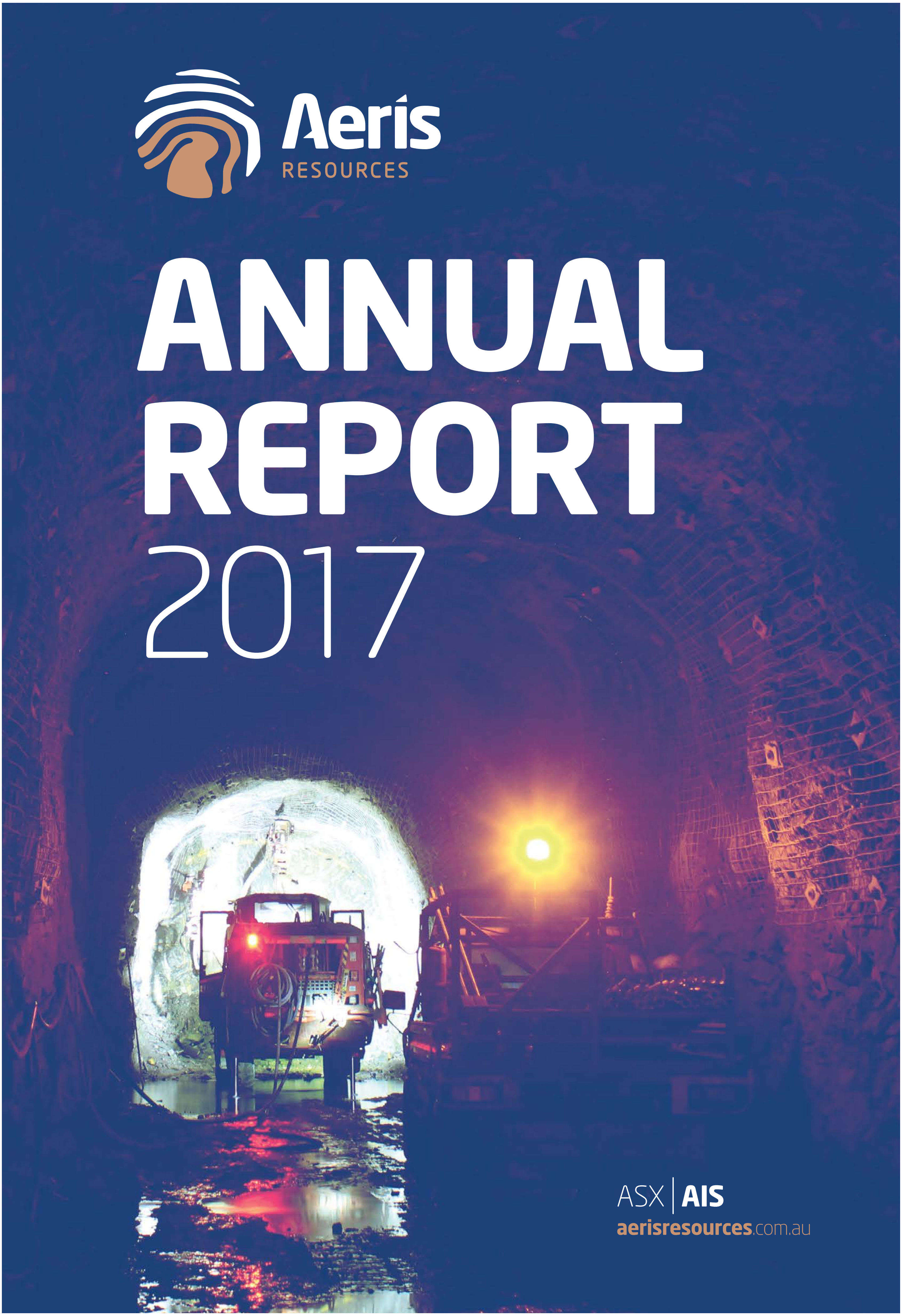
Aeris
RESOURCES

ANNUAL REPORT 2017



ASX | AIS
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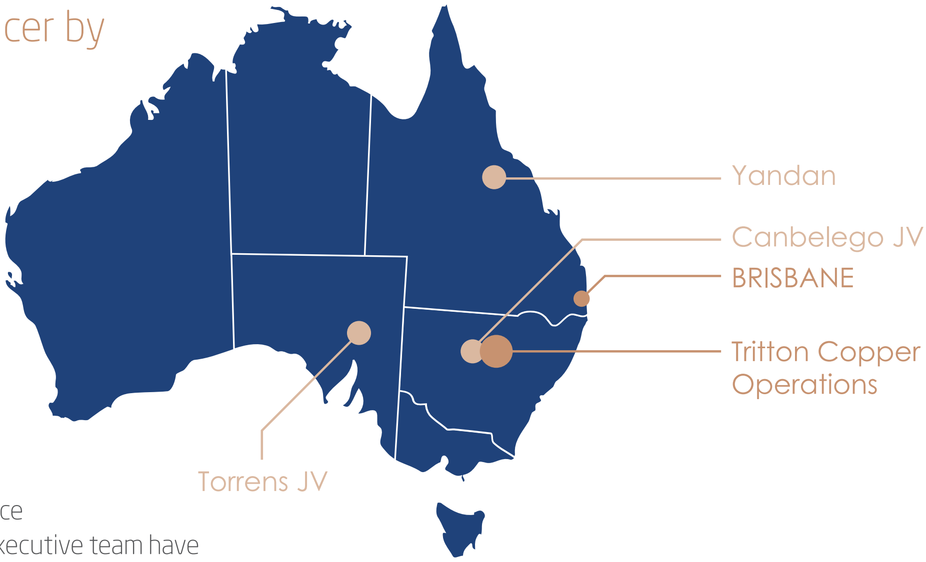
About Us

Aeris Resources Limited (ASX: AIS) (Aeris or the Company) is an established copper producer that has built a solid platform for growth. Aeris is currently the fifth largest independent copper producer by volume in Australia.



The Company's flagship asset is the Tritton Copper Operations in New South Wales, which includes multiple mines and a 1.8 million tonne per annum processing plant. Aeris is targeting copper production of 27,000 tonnes in FY2018.

Aeris remains focused on maintaining a lean corporate structure and continuing to build on a culture of operational excellence at its existing operations. The Board and Executive team have a vision to grow the Company into a mid-sized, multi-mine company. The growth strategy includes:

- Continuing exploration on the highly prospective Tritton tenement package to build the Mineral Resource inventory and leverage existing infrastructure at the Tritton Copper Operations;
- Progressing the large Torrens anomaly in South Australia to a drill ready state; and
