/(loss) before income tax from continuing operations	**61,490**	(26,982)

4 Revenue

	2018 $'000	2017 $'000
From continuing operations		
Sales revenue		
Mining activities	**235,879**	168,043
Other revenue		
Other revenue from ordinary activities	**138**	55
	236,017	168,098

A portion of the Group's revenue from mining activities denominated in foreign currencies is currently cash flow hedged. There were no hedges in place in the prior year. The amounts disclosed above for revenue from mining activities include the effective amount of the derivatives that were used to hedge foreign currency revenue. The amount included in revenue is:

	2018 $'000	2017 $'000
Forward commodity contracts - cash flow hedged	**(1,299)**	-
	(1,299)	-

(a) Recognition and measurement

Concentrate sales revenue represents gross proceeds receivable from the customer. Concentrate sales are initially recognised at estimated sales value when the product is deemed delivered per the contract terms. Adjustments are made for variations in metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

Revenue is measured at the fair value of the consideration received or receivable.

Sales revenue is recognised when the product is suitable for delivery and:

- Risk has been passed to the customer;
- The quantity of the product can be determined with reasonable accuracy;
- The product has been dispatched to the customer and is no longer under the physical control of the company; and
- The selling price can be determined with reasonable accuracy.

5 Expenses

	Notes	2018 $'000	2017 $'000
Profit / (loss) before income tax includes the following specific expenses:			
Cost of goods sold:			
Cost of production			
Mining activities		**173,428**	147,473
		173,428	147,473
Depreciation			
Plant and equipment		**7,887**	7,718
Plant and equipment under finance leases		**6,925**	8,604
		14,812	16,322
Amortisation			
Mine properties		**9,991**	8,543
Total Cost of goods sold		**198,231**	172,338
Exploration expense:			
Exploration expenditure		**174**	369
Administration and support:			
Corporate		**7,211**	6,966
Corporate depreciation		**12**	12
		7,223	6,978
Gain on restructure:			
Gain on debt restructure	2(a)	**(54,846)**	-
		(54,846)	-
Other expenses:			
Loss on fair value of listed securities held for trading		**1,489**	447
Loss on sale of tenement		**-**	276
Loss on disposal and write-off of fixed assets		**2,259**	-
		3,748	723
Finance costs - net:			
Interest and finance charges paid / payable		**18,680**	14,129
Unwinding of discounts on provisions		**-**	467
Revaluation of price participation provision		**-**	(694)
Amortised borrowing costs		**-**	2,798
		18,680	16,700
Included within the above functions are the following:			
Employee benefit expense		**43,902**	40,799
Superannuation expense		**3,662**	3,541
		47,564	44,340

6 Income tax expense

(a) Income tax expense

	2018 $'000	2017 $'000
Deferred tax expense	**5,300**	6,317
Current tax expense	**886**	-
	6,186	6,317
Deferred income tax expense included in income tax comprises:		
Decrease in deferred tax assets (note 8(d)(i))	**5,420**	6,786
Increase / (decrease) in deferred tax liabilities (note 8(d)(ii))	**766**	(469)
	6,186	6,317

(b) Income taxes

Judgement is required in determining the provision for income taxes. The Group recognises liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets have been recognised based on the Group's probable future taxable income.

(c) Numerical reconciliation of income tax (benefit)/expense to prima facie tax payable/(receivable)

	2018 $'000	2017 $'000
Profit / (loss) from continuing operations before income tax expense	**61,490**	(26,982)
Tax at the Australian tax rate of 30.0%	**18,447**	(8,095)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non assessable income	**(20,689)**	-
Non-deductible expenses	**2,966**	3,458
Current tax losses not recognised	**-**	10,185
Adjustments for prior year unrecognised temporary differences	**-**	617
Share based payments	**162**	200
Benefits of foreign operations not recognised	**-**	(48)
Income tax expense	**886**	6,317

(d) Tax expense relating to items of other comprehensive income

	2018 $'000	2017 $'000
Cash flow hedges (note 9(c))	**572**	-

6 Income tax expense (continued)

(e) Tax losses

	2018 $'000	2017 $'000
Unused tax losses	**242,178**	288,736
Potential tax benefit @ 30.0%	**72,653**	86,621

Prior year unused tax losses of the Australian tax consolidated group, for which no deferred tax assets has been recognised, have been restated to reflect the losses included in the tax loss schedule of submitted and amended tax returns.

(f) Recognition and measurement

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Aeris Resources Limited and its wholly-owned Australian directly controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

7 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2018 $'000	2017 $'000
Bank balances	**23,332**	9,698
	23,332	9,698

(i) Cash at bank and on hand

Bank accounts are interest bearing, attracting normal market interest rates.

(ii) Fair value

The carrying amount for cash and cash equivalents equals their fair value.

(iii) Recognition and measurement

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(b) Trade and other receivables

	2018			2017		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**7,227**	**-**	**7,227**	4,219	-	4,219
Other debtors*	**1,518**	**-**	**1,518**	1,411	-	1,411
Restricted cash**	**-**	**7,190**	**7,190**	-	4,902	4,902
Prepayments	**917**	**-**	**917**	1,026	-	1,026
	9,662	**7,190**	**16,852**	6,656	4,902	11,558

* *Other debtors is primarily composed of receivables in relation to Australian GST refund claims and security deposits held.*

** *Restricted cash relates to cash held on deposit for security against bank guarantees.*

(i) Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 12.

(ii) Fair value risk

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(iii) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2018 Carrying amount $'000	**2018** Fair value $'000	2017 Carrying amount $'000	2017 Fair value $'000
Restricted cash	**7,190**	**7,190**	4,902	4,902

(iv) Foreign currency risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

	Notes	**2018 $'000**	2017 $'000
Australian Dollar		**8,986**	6,451
US Dollar		**7,866**	5,107
		16,852	11,558
Current receivables		**9,662**	6,656
Non-current receivables	7(b)(iii)	**7,190**	4,902
		16,852	11,558

For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 12.

(v) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 12 for more information on the risk management policy of the Group.

(vi) Interest rate risk

The Group has various variable interest rate receivables, including restricted cash. For an analysis of the sensitivity of trade and other receivables to interest rate risk, refer to note 12.

(vii) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 1 to 3 months and therefore are all classified as current. Trade receivables are recognised initially at fair value based on estimated amounts due and subsequently at amortised cost, less any provision for impairment. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For the commodity sales where pricing remains outstanding at the period end, the final consideration will be estimated in terms of AASB9 at the period end based on forward market prices for the relevant quotational period as there is a developed forward market. Details about the Group’s impairment policies and the calculation of the loss allowance are provided in note 12.

7 Financial assets and financial liabilities (continued)

(c) Financial assets at fair value through profit or loss

	2018 $'000	2017 $'000
Current assets		
Australian listed equity held for trading	**3,722**	5,211
	3,722	5,211

(i) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 12. For information about the methods and assumptions used in determining fair value please refer to note 7 (f) below.

(d) Trade and other payables

	2018 $'000	2017 $'000
Current liabilities		
Trade payables	**25,783**	24,675
Other payables	**201**	60
	25,984	24,735

(i) Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2018 $'000	2017 $'000
Australian Dollar	**25,920**	24,444
US Dollar	**64**	291
	25,984	24,735

(ii) Risk exposure

Information about the Group exposure to foreign exchange risk is provided in note 12.

Due to the short-term nature of current payables, their carrying value is assumed to approximate their fair value.

(e) Interest bearing liabilities

		2018			2017		
	Notes	**Current $'000**	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured							
Bank loans	7(e)(i)	**812**	**67,489**	**68,301**	80	105,344	105,424
Lease liabilities		**6,463**	**7,876**	**14,339**	5,064	8,690	13,754
Total secured borrowings	7(e)(i)	**7,275**	**75,365**	**82,640**	5,144	114,034	119,178

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

Interest bearing liabilities in their denominated currency:

	2018		2017	
	USD	**AUD**	USD	AUD
	$'000	**$'000**	$'000	$'000
Secured				
Bank loans	**50,174**	**545**	80,340	596
Lease liabilities	**269**	**13,976**	632	12,932
Total secured borrowing	**50,443**	**14,521**	80,972	13,528
Total borrowings	**50,443**	**14,521**	80,972	13,528

(i) Secured interest bearing liabilities and assets pledged as security

The total secured interest bearing liabilities (current and non-current) are as follows:

	2018	2017
	$'000	$'000
Bank loans	**68,301**	105,424
Lease liabilities	**14,339**	13,754
Total secured liabilities	**82,640**	119,178

2018

The Company completed a major debt and capital restructure during the financial year, as announced on 28 February 2018 and completed on 14 March 2018 and referred to in note 2.

The restructuring transaction involved the sale by Standard Chartered Bank (SCB) to Special Portfolio Opportunity V Limited (SPOV) (previously known as PAG SPV), a subsidiary of a fund managed by PAG, of the senior term debt (Senior debt or SCB Loan) provided to Aeris by SCB. SPOV is the provider of Aeris' existing Working Capital facility (PAG SPV Facility or SPOV Tranche A facility).

The debt restructure, completed on 14 March 2018, replaced the Company's SCB Loan with a SPOV Tranche B facility of US$25.000 million. For its role in arranging the restructure, including bridging the SCB Facility whilst the restructure was being completed, Aeris agreed to pay SPOV an Arranger Fee of US$5.000 million, which can be settled either in shares or by an increase in the Senior Debt facility, at Aeris' election. Any election to settle the payment of the Arranger Fee via the issuance of new shares would be subject to any required Aeris shareholder approvals.

The SPOV Tranche A facility's maturity was extended to coincide with the maturity of the SPOV Tranche B facility (14 March 2020). The SPOV Tranche A facility accrues cash interest at 5% per annum and PIK accrues at 6% (compounding every 3 months). At 30 June 2018, the Company had drawn down US$15.500 million from the SPOV Tranche A Facility.

The SPOV Tranche B facility accrues cash interest at a rate of 12.5% per annum. The facility provides for an initial repayment date, being 6 months from the completion date (14 September 2018). If, by the initial repayment date, the Company has not reduced the SPOV Tranche B facility to a minimum of US$10.000 million, the interest rate increases by an additional 3.0% per annum on the balance of the facility above US$10.000 million.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(i) Secured interest bearing liabilities and assets pledged as security (continued)

2017

SCB Loan
The SCB Loan was subject to a seven year term and the Company was required to make a bullet payment of all outstanding monies occurring at the end of the term (31 December 2022). The SCB Loan accrued cash interest at a rate of 5% per annum (following a cash interest holiday of two years), which was payable in accordance with the agreed payment structure between the Company, SCB and PAG SPV as set out in the Inter-Creditor Deed. If payment of the cash interest on the SCB Loan was not made by the Company, the amount owing was capitalised. PIK (payment in kind) interest accrued at a rate of 10% per annum in the first year, 12.5% in the second year and 7.5% per annum for the remaining five years of the seven year term.

PAG SPV Facility (now SPOV Tranche A Facility)
Loan notes were issued by the Company to PAG SPV (PAG SPV Facility US$25.000 million). The working capital facility was intended to fund the Company's working capital and growth projects at its Tritton Copper Operations.

The US$25.000 million PAG SPV facility is available in two tranches:

- US$15.000 million - available for general working capital purposes and certain approved capital expenditure (Tranche 1), and;
- US$10.000 million - available for general working capital purposes (Tranche 2).

Tranche 2 was subject to evidence to the satisfaction of PAG SPV that resource drilling on the Tritton Deeps had been successful and both the Company and PAG SPV have approved capital expenditure for the development of Tritton Deeps as announced on 28 July 2016.

The PAG SPV Facility has a 3-year term and is secured by the same security and guarantee arrangements as provided for the SCB Loan, however PAG SPV Facility has priority over repayment. Cash interest accrues at 5% per annum and PIK accrues at 6% (compounding every 3 months).

Residential housing loans
Residential housing loans are secured over the residential properties. These loans have no recourse to the Parent entity or other members of the Group.

(ii) Lease liabilities

Certain vehicles and equipment acquired by the Group are funded by finance leases and hire purchase provided by a number of financial institutions. The leases are secured by the assets being financed.

Lease liabilities are effectively secured as the rights to the leased assets are recognised in the financial statements and revert to the lessor in the event of default.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(ii) Lease liabilities (continued)

	2018 $'000	2017 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**7,279**	5,265
Later than one year but not later than five years	**8,339**	8,781
Minimum lease payments	**15,618**	14,046
Future finance charges	**(1,279)**	(292)
Total lease liabilities	**14,339**	13,754
Representing lease liabilities:		
Current	**6,463**	5,064
Non-current	**7,876**	8,690
	14,339	13,754

(iii) Financing arrangements

The Group had access to the following borrowing facilities at the reporting date:

	2018 $'000	2017 $'000
Floating rate		
Bank finance loan facilities and residential housing loans	**545**	596
Used at balance date		
Bank finance loan facilities and residential housing loans	**65,501**	85,783
Unused at balance date		
Bank finance loan facilities and residential housing loans	**12,829**	12,355

Credit stand-by arrangements

The Group has $7,190,000 (2017: $4,902,000) in restricted cash in respect of its rehabilitation obligations.

Bank residential housing loans

The residential housing loans totalling $544,761 (2017: $596,160) (original principal $900,000) are repayable over 25 years at a current interest rate of 4.95% (2017: 4.95%).

(iv) Interest rate risk exposure

The following tables set out the Group's exposure to interest rate risk, including the contractual re-pricing dates and the effective weighted average interest rate by maturity periods. Exposures arise from liabilities bearing variable interest rates.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(iv) Interest rate risk exposure (continued)

	Floating interest rate $'000	Fixed interest rate: 1 year or less $'000	Fixed interest rate: Over 1 to 5 years $'000	Fixed interest rate: Over 5 years $'000	Non interest bearing $'000	Total $'000
2018						
Bank loans	**545**	**732**	**67,024**	**-**	**-**	**68,301**
Trade and other creditors	**-**	**-**	**-**	**-**	**25,984**	**25,984**
Lease and hire purchase	**-**	**6,463**	**7,876**	**-**	**-**	**14,339**
Total	**545**	**7,195**	**74,900**	**-**	**25,984**	**108,624**

	Floating interest rate $'000	Fixed interest rate: 1 year or less $'000 Restated	Fixed interest rate: Over 1 to 5 years $'000 Restated	Fixed interest rate: Over 5 years $'000	Non interest bearing $'000	Total $'000
2017						
Bank loans	596	-	39,799	65,028	-	105,423
Trade and other creditors	-	-	-	-	24,735	24,735
Lease and hire purchase	-	5,064	8,691	-	-	13,755
Total	**596**	**5,064**	**48,490**	**65,028**	**24,735**	**143,913**

(v) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	2018 Carrying amount $'000	**2018** Fair value $'000	2017 Carrying amount $'000	2017 Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**68,301**	**68,301**	105,423	105,423
Lease liabilities	**14,339**	**14,339**	13,755	13,755
	82,640	**82,640**	119,178	119,178

The fair value of interest bearing liabilities is determined by discounting the expected future cash flows by the current interest rates or liabilities with similar risk profiles.

(vi) Foreign exchange risk exposures

The carrying amounts of the Group's current and non-current interest bearing liabilities in Australian dollars are denominated in the following currencies:

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(vi) Foreign exchange risk exposures (continued)

	2018			2017		
	US Dollar denominated $'000	**Australian Dollar denominated $'000**	**Total interest bearing liabilities $'000**	US Dollar denominated $'000	Australian Dollar denominated $'000	Total interest bearing liabilities $'000
Bank loans	**67,756**	**545**	**68,301**	104,827	596	105,423
Lease and hire purchase liabilities	**363**	**13,976**	**14,339**	822	12,933	13,755
Total	**68,119**	**14,521**	**82,640**	105,649	13,529	119,178

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 12.

(f) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

AASB 7 *Financial Instruments:* Disclosures requires fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June 2018 and 30 June 2017:

30 June 2018	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Total $'000**
Financial assets				
Financial assets at fair value through profit or loss				
Australian listed equity securities		**3,722**	**-**	**3,722**
Total financial assets		**3,722**	**-**	**3,722**
Forward commodity contract - cashflow hedges	12(a)	**-**	**1,905**	**1,905**
Total financial liabilities		**-**	**1,905**	**1,905**
30 June 2017				
Financial assets				
Financial assets at fair value through profit or loss				
Australian listed equity securities		5,211	-	5,211
Total financial assets		5,211	-	5,211

7 Financial assets and financial liabilities (continued)

(f) Fair value measurements (continued)

The Company does not have any Level 3 financial assets at 30 June 2018 and no Level 2 or Level 3 financial assets at 30 June 2017.

Valuation Methodology

Financial assets at fair value through profit or loss are investments classified as held for trading and are fair valued by comparing to the published price quotation in an active market and are considered a level 1 valuation.

The fair value of forward commodity contract - cashflow hedges is determined using market rates and inputs at the reporting date and are considered a level 2 valuation.

Refer to note 7(e)(v) for the carrying amounts and fair values of borrowings at balance date.

8 Non-financial assets and liabilities

(a) Inventories

	2018 $'000	2017 $'000
Current assets - Mining inventories		
Production supplies - at cost	**6,608**	6,099
Work in progress - at cost	**9,701**	8,696
	16,309	14,795

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

(ii) Recognition and measurement

Mining inventories of raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory charged to the Consolidated Statement of Comprehensive Income has been included in note 5 as part of mining activities.

8 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
At 1 July 2016					
Cost	1,324	7,137	55,770	16,858	81,089
Accumulated depreciation	-	(1,497)	(27,161)	(3,966)	(32,624)
Net book amount	1,324	5,640	28,609	12,892	48,465
Year ended 30 June 2017					
Opening net book amount	1,324	5,640	28,609	12,892	48,465
Additions	-	3	16,909	4,704	21,616
Depreciation charge	-	(418)	(7,312)	(8,604)	(16,334)
Transfer to mine properties in use	-	-	(70)	-	(70)
Net disposals/write-offs	-	-	(746)	-	(746)
Closing net book amount	1,324	5,225	37,390	8,992	52,931
At 30 June 2017					
Cost	1,324	7,140	69,735	21,562	99,761
Accumulated depreciation	-	(1,915)	(32,345)	(12,570)	(46,830)
Net book amount	1,324	5,225	37,390	8,992	52,931
Year ended 30 June 2018					
Opening net book amount	1,324	5,225	37,390	8,992	52,931
Additions	-	10	5,907	9,558	15,475
Depreciation charge	-	(972)	(6,927)	(6,925)	(14,824)
Transfer to mine properties in use	-	-	(377)	-	(377)
Net disposals/write-offs	-	(282)	(63)	(2,160)	(2,505)
Closing net book amount	1,324	3,981	35,930	9,465	50,700
At 30 June 2018					
Cost	1,324	6,748	73,931	26,889	108,892
Accumulated depreciation	-	(2,767)	(38,001)	(17,424)	(58,192)
Net book amount	1,324	3,981	35,930	9,465	50,700

(i) Assets in the course of construction

The carrying amounts of the assets disclosed above include assets that were in the course of construction as at the end of the reporting period. The relevant amounts are as follows:

	2018 $'000	2017 $'000
Plant and equipment	**3,288**	16,908

(ii) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

8 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment (continued)

(iii) Recognition and measurement

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation on mine property, plant and equipment (excluding land) is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the proved and probable ore reserves, or on a straight line basis over the estimated useful life of the asset if the asset's useful life is less than the life of mine, currently between 2 and 6 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Comprehensive Income .

(c) Exploration and evaluation, Mining properties in use

(i) Exploration and evaluation

	30 June 2018 $'000	30 June 2017 $'000
Opening net book amount	**14,497**	16,279
Expenditure incurred during the year	**3,358**	1,744
Net disposals/write-offs	**-**	(3,250)
Loss on sale of tenement	**-**	(276)
Closing balance	**17,855**	14,497

The recoverability of exploration and evaluation assets depends on successful development or sale of tenement areas.

Recognition and measurement

Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves and while active and significant operations in, or in relation to, the area are continuing.

8 Non-financial assets and liabilities (continued)

(c) Exploration and evaluation, Mining properties in use (continued)

Recognition and measurement (continued)

Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the year in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the year in which that decision is made.

Upon commencement of mining activities, deferred exploration and development expenditure is reclassified to mine properties and then amortised in accordance with the accounting policy for mine properties.

The net carrying value of each area of interest is reviewed regularly and, to the extent to which this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

(ii) Mine properties in use

	30 June 2018 $'000	30 June 2017 $'000
Opening net book amount	**45,088**	39,058
Expenditure incurred during the year	**15,663**	14,503
Amortisation for the year	**(9,991)**	(8,543)
Transfer from property, plant and equipment	**377**	70
Closing balance	**51,137**	45,088
Balance at reporting date		
Cost	**142,129**	126,089
Accumulated amortisation	**(90,992)**	(81,001)
Net book value	**51,137**	45,088

Recognition and measurement

Mine properties represent the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis so as to write-off the cost in proportion to the depletion of the proved and probable ore reserves.

8 Non-financial assets and liabilities (continued)

(d) Deferred tax balances

(i) Deferred tax assets

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Fixed assets, exploration and mine properties	**4,511**	9,834
Tax losses	**252**	1,138
Transaction/issuance costs	**860**	838
Provisions and accruals	**6,145**	5,591
Other	**280**	67
Hedge	**572**	-
Total deferred tax assets	**12,620**	17,468
Set-off of deferred tax liabilities pursuant to set-off provisions	**(8,029)**	(7,263)
Net deferred tax assets	**4,591**	10,205
Deferred tax assets expected to be recovered within 12 months	**4,591**	5,003
Deferred tax assets expected to be recovered after 12 months	**-**	5,202
	4,591	10,205

Movements - Consolidated	**Tax losses $'000**	**Cashflow Hedge $'000**	**Fixed assets, exploration and mine properties $'000**	**Transaction/ Issuance Cost $'000**	**Provision and accruals $'000**	**Other $'000**	**DTA/DTL net off $'000**	**Total $'000**
At 1 July 2016	**-**	**-**	**17,539**	**1,216**	**5,499**	**-**	**(7,732)**	**16,522**
Debited/(credited) - to consolidated statement of comprehensive income	**1,138**	**-**	**(7,705)**	**(378)**	**92**	**67**	**469**	**(6,317)**
At 30 June 2017	**1,138**	**-**	**9,834**	**838**	**5,591**	**67**	**(7,263)**	**10,205**
Debited/(credited) - to consolidated statement of comprehensive income	**(886)**	**-**	**(5,323)**	**22**	**554**	**213**	**(766)**	**(6,186)**
Charged/(credited) - directly to equity	**-**	**572**	**-**	**-**	**-**	**-**	**-**	**572**
At 30 June 2018	**252**	**572**	**4,511**	**860**	**6,145**	**280**	**(8,029)**	**4,591**

Net deferred tax assets amounting to $4,591,000 (2017: $10,205,000) have been recognised, recovery of this amount is based on the Group's probable future taxable income.

8 Non-financial assets and liabilities (continued)

(d) Deferred tax balances (continued)

(ii) Deferred tax liabilities

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Inventories	**1,982**	1,860
Exploration and evaluation	**6,047**	5,172
Other	**-**	231
	8,029	7,263
Set-off of deferred tax liabilities pursuant to set-off provisions	**(8,029)**	(7,263)
Net deferred tax liabilities	**-**	-

Movements - Consolidated	**Inventories $'000**	**Exploration $'000**	**Cash flow hedges $'000**	**Other $'000**	**DTA net off $'000**	**Total $'000**
At 1 July 2016	**2,076**	**5,656**	**-**	**-**	**(7,732)**	**-**
Charged/(credited) - to the consolidated statement of comprehensive income	**(216)**	**(484)**	**-**	**231**	**469**	**-**
At 30 June 2017	**1,860**	**5,172**	**-**	**231**	**(7,263)**	**-**
Charged/(credited) - to the consolidated statement of comprehensive income	**122**	**875**	**-**	**(231)**	**(766)**	**-**
At 30 June 2018	**1,982**	**6,047**	**-**	**-**	**(8,029)**	**-**

8 Non-financial assets and liabilities (continued)

(e) Provisions

	2018			2017		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**7,115**	**634**	**7,749**	6,443	707	7,150
Price participation	**-**	**-**	**-**	-	1,308	1,308
Provision for rehabilitation and dismantling	**-**	**11,002**	**11,002**	-	11,002	11,002
Other provisions	**219**	**-**	**219**	123	-	123
	7,334	**11,636**	**18,970**	6,566	13,017	19,583

(i) Information about individual provisions and significant estimates

Price participation

In the prior year, the copper price participation provision was an estimated provision for the Copper Price Participation Payment payable under a debt restructure agreement with SCB that was finalised on 31 December 2015, over the Life of Mine and based on current market consensus Copper Price and AUD/USD forecasts. The Group was required to pay the Copper Price Participation Payment every 3 months where the volume weighted average copper price in the quarter, expressed in Australian Dollars is above a copper price of A$8,000 per tonne.

This liability was estimated at A$1.308 million as at 30 June 2017 using external forecast forward prices for copper and the AUD:USD forward exchange rates, over the current planned Life of Mine and using a discount rate of 12.30%.

As part of the debt restructure completed on 14 March 2018, SCB agreed to cancel the existing Copper Price Participation Agreement for $1.

Rehabilitation and dismantling

Provision is made for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a risk free discount rate that reflects the time value of money and it does not reflect risks for which future cash flow estimates have been adjusted.

Provision is made for the estimated costs of dismantling and removing the item of plant and equipment and restoring the site on which it is located.

Other

Provision is made for the estimated cost of some obligations where there is a likelihood that an outflow will be required for settlement.

8 Non-financial assets and liabilities (continued)

(e) Provisions (continued)

(ii) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2018	**Provision for rehabilitation and dismantling $'000**	**Price Participation $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	11,002	1,308	123	12,433
Additional provisions recognised during the year	-	4,367	219	4,586
Amounts used during the year	-	-	(123)	(123)
Cancellation	-	(5,675)	-	(5,675)
Carrying amount at end of year	11,002	-	219	11,221

(iii) Recognition and measurement

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment. Under AASB 116 *Property, Plant and Equipment,* the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period.

AASB 137 *Provisions, Contingent Liabilities, and Contingent Assets* requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a risk free discount rate that reflects the time value of money. The discount rate must not reflect risks for which future cash flow estimates have been adjusted. The increase in the provision due to the passage of time is recognised as interest expense.

9 Equity

(a) Share capital

	2018 Shares	2017 Shares	**2018 $'000**	2017 $'000
Ordinary shares				
Ordinary shares - fully paid	**280,232,617**	140,116,703	**388,180**	360,828
	280,232,617	140,116,703	**388,180**	360,828

9 Equity (continued)

(a) Share capital (continued)

(i) Movements in ordinary share capital

Details	**Number of shares**	**$'000**
Opening balance 1 July 2016	140,116,703	360,828
Balance 30 June 2017	140,116,703	360,828
Conversion of convertible preference shares	140,115,913	6,312
Share issued to fund cancellation of convertible preference shares	1	-
Cancellation of convertible preference shares	-	21,040
Balance 30 June 2018	280,232,617	388,180

(ii) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote. Upon a poll each holder of ordinary shares is entitled to one vote for each fully paid share held (pro-rated in the case of partly paid shares).

(b) Preference equity

(i) Movements Convertible Redeemable Preference shares (Redeemable and Non-Redeemable)

Details	**Number of shares**	**$'000**
Opening balance 1 July 2017	700,579,566	31,560
Conversion to ordinary shares	(140,115,913)	(6,312)
Cancellation of convertible preference shares	(467,053,044)	(21,040)
Balance 30 June 2018	93,410,609	4,208

Conversion and cancellation of convertible preference shares

Associated with the restructure as outlined in note 2, an agreement was reached with SCB to cancel 467.053 million of its 560.464 million Convertible Redeemable Preference Shares (CRPS), reducing the number on issue to 93.411 million. The CRPS, that are fully paid Convertible Redeemable Preference Shares in the ordinary capital of the Company, were originally issued following approvals obtained at the Extraordinary General Meetings of Shareholders (EGM) held to approve the SCB debt restructure on 15 December 2015. The CRPS were issued with an aggregate face value of US$40.000 million.

The remaining CRPS accrue an unfranked dividend of 5% per annum. Payment of this dividend is interest deferred and accrues interest. The accrued dividends and interest will be paid in cash if the CRPS are redeemed or will cease to accrue and be written off if the CRPS are converted.

The CRPS were independently valued upon finalisation of the 15 December 2015 restructure with its full fair value determined at A$25.248 million. Following the cancellation of the 467,053,044 CRPS the remaining fair value recognised is A$4.208 million.

The CRPS may be redeemed by the Company during the CRPS redemption period, unless already converted; otherwise all CRPS mandatorily convert into ordinary shares in the Company on the fifth anniversary of their issue.

As part of the restructure completed on 14 March 2018, SPOV agreed to convert its existing holding of 140.166 million Convertible Non-Redeemable Preference Shares (CNRPS) to ordinary shares. The CNRPS were independently valued upon finalisation of the 15 December 2015 restructure and had a fair value of A$6.312 million.

9 Equity (continued)

(c) Reserves

	2018 $'000	2017 $'000
Cash flow hedges	**(1,333)**	-
Share-based payments	**2,146**	1,605
Acquisition revaluation reserve	**(9,443)**	(9,443)
	(8,630)	(7,838)
Movements:		
Revaluation - gross	**(1,905)**	-
Transfer to net profit or loss from continuing operations - gross	**572**	-
Movement in cashflow hedges	**(1,333)**	-
Balance 30 June	**(1,333)**	-
Share-based payments		
Opening balance	**1,605**	938
Employee share based payment expense	**541**	667
Balance 30 June	**2,146**	1,605
Acquisition Revaluation Reserve		
Opening balance	**(9,443)**	(9,443)
Balance 30 June	**(9,443)**	(9,443)

Nature and purpose of other reserves

(i) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in equity, as described in note 24(i). Amounts are recognised in the Consolidated Statement of Comprehensive Income when effected by the associated hedged transaction.

(ii) Share-based payments

The share-based payments reserve is used to recognise the fair value of equity instruments issued to employees.

(iii) Acquisition Revaluation Reserve

This reserve is used to record the differences described in note 24(b)(ii) which may arise as a result of ownership interest changes.

(d) Accumulated losses

Movements in accumulated losses were as follows:

	2018 $'000	2017 $'000
Balance at the beginning of the year	**(384,063)**	(350,764)
Net profit/(loss) for the year	**55,304**	(33,299)
Balance 30 June	**(328,759)**	(384,063)

10 Cash flow information

(a) Reconciliation of profit/(loss) before income tax to net cash inflow from operating activities

	2018 $'000	2017 $'000
Profit / (loss) for the year	**55,304**	(33,299)
Accrued finance costs	**9,189**	13,316
Unrealised exchange and foreign exchange hedging (gains)/losses	**1,317**	(2,383)
Depreciation and amortisation	**24,815**	24,877
Employee share based payment	**541**	667
Loss/(profit) on sale of fixed assets	**2,259**	604
Loss on sale of exploration tenements	**-**	285
Gain on debt restructure	**(54,846)**	-
Revaluation of price participation provision	**-**	(694)
(Increase)/ decrease in trade and other receivables	**(2,836)**	4,135
Increase in inventories	**(1,514)**	(837)
Increase in trade and other payables	**1,729**	4,595
Decrease in other financial assets	**1,489**	446
Increase in deferred tax liabilities	**6,186**	-
Increase in provisions	**4,980**	1,040
Decrease in deferred tax assets	**-**	6,317
Movement in commodity hedging	**1,905**	-
Net cash inflow from operating activities	**50,518**	19,069

(b) Non-cash investing and financing activities

	2018 $'000	2017 $'000
Acquisition of plant and equipment by means of finance leases	**7,216**	4,704

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Net debt	2018 $'000	2017 $'000
Cash and cash equivalents	**23,332**	9,698
Liquid investments	**3,722**	5,211
Borrowings - repayable within one year (including overdraft)	**(7,275)**	(5,144)
Borrowings - repayable after one year	**(75,365)**	(114,034)
	(55,586)	(104,269)
Cash and liquid investments	**27,054**	14,909
Gross debt - fixed interest rates	**(82,095)**	(118,582)
Gross debt - variable interest rates	**(545)**	(596)
Net debt	**(55,586)**	(104,269)

10 Cash flow information (continued)

(c) Net debt reconciliation (continued)

	Cash/bank overdraft $'000	Liquid invest-ments $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Borrow. due within 1 year $'000	Borrow. due after 1 year $'000	Total $'000
Net debt as at 1 July 2016	**11,300**	**5,657**	**(4,492)**	**(10,201)**	**(66)**	**(79,971)**	**(77,773)**
Cash flows	(1,722)	-	5,580	-	80	(14,543)	(10,605)
Acquisitions - finance leases and lease incentives	-	-	(1,513)	(3,191)	-	-	(4,704)
Foreign exchange adjustments	120	-	14	17	-	2,484	2,635
Other non-cash movements	-	(446)	(4,653)	4,685	(64)	64	(414)
Interest	-	-	-	-	(30)	(13,378)	(13,408)
Net debt as at 30 June 2017	**9,698**	**5,211**	**(5,064)**	**(8,690)**	**(80)**	**(105,344)**	**(104,269)**
Net debt as at 1 July 2017	**9,698**	**5,211**	**(5,064)**	**(8,690)**	**(80)**	**(105,344)**	**(104,269)**
Cash flows	13,634	-	6,389	-	2,306	488	22,817
Acquisitions - finance leases and lease incentives	-	-	(2,208)	(4,758)	-	-	(6,966)
Foreign exchange adjustments	-	-	(8)	-	(7)	(1,434)	(1,449)
Other non-cash movements	-	(1,489)	(5,572)	5,572	(52)	52	(1,489)
Interest	-	-	-	-	(2,979)	(9,474)	(12,453)
Cancellation	-	-	-	-	-	48,223	48,223
Net debt as at 30 June 2018	**23,332**	**3,722**	**(6,463)**	**(7,876)**	**(812)**	**(67,489)**	**(55,586)**

(i) Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss.

Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

11 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on management's historical experience and knowledge of relevant facts and circumstances at that time.

The Aeris Group makes estimates and judgments concerning the future. The resulting accounting estimates and judgments may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgments are contained in the accounting policies and/or notes to the financial statements.

(i) Ore Reserve Estimates

Ore Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate Ore Reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of the Ore Reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The Group is required to determine and report Ore Reserves in Australia under the principles incorporated in the 2012 Edition of the Australasian Code, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate Ore Reserves.

As the economic assumptions used to estimate Ore Reserves change from year to year, and as additional geological data is generated during the course of operations, estimates of Ore Reserves may change from year to year. Changes in reported Ore Reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Recognition of deferred tax on mineral rights and exploration recognised on acquisitions;
- Recoverable amount of deferred mining expenditure and capitalisation of development costs; and
- Units of production method of depreciation and amortisation.

(ii) Estimation for the provision for rehabilitation and dismantling

Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration time value. This requires the use of estimates and judgements in relation to a range of inputs including:

- Ore Reserves and mine planning scheduling;
- Production costs; and
- Discount rates.

11 Critical accounting estimates and judgements (continued)

(iii) Impairment of non-financial assets

The Group considers annually whether there have been any indicators of impairment and then tests whether or not non-current assets have suffered an impairment, in accordance with the accounting policy stated in note 24 (f).

Cash generating units

The recoverable amounts of the CGU for 30 June 2018, have been determined based on fair value less costs of disposal (FVLCD). The FVLCD is calculated based on a Board approved life of mine plan (LOM). On an annual basis, or more frequently if required, the Company prepares a LOM and accompanying financial model for the Tritton Copper Operations (please refer to note 2). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (CGUs). The Group currently assesses the Tritton Copper Operations as one CGU.

This requires the use of estimates and judgements in relation to a range of inputs including:

- Commodity prices;
- Exchange rates;
- Reserves and mine planning scheduling;
- Production costs; and
- Discount rates.

The discount rate used in the LOM is a post tax discount rate of 10.24%. Commodity prices and exchange rates used in the model is sourced from independent reputable market sources. These inputs heavily influence the sequence of when and how much ore will be extracted from each of the planned mines as well as the timing and quantum of capital expenditure that will be required. The FVLCD indicate sufficient headroom to the carrying value of the CGU.

The Group recognises that there are various reasons that the estimates used in these assumptions may vary. There are possible changes in key assumptions that could cause the carrying value of the CGU to exceed its recoverable amount. The changes required to each of the key assumptions (assuming all other assumptions remain the same) to cause the carrying value of the CGU to exceed its recoverable amount are:

- AUD Copper Price decreases by 6%
- Post tax discount rate increases from 10.24% to 25%

(iv) Recoverability of deferred tax assets

In determining the recoverability of the recognised deferred tax assets, management prepared and reviewed an analysis of estimated future results which support the future realisation of the deferred tax assets. The estimated future results have been derived from estimates also used for impairment assessments referred to in the notes to the consolidated financial statements. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets reported at the reporting date could be impacted.

12 Financial risk management

The Group's activities expose it to foreign currency risk, interest rate risk, price risk and credit risk. In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as forward commodity contracts are used to hedge certain commodity price risk exposures. The Group also uses different methods to measure different types of risk to which it is exposed. The methods include sensitivity analysis in the case of interest rate, foreign exchange and ageing analysis for credit risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

12 Financial risk management (continued)

(a) Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The Group has the following derivative financial instruments:

	2018 $'000	2017 $'000
Current liabilities		
Forward copper contracts - cashflow hedged	**1,905**	-

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The Group's accounting policy for its cash flow hedges is set out in note 24 (i). For hedged forecast transactions that result in the recognition of a non-financial asset, the related hedging gains and losses are included in the initial measurement of the cost of the asset.

(ii) Instruments used by the Group

As a result of the restructure as noted in note 2, Aeris entered into a copper hedging program with a reputable local bank as the hedge counterparty. On 7 March 2018 it was announced that Aeris' subsidiary, Tritton Resources Pty Ltd (Tritton), had entered into a swap contract of 12,000 copper tonnes at an average price of A$8,670 per tonne with scheduled deliveries of 1,000 copper tonnes per month out to 4 March 2019. The swap contract also provides Tritton the opportunity to participate in the upside at a maximum strike price.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

The potential risk of counterparties to meet their obligations under the respective contracts of maturity exposes the Group to credit risk.

(iii) Fair value measurements

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 7(f).

(iv) Hedging Reserves

The group's hedging reserves disclosed in note 9 relate to the forward copper contracts - cash flow hedged.

(b) Market risk

(i) Foreign exchange risk

Generally, natural hedges, forward contracts and options are used to manage certain foreign exchange risk. The Group's currency exposure based on the information provided to key management is mainly in cash and cash equivalents, receivables and loans. The Group did not utilise any foreign exchange forward contracts or options during the year.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The majority of these exposures are generated by interest bearing liabilities denominated in US dollars, commodity sales contracts which are typically denominated in US dollars, as well as associated receivables.

The Group operates internationally and is exposed to foreign exchange arising from various foreign currency exposures, primarily with respect to the US dollar.

12 Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

For an analysis of the exposure to foreign exchange risk on trade receivables and trade payables refer to note 7.

Group sensitivity

Based on the financial instruments held at 30 June 2018, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's profit from continuing operations for the year would have been $4.226 million lower/higher (2017: loss would have been $6.974 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents, interest bearing loans, receivables and payables denominated in foreign currencies. There would have been no impact on equity.

(ii) Interest rate risk

Interest rate risk arises as a result of the re-pricing of investments, interest bearing receivables and borrowings and is affected by the length of the re-pricing period.

The significance and management of the risks to the Group are dependent on a number of factors including:
- Interest rates (current and forward) and the currencies that the investments and borrowings are denominated in;
- Level of cash, liquid investments and borrowings;
- Maturity dates of investments and borrowings; and
- Proportion of investments and borrowings that are fixed rate or floating rate.

The risk is measured using market and cash flow forecasting.

Group sensitivity

At 30 June 2018, if interest rates had changed by -/+ 50 basis points from the weighted average year end rates with all other variables held constant, profit from continuing operations for the year would have been $0.182 million higher/lower (2017: $0.366 million higher/lower), mainly as a result of higher/lower interest from loans, cash and cash equivalents and restricted cash.

The exposure of the Group's interest bearing liabilities at balance sheet date to interest rate changes at the contractual re-pricing dates are as follows:

	2018 $'000	2017 $'000
0 - 12 months	**7,275**	5,144
1 - 5 years	**75,365**	49,006
Over 5 years	**-**	65,028
	82,640	119,178

(iii) Commodity Price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity outputs.

The Group is exposed to commodity price risk arising from revenue derived from sales of copper concentrate. The group currently has a forward copper contract in place to manage commodity price risk. There were no commodity price derivatives used in the prior year.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group’s financial assets and financial liabilities to foreign exchange risk and interest rate risk.

12 Financial risk management (continued)

(b) Market risk (continued)

(iv) Summarised sensitivity analysis (continued)

	Foreign exchange risk				Interest rate risk			
	-10%		+10%		-50 basis points		+50 basis points	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Consolidated								
2018	**(4,226)**	**-**	**4,226**	**-**	**182**	**-**	**(182)**	**-**
2017	**(6,974)**	**-**	**6,974**	**-**	**366**	**-**	**(366)**	**-**

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade customers, including outstanding receivables and committed transactions.

(i) Risk management

Credit risk is managed on a Group basis. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and where necessary is effectively eliminated or substantially reduced by using bank and insurance instruments to secure payment for materials supplied and sold. The Group has policies that limit the amount of credit exposure to any one financial institution.

(ii) Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The Group is exposed to one large customer, with a short term rating of P-2 as rated by Moody at 30 June 2018, who has the offtake agreement for 100% of the Tritton Operations copper concentrate, with no history of default. The credit risk is considered low as the customer is reputable and well known to the mining industry and is perceived as reliable. Currently all payments are received within the contractual payment terms. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and sensitivity applied to the exposure on commodity price risk. The impact was considered very minimal and as a result there was no loss rate accounted for at 30 June 2018. Management will continue to monitor this position at each period end. There were also no credit losses provided for at 30 June 2017.

12 Financial risk management (continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, liquid investments and committed credit facilities to meet the Group's commitments as they arise.

Liquidity risk management covers daily, short-term and long-term needs. The appropriate levels of liquidity are determined by both the nature of the Group’s business and its risk profile.

Maturities of financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The amounts presented represent the future undiscounted principal and interest cash flows.

Group at 30 June 2018	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Non-derivatives			
Non- interest bearing trade and other payables	**25,984**	**-**	**-**
Variable interest rate instruments	**80**	**318**	**583**
Lease and hire purchase liabilities	**7,279**	**8,339**	**-**
Other fixed interest loans	**3,767**	**72,357**	**-**
Total non-derivatives	**37,110**	**81,014**	**583**

Group at 30 June 2017	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Non-derivatives			
Non- interest bearing trade and other payables	24,735	-	-
Variable interest rate instruments	80	318	666
Lease and hire purchase liabilities	5,267	8,781	-
Other fixed interest loans	13,502	91,579	70,989
Total non-derivatives	43,584	100,678	71,655

(e) Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held both for strategic and trading purposes.

Equity price sensitivity

The sensitivity analysis below has been determined on the exposure to equity price risks at the reporting date.

At reporting date, if the pricing inputs had been 10% higher/lower while all other variables were held constant the net loss for the Group would decrease/increase by $0.261 million (2017: $0.365 million decrease/increase) as a result of the changes in fair value of other financial assets held for trading.

13 Capital management

(a) Risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash. The capital structure is reviewed on a semi-annual basis, with consideration given to the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

The Group also reviews its gearing level. The Group's gearing ratio is calculated as net debt to net debt plus equity. Net debt is total interest bearing liabilities less cash and cash equivalents (excluding any restricted cash). Equity is shown in the balance sheet (including minority interests). The gearing ratio at reporting date was as follows:

	2018 $'000	2017 $'000
Total interest bearing liabilities	**82,640**	119,178
Less: cash and cash equivalents	**(23,332)**	(9,698)
Net debt	**59,308**	109,480
Total equity	**54,999**	487
Total capital	**114,307**	109,967
Gearing ratio	**51.9%**	99.6%

(b) Dividends

The Directors did not declare a dividend in either of the years ended 30 June 2018 and 30 June 2017.

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

14 Interest in other entities

(a) Significant investments in subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 24(b):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding 2018 %**	Equity holding 2017 %
Straits Mining Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Girilambone Copper Company Pty Ltd	Australia	Ordinary	**100**	100
Tritton Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Exploration (Australia) Pty Ltd	Australia	Ordinary	**100**	100
Straits Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Straits Indo Gold Pty Ltd	Australia	Ordinary	**100**	100
Straits Mine Management Pty Ltd	Australia	Ordinary	**100**	100
Templar Resources Pty Ltd	Australia	Ordinary	**100**	100
7874987 Canada Inc.	Canada	Ordinary	**100**	100
Goldminco Corporation Limited and its subsidiary	Canada	Ordinary	**100**	100
Goldminco Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Mineral Investments Pty Ltd	Australia	Ordinary	**100**	100

Tritton Resources
Straits Mining Pty Ltd and Aeris Resources Limited hold 25.68% and 74.32% respectively, of the ordinary share capital of Tritton Resources Pty Ltd.

Goldminco Corporation Limited
Straits Exploration (Australia) Pty Ltd, 7874987 Canada Inc. and Straits Gold Pty Ltd hold 4.14%, 28.67% and 67.19% respectively of the ordinary share capital of Goldminco Corporation Limited.

(b) Interests in jointly controlled assets

(i) Jointly controlled assets

Name and principal activity	**% interest Held during the year 2018**	% interest Held during the year 2017
Torrens joint venture located in South Australia: Principal activity copper and gold exploration.	**70**	70
Canbelago joint venture located in NSW: Principal activity copper and gold exploration	**30**	30

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

15 Contingencies

The Company has a contingent instrument facility with SCB, who provided guarantees in both the current and prior year to the amount of $10.328 million in favour of the NSW government for rehabilitation obligations on the Tritton tenements. SCB currently holds US$0.720 million (A$0.972 million) as security against the contingent instrument facility (2017: A$0.937 million). The Group has no other contingencies at 30 June 2018.

16 Commitments

Lease commitments

Exploration and mining leases

	2018 $'000	2017 $'000
Within one year	**4,843**	1,552
Later than one year but not later than five years	**4,001**	5,338
Later than five years	**-**	7,991
	8,844	14,881

The items disclosed in the table above represent the minimum lease expenditure requirements of the Group.

Operating leases

	2018 $'000	2017 $'000
Within one year	**175**	168
Later than one year but not later than five years	**247**	422
	422	590

17 Events occurring after the reporting period

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18 Related party transactions

(a) Parent entities

The ultimate controlling entity and Australian parent entity within the Group is Aeris Resources Limited.

(b) Subsidiaries

Investments in subsidiaries are set out in note 14.

(c) Directors

Mr Marcus Derwin is a Non-executive Director but does not fall within the ASX definition of “independent” as he is a nominee Director of Standard Chartered Bank, which has a material business relationship with Aeris. In terms of the restructuring deed approved on 15 December 2015, Aeris entered into with SCB and PAG SPV, SCB and PAG SPV each have a separate entitlement to appoint one director to the Aeris Board. SCB elected to take up this right and nominated Mr Marcus Derwin, who was appointed to the Aeris Board on 18 April 2016.

(d) HopgoodGanim Lawyers (HG)

Mr Michele Muscillo, an independent Non-executive Director is a partner of HG. Invoices totalling $623,298 (2017: $244,696) were received from HG on normal commercial terms during the year.

(e) Loans to key management personnel

No loans were made to key management personnel of the Group during the year.

(f) Key management personnel compensation

	2018 $'000	2017 $'000
Short term employee benefits	**2,301**	2,433
Share-based payments	**541**	668
Post-employee benefits	**91**	128
	2,933	3,229

Detailed remuneration disclosures are provided in the remuneration report.

19 Share-based payments

(a) Employee Options

Executive management options (Management Options) issued were approved by shareholders at an EGM held on 15 December 2015 with a completion date of 31 December 2015. The options were issued to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

The management options are granted for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share and will be issued within 10 business days after the company receives an exercise notice. The options have a $nil exercise price.

The options may only be exercised so as to not result in that holder having a voting power in the Company in excess of 19.99%. If a holder is unable to exercise their remaining vested options the Company must use its best and all reasonable endeavours to obtain any approval or consent to allow such exercise.

Upon exercise the shares will be subject to a period of voluntary escrow, with the shares being released from escrow in progressive tranches from the third anniversary of the restructure date (31 December 2015).

The number of options granted on 15 December 2015 totalled 93,410,609 at a $nil exercise price and a remaining contractual life of 2.5 years as at 30 June 2018.

Subject to the option holder remaining an employee of the Group for at least 12 months from the restructure, the Options will vest in five tranches as follows:

- 30.0% on the first anniversary of the completion date;
- 17.5% on the second anniversary of the completion date;
- 17.5% on the third anniversary of the completion date;
- 17.5% on the fourth anniversary of the completion date; and
- 17.5% on the fifth anniversary of the completion date.

Fair value of options granted

The assessed fair value at grant date in circumstances where there is a $nil exercise price, the value per option on a fully marketable basis is equal to the value of the underlying share price less dividend ($0.04).

The shares are however subject to various escrow periods and as such a discount for lack of marketability to the Options have been applied to take into consideration the escrow period. A discount for lack of marketability was applied as below:

- 25 % for Tranche 1 ($0.03)
- 20% for Tranche 2 ($0.032)
- 15% for Tranche 3 ($0.034)
- 10% for Tranche 4 ($0.036)
- 0% for Tranche 5 ($0.04)

19 Share-based payments (continued)

(b) Employee Share Acquisition Plan (ESAP)

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by the Board on 23 May 2011 and the ASIC exemption relief was published in the ASIC Gazette A045/11 on 7 June 2011.

The plan operates by allowing participants to obtain shares in the Company at market price, which are funded by a limited recourse interest free loan provided by the Company. The shares are held in trust with vesting of the shares subject to service conditions. If vesting conditions are satisfied, the shares continue to be held in trust subject to a holding lock until the underlying loan is repaid in full. The trust is currently dormant with no shares issued in the current year.

As part of the debt restructure that was approved by shareholders on 15 December 2015, it included a resolution on approval for issue of options to Mr Andre Labuschagne and other key management personnel. The issue of Management Options was conditional on all ESAP shares pursuant to the existing incentive ESAP plan for the senior management of the Company be bought back and cancelled by the Company in accordance with the Corporations Act.

There are currently no shares issued or allocated under the ESAP Plan.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2018 **$**	2017 $
Employee options	**540,835**	667,977

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

(a) PwC Australia

(i) Audit and other assurance services

	2018 **$**	**2017** **$**
Audit and review of financial statements	**288,000**	272,500
Total remuneration for audit and other assurance services	**288,000**	272,500
Other services		
Tax compliance and advisory services	**285,558**	428,572
Total remuneration of PwC Australia	**573,558**	701,072

20 Remuneration of auditors (continued)

(b) Network firms of PwC Australia

(i) Audit and other assurance services

Audit and review of financial reports and other audit work	**10,076**	24,728
Total remuneration for audit and other assurance services	**10,076**	24,728
Total remuneration of network firms of PwC Australia	**10,076**	24,728
Total auditors' remuneration	**583,634**	725,800

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. These assignments are principally for taxation advice.

21 Earnings per share

(a) Basic earnings per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**30.9**	(23.8)
Total basic earnings per share attributable to the ordinary equity holders of the company	**30.9**	(23.8)

(b) Diluted earnings per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**15.1**	(23.8)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**15.1**	(23.8)

(c) Reconciliation of earnings used in calculating earnings per share

	2018 $'000	2017 $'000
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	**55,304**	(33,299)
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**55,304**	(33,299)

21 Earnings per share (continued)

(d) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(e) Weighted average number of shares used as denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**178,782,570**	140,116,703
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	**93,410,609**	700,579,566
Options	**93,410,609**	93,410,609
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**365,603,788**	934,106,878

22 Carrying amounts of non-current assets pledged as security

The carrying amounts of non-current assets pledged as security for current and non-current borrowings are:

	2018 $'000	2017 $'000
Non-current		
First mortgage		
Freehold land and buildings	**1,324**	1,324
Plant and equipment	**32,626**	20,463
Mine properties	**51,014**	44,965
Exploration and evaluation assets	**17,415**	14,497
	102,379	81,249
Finance lease		
Plant and equipment	**9,466**	8,992
Total non-current assets pledged as security	**111,845**	90,241

22 Carrying amounts of non-current assets pledged as security (continued)

	2018 $'000	2017 $'000
Total assets pledged as security	**111,845**	90,241

23 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Balance sheet		
Current assets	**5,306**	3,379
Non-current assets	**118,653**	108,285
Total assets	**123,959**	111,664
Current liabilities	**1,942**	1,271
Total liabilities	**1,942**	1,271
Shareholders' equity		
Contributed equity	**388,179**	360,827
Convertible preference shares (Redeemable and Non-Redeemable)	**4,208**	31,560
Reserves	**2,146**	1,605
Accumulated losses	**(272,515)**	(283,599)
	122,018	110,393
Profit/(loss) for the year	**11,084**	(36,648)
Total comprehensive profit/(loss)	**11,084**	(36,648)

(b) Guarantees entered into by the parent entity

The Parent Entity has provided financial guarantees in respect of performance bonds for work commitments on mining and mineral exploration tenements, for the parent entity and its subsidiaries secured by cash deposits amounting to $3,785,900 with other cash backed financial guarantees of $103,830 which totalled $3,889,730. Total guarantees for the prior year were $3,909,831.

In addition the Parent Entity also provided a parent company guarantee in relation to the PAG SPOV debt facilities to Tritton Resouces Pty Ltd.

(c) Contingent liabilities of the parent entity

The Parent Entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017. For information about guarantees given by the Parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

The Parent Entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2018 or 30 June 2017.

24 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Aeris Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Aeris Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

The presentation currency used in this financial report is Australian dollars.

(i) New and amended standards adopted by the Group

Certain new accounting standards and amendments to standards have been published that are mandatory for 30 June 2018 reporting periods. The Group has assessed these new standards and amendments and they do not materially impact the amounts recognised in the current period or any prior period and are not likely to affect any future periods. The Group has not early adopted any amendments, standards or interpretations, except for AASB 9 Financial Instruments as noted below, that have been issued but are not yet effective in the current year.

The Group has elected to apply AASB 9 Financial Instruments as issued in December 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated. See note 25 for further details on the impact of the change in accounting policy.

24 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting year and have not been early adopted by the Group.

The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**AASB 15 *Revenue from Contracts with Customers***
Nature of change	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	The Group has reviewed its 100% off-take agreement that currently accounts for 99% of the Group's sales revenue from continuing operations to identify the potential changes in: timing of revenue recognition, measurement of the amount of revenue and note disclosure between the current standard AASB 118 and AASB 15. Under AASB118 the Group has recognised its revenue at estimated sales value when the product is deemed delivered per the contract terms, with adjustments to amounts payable and receivable to/from a customer, who has the offtake agreement for 100% of the Tritton Copper Operations copper concentrate, estimated throughout the Quotational Period and finalised upon issuing the final invoice of a shipment. Under AASB115 and its new five-step process, management has assessed that revenue under AASB115 can be recognised at the date of the provisional invoice which is generally the date when control of the product passes due to the issue of the Holding and Title certificate and also the trigger for the invoice, rather than the receipt of payment as under AASB118. The recognition of revenue has been reviewed at 30 June 2017 and 30 June 2018 and based on the completed assessment, there will be no significant impact on adoption of AASB 15.
Mandatory application date/ Date of adoption by Group	Mandatory for financial year beginning 1 July 2018. The Group will adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at 1 July 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date.

24 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted (continued)

Title of standard	**AASB 16 *Leases***
Nature of change	AASB 16 was issued in February 2016 and replaces AASB 117 Leases. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting by lessors, however, will not significantly change.
Impact	Management is currently assessing the effects of applying the new standard on the Group's financial statements. AASB 16 will result in higher assets and liabilities on the balance sheet. Information on the undiscounted amount of the Group's non-cancellable lease commitments defined under AASB 117 as at 30 June 2018 is disclosed in note 33. The present value of the Group's operating lease payments as defined under the new standard will be recognised as lease liabilities on the balance sheet and included in net debt. To date, work has focused on the identification and understanding of the provisions of the standard which will most impact the Group, establishing the population of lease contracts which will extend beyond 1 July 2019, the provision of training, impact analysis, discount rate determination and the review of system requirements. In FY19, work on these issues and their resolution will continue. The Group does not currently have any significant long term operating leases. The Group's operating lease obligations mainly consist of short term equipment leases, office and office equipment leases. The recognition of depreciation and interest expense instead of operating lease payments in the Consolidated Income Statement, will result in an increase in EBITDA, depreciation and interest.
Mandatory application date/ Date of adoption by Group	This standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach. The Group currently expects to use the modified retrospective approach. Under the modified retrospective approach, the right of use asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease, on a lease-by-lease basis.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

(iii) Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through the profit and loss.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 11.

24 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income , Statement of Changes in Equity and Balance Sheet respectively.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Resources Limited ('company' or 'Parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Aeris Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(ii) Changes in ownership interests

The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received are recognised in a separate reserve within equity attributable to owners of Aeris Resources Limited.

When the consolidated entity ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest of an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the consolidated entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement where appropriate.

(iii) Joint ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Aeris Resources Limited's functional and presentation currency.

24 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Comprehensive Income.

All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate for the year.

(d) Revenue recognition

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 24(h).

24 Summary of significant accounting policies (continued)

(e) Leases

Leases of property, plant and equipment where the controlled entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current or non-current interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Operating lease payments are charged to the Consolidated Statement of Comprehensive Income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased asset.

(f) Impairment of assets

Mining properties that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

24 Summary of significant accounting policies (continued)

(h) Investments and other financial assets

(i) Classification

The Group classifies its investments in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the statement of comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. See note 7 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

- Amortised cost:

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

24 Summary of significant accounting policies (continued)

(h) Investments and other financial assets (continued)

(iii) Debt instruments (continued)

- Fair value through other comprehensive income (FVOCI):

  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

- Fair value through profit or loss:

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of comprehensive income and presented net in the statement of comprehensive income within other gains/(losses) in the period in which it arises.

(iv) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(v) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 12 details how the Group determines whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

24 Summary of significant accounting policies (continued)

(i) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 9(c). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income, within other income (expenses).

Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions the Group hedges their exposure to the variability in cash flows attributable to movements in the AUD copper price on forecast sales. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the statement of comprehensive income, as follows:

- The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows. The deferred amounts are ultimately recognised in the statement of comprehensive income as the hedged item affects profit or loss.
- The gain or loss relating to the effective portion of the forward copper contracts - cash flow hedges is recognised in the statement of comprehensive income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the statement of comprehensive income.

Hedge ineffectiveness is recognised in the statement of comprehensive income within other expenses.

24 Summary of significant accounting policies (continued)

(i) Derivatives and hedging activities (continued)

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Statement of Comprehensive Income and are included in other income or other expenses.

(j) Mine properties in use

Certain mining costs, principally those that relate to the stripping of waste and which relate to future economically recoverable ore to be mined, have been capitalised and included in the balance sheet as deferred mining. These costs are deferred or taken to the cost of production as the case may be, so that each tonne of ore mined bears the average costs of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit design and incurs the associated variable contract mining costs specific to the production area from which that ore is mined. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Directors and senior management to ensure the carrying value and rate of deferral is appropriate.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Statement of Comprehensive Income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(m) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in the year that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

24 Summary of significant accounting policies (continued)

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting year, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share based compensation benefits are provided to employees via the Aeris Resources Limited ESAP.

Share based compensation under the ESAP is measured as the value of the option inherent within shares issued under this plan and is expensed over the vesting period of the shares with a corresponding credit to the share based payments reserve.

(iv) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(o) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are expensed.

24 Summary of significant accounting policies (continued)

(p) Preference equity

The classification of preference shares is based on the assessment of the contractual arrangement’s substance and the definitions of a financial liability and equity instrument. Non-redeemable shares where dividends are discretionary and Redeemable preference shares, at the issuer’s option does not give rise to a contractual obligation to pay cash, they are classified as Equity as it represents an equity interest in the Company and any conversion is into a fixed number of ordinary shares in Aeris Resources Limited.

(q) Parent entity financial information

The financial information for the Parent entity, Aeris Resources Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Aeris Resources Limited. Dividends received from associates are recognised in the Parent entity's income statement, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Aeris Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Aeris Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Aeris Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Aeris Resources Limited for any current tax payable assumed and are compensated by Aeris Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aeris Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

24 Summary of significant accounting policies (continued)

(s) Rounding of amounts

The company is of a kind referred to in Legislative Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

25 Changes in accounting policies

As explained in note 24 above, the Group has adopted AASB 9 as issued in December 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The accounting policies were changed to comply with AASB 9 as issued by the AASB in December 2014. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as AASB 7 Financial Instruments: Disclosures.

Classification and measurement of financial instruments

On 1 July 2017, the company's management has assessed which business models apply to the financial assets held by the company at the date of initial application of AASB 9 (1 July 2017) and notes that there were no changes made to the classification of its financial instruments as a result of the adoption of AASB9.

There was no impact of these changes on the retained earnings on 1 July 2017.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 19 to 80 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Andre Labuschagne
Director

Brisbane

28 August 2018

Independent auditor's report

To the members of Aeris Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aeris Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $ 1.99 million, which represents approximately 1% of the average Group's revenue for the past three years.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose average Group revenue as the materiality benchmark as revenue is reflective of the Group's operating activities in continued challenging market conditions, and provides a level of materiality which, in our view, is appropriate for the audit having regard to the expected requirements of users of the Group's financial report.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the consolidated entity's made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group has exploration and production assets at the Tritton mine in New South Wales. The accounting processes are structured around the head office finance function at the Group's corporate office in Brisbane, where we predominantly performed our audit procedures. The audit engagement team also conducted a site visit to the Tritton mine.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of Tritton operations assets *Refer to 11 (iii) and 24 (f) to the financial report* The Group recognises property, plant and equipment used in Tritton mine operations. Due to the net assets of the group exceeding its market capitalisation, the Group identified indicators of impairment in the Tritton operations assets. As a result, the Group tested the Tritton operations assets for impairment by calculating the fair value less costs of disposal (FVLCD) of the Tritton operations assets Cash Generating Unit (CGU), using a discounted cash flow model. The carrying value of Tritton operations assets was a key audit matter due to the significance of the carrying value of the Tritton operations assets on the Group's assets as at 30 June 2018, and because the Group's assessment of the fair value less costs of disposal of the CGU involves significant judgements made in relation to assumptions, such as: • the future results of the business and the discount rates applied to future cash flow forecasts. • cash flow projections based on the Group's budget and forecasts, which include assumptions for commodity prices, exchange rates, reserves and mine planning scheduling and production costs; and • post-tax discount rates based on benchmarked market inputs, risk adjusted where necessary.	We performed the following audit procedures, amongst others: • Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results • Considered if estimating FVLCD was the best basis upon which to assess the value of the CGU. • Tested forecast cash flows used in the model were consistent with the most up-to-date budgets and business plans formally approved by the Board. • Considered whether the cash flows in the model were reasonable by comparing assumptions such as commodity prices, exchange rates and discount rates to industry metrics developed independently by PwC valuation experts. • Performed a sensitivity analysis on key assumptions in the model including changes in the commodity prices and discount rates. • Tested the mathematical accuracy of the model's calculations. • Evaluated the adequacy of the disclosures, including those regarding the key assumptions in the valuation and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Carrying value of exploration and evaluation assets *Refer to note 8c to the financial report* The Group's exploration portfolio incorporates six exploration licences over the Tritton volcanogenic massive sulphide deposit in New South Wales. As required by Australian Accounting Standards, the Group performed an impairment assessment of its exploration and evaluation tenements assets at 30 June 2018 and determined that there were no indicators of impairment. Relevant indicators of exploration and evaluation impairment in the mining industry include: – unsuccessful exploration activities; – a sustained decline in the mineral prices outlook; and – changes to exploration plans. The assessment for impairment indicators was considered a key audit matter due to the financial significance of the exploration and evaluation assets and the judgement required in assessing the capitalised exploration and evaluation costs for impairment.	We evaluated the Group's impairment assessment by performing a number of procedures including the following: • Interviewing key operational and finance staff to develop an understanding of the current status and future exploration intentions for each asset. • Checking that future expenditure is budgeted for exploration and evaluation assets. • Identifying any areas where the Group's right to explore is either at, or close to, expiry and assessing the appropriateness of retaining the associated costs as an asset. • Checking if there is any unsuccessful exploration activities during the year or if there is any changes in exploration plans.
Interest bearing liabilities *Refer to note 7e to the financial report* The Group had interest bearing liabilities of $ 82.4 million at 30 June 2018. During the year the Company and the financiers restructured the debt facilities which resulted in a gain upon de-recognition of the old facility of $ 54.8 million. Given the financial significance of the interest bearing liabilities and the gain recognised after restructuring of the debt this has been identified as a key audit matter.	We performed the following audit procedures, amongst other: • Evaluating the Group's processes and assessed the design effectiveness of key controls over recording and reporting the terms and conditions of interest bearing liabilities and the associated interest costs. • Reviewing the terms and conditions of the restructured debt facility and considering whether the old facility has been extinguished and the gain recognised within the statement of comprehensive income was in accordance with the requirements of the Australian Accounting Standards. • Testing the calculation of interest recognised in the Consolidated Statement of Comprehensive Income during the year to

Key audit matter	How our audit addressed the key audit matter
	assess whether interest was calculated in accordance with Australian Accounting Standards. • Confirming the interest bearing liabilities balances as at 30 June 2018 directly with counterparties. • Evaluated the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.
Valuation of derivative financial instruments and hedging arrangement *Refer to note 12(a) to the financial report* At 30 June 2018, the carrying value of the Group's derivatives (including current assets and current liabilities) was in a net liability position of $1.9 million. We considered the valuation of derivatives and hedging arrangement to be a key audit matter due to the: • nature and complexity involved in valuing derivative instruments and hedging • relative size of the derivative balances and potential for variability in the size of these balances year on year • Judgement involved in determining key assumptions including forecasting future commodity prices, foreign exchange rates and expected volatilities of these assumptions used in the valuation. • complexity involved in the application of hedge accounting in accordance with AASB 9 Financial Instruments: recognition and measurement.	In assessing the fair values of the derivative financial instruments and the hedging arrangements, we performed a number of procedures including the following: • Understanding and evaluating controls over the derivative financial instruments and hedging arrangement. • Checking independence and objectivity of the management expert used by the Group in valuation of the derivatives and hedge accounting. • Assessed the valuation calculation performed by the external management expert to ensure that the methodology used is consistent with the requirements of Australian Accounting Standards. • Inspecting the key terms of the hedging instruments and hedge relationships as documented by management in consideration of the requirements of Australian Accounting Standards. • Assessed the hedge accounting model prepared by a third party management expert. • Reconciling the derivative and hedge accounting journal entries. This involved a reconciliation of cash flow hedge reserve to the fair value of derivatives. • Evaluating that appropriate presentation of gains or losses in the Consolidated Financial Statements. • Obtaining independent counterparty confirmations over the existence of the

Key audit matter	*How our audit addressed the key audit matter*
	derivatives at year end.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report, including FY 18 Highlights, Executive Chairman's Statement, Review of Operations and Activities, Advanced Mining Projects- Tritton, Exploration, 2018 Resources and Reserves, Health, Safety and Environment, Community and Corporate Directory and Glossary.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 8 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Aeris Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

Brisbane
28 August 2018

Shareholder Information

The shareholder information as set out below was applicable at 3 October 2018.

Issued Capital:

Range	
Fully paid ordinary Shares	422,156,914
Redeemable cumulative convertible preference shares	93,410,609
Employee options	93,410,609

Distribution of holders of fully paid ordinary shares:

Range	Units	No. of holders	%
100,001 and Over	403,692,837	207	6.39
10,001 to 100,000	15,663,973	406	12.53
5,001 to 10,000	1,304,986	166	5.12
1,001 to 5,000	1,036,436	396	12.22
1 to 1,000	458,682	2,065	63.73
Total	**422,156,914**	**3,240**	**100.00**
Unmarketable Parcels	851,333	2,299	70.96

Substantial shareholders:

Shareholder	Units	%
SPECIAL PORTFOLIO OPPORTUNITY V LIMITED	140,115,913	50
BAIN CAPITAL CREDIT	21,466,373	7.66
GLENCORE FINANCE (BERMUDA) LTD	13,151,314	4.69
DGJ KEET INVESTMENTS (SINGAPORE)	13,088,635	4.67

Voting rights:

On a show of hands, every member present has one vote; and;

On a poll, every member present has one vote for each share held by the member and in respect of which the member is entitled to vote except in respect of partly paid shares, each of which will confer on a poll only a fraction of one vote which the amount paid up on the share bears to the total issue price of the share.

Shareholder Information

Top 20 Shareholders:

Rank	Name	Number	%
1	SPECIAL PORTFOLIO OPPORTUNITY V LIMITED	140,115,913	33.19
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,694,396	12.25
3	SPECIAL PORTFOLIO OPPORTUNITY V LIMITED	35,000,000	8.29
4	BCC LAUNCHPAD IRELAND HOLDINGS DESIGNATED ACTIVITY COMPANY	21,466,373	5.08
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	13,159,509	3.12
6	GLENCORE FINANCE (BERMUDA) LTD	13,151,314	3.12
7	CITICORP NOMINEES PTY LIMITED	10,256,398	2.43
8	BNP PARIBAS NOMS PTY LTD	6,254,088	1.48
9	BNP PARIBAS NOMINEES PTY LTD	6,082,070	1.44
10	BAINPRO NOMINEES PTY LIMITED	6,012,124	1.42
11	CS FOURTH NOMINEES PTY LIMITED	4,917,187	1.16
12	NATIONAL NOMINEES LIMITED	4,059,098	0.96
13	UBS NOMINEES PTY LTD	3,542,405	0.84
14	BRISPOT NOMINEES PTY LTD	3,037,501	0.72
15	NING LAURENSON HOLDINGS PTY LTD	2,803,580	0.66
16	SAM INVESTORS PTY LTD	2,719,147	0.64
17	ZERO NOMINEES PTY LTD	2,597,875	0.62
18	CS THIRD NOMINEES PTY LIMITED	2,262,394	0.54
19	M & C COGHLAN PTY LTD	2,210,000	0.52
20	MR MARK ANDREW BEHNE	2,000,000	0.47
Top 20 holders of fully paid ordinary shares		333,341,372	78.96
Total Remaining Holders Balance		88,815,542	21.04

Shareholder Information

Terms of Convertible Preference Shares

REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES (CRPS)

As part of the debt restructure approved at the Extraordinary Meeting of Shareholders on 15 December 2015, the Company issued 560,463,653 Convertible Redeemable Preference Shares (CRPS) to Standard Chartered Bank (Existing Lender) on 31 December 2015.

At 30 June 2018, 93,410,609 CRPS remain on issue.

The key terms of the CRPS are:

- Fully paid redeemable cumulative convertible preference shares in the Company;
- Redeemable by the Company any time in the first four years after issue. The Company may only redeem the CRPS if all CRPS are redeemed at the same time;
- The holder can convert all or any amount at any time with mandatory conversion on the fifth anniversary after issue;
- The CRPS accrue a cumulative unfranked dividend of 5% per annum and if the dividend is not paid then interest will accrue on the outstanding dividend at a rate of 5% per annum;
- If the CRPS are converted, any unpaid dividends and accrued interest are written off;
- The CRPS may be transferred by a CRPS Holder to a Related Body Corporate and also to external parties (but only where the number of CRPS transferred to that external party, if converted on completion of the transfer, would result in that party holding voting power of less than 20% of the Company);
- CRPS carry voting rights only in the following circumstances: on any resolution to reduce the share capital of the Company;
  - on any resolution that may affect the rights attached to the CRPS;
  - on any resolution to wind up the Company;
  - on any resolution for the disposal of the whole of the property, business and undertaking of the Company; and
  - on any resolution to approve the terms of the buy-back agreement;
  - on any resolution during a period in which a dividend or part of a dividend on the CRPS is in arrears; or
  - on any resolution during the winding up of the Company; and
- Without the prior consent of the CRPS Holders, the Company must not:
  - issue equity (other than Shares), hybrid equity or instruments convertible into equity or hybrid equity (other than as contemplated by the Restructuring Deed);
  - issue Shares at a discount of more than 25% of the volume weighted average sale price on the ASX of Shares during the 10 trading days prior to the relevant offer; or
  - undertake any action which will or may adjust the terms of Shares in the Company or reduce the Company's Share capital.

Shareholder Information

Non-Redeemable Cumulative Convertible Preference Shares (CNRPS)

As part of the debt restructure approved at the Extraordinary

Meeting of Shareholders on 15 December 2015, the Company issued 140,115,913 Convertible Non-Redeemable Preference Shares (CNRPS) to Special Portfolio Opportunity V Limited (New Lender) on 31 December 2015 .

On 21 March 2018, all 140,115,913 CNRPS were converted to ordinary issued shares.

The key terms of the CNPRS are:

- Fully paid non-redeemable cumulative convertible preference shares in the Company;
- The holder can convert all or any amount at any time with mandatory conversion on the fifth anniversary after issue;
- The CNRPS accrue a cumulative unfranked dividend of 5% per annum and if the dividend is not paid then interest will accrue on the outstanding dividend at a rate of 5% per annum;
- If the CRPS are converted, any unpaid dividends and accrued interest are written off;
- CNRPS carry voting rights only in the following circumstances:
    - on any resolution to reduce the share capital of the Company;
    - on any resolution that may affect the rights attached to the CNRPS;
    - on any resolution to wind up the Company;
    - on any resolution for the disposal of the whole of the property, business and undertaking of the Company;
    - on any resolution to approve the terms of the buy-back agreement;
    - on any resolution during a period in which a dividend or part of a dividend on the CNRPS is in arrears; or
    - on any resolution during the winding up of the Company;
- The CNRPS may be transferred by a CNRPS Holder to an Affiliate and also to external parties (but only where the number of CNRPS transferred to that external party, if converted on completion of the transfer, would result in that party holding voting power of less than 20% of the Company); and
- Without the prior consent of the CNRPS Holders, the Company must not:
    - issue equity (other than Shares), hybrid equity or instruments convertible into equity or hybrid equity (other than as contemplated by the Restructuring Deed);
    - issue Shares at a discount of more than 25% of the volume weighted average sale price on the ASX;
    - of Shares during the 10 trading days prior to the relevant offer; or
    - undertake any action which will or may adjust the terms of Shares in the Company or reduce the Company's Share capital.

Glossary

$ or A$	Australian dollar
Aeris	Aeris Resources Limited
Ag	Silver
ASX	Australian Securities Exchange
Au	Gold
AuEq	Gold equivalent – gold plus silver expressed in equivalent ounces of gold using a conversion ratio dependent on prevailing gold and silver prices
Bcm	Bank cubic metres
Board	Board of Directors of Aeris Resources Limited
Company or company	Aeris Resources Limited
Cu	Copper
Cu%	Copper percentage
for the year	12 months to 30 June 2018
FY	Financial year
g	Gram
Group	Aeris and its subsidiaries
Injury Statistics	Lost Time Injury (LTI) - An injury (including a fatality or permanent disability) that results in a minimum of one full shift absence from work. Restricted Work Injury (RWI) - An injury resulting in a person not returning to his/her complete range of normal duties. Medical Treatment Injury (MTI) - An injury requiring external/professional medical treatment (not first aid treatment only). Total Recordable Injury (TRI) = LTI + RWI + MTI. Frequency Rate (for LTIFR and TRIFR) - The number of occupational injuries expressed as a rate per million man hours worked. Usually calculated as a rolling 12 month average. Calculated as: Number of injuries (LTI or TRI) x 1,000,000/number of hours worked
kt	Thousands of metric tonnes
M	Million
Mo	Molybdenum
oz	Ounces
RL	Relative Level (height above mine datun)
tpa	Tonnes per annum
t	Metric tonne
US$	United States dollar

Corporate Directory

Directors

Andre Labuschagne Executive Chairman

Alastair Morrison Non Executive Director

Michele Muscillo Non Executive Director

Marcus Derwin Non Executive Director

Joint Company Secretary

Robert Brainsbury

Dané van Heerden

Senior Management - Corporate

Robert Brainsbury Chief Financial Officer

Ian Sheppard Chief Operating Officer

Senior Management - Operations

John Miller General Manager Tritton Copper Operations

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STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX: AIS)

AUDITORS

PricewaterhouseCoopers

LAWYERS

HopgoodGanim Lawyers

Aeris RESOURCES

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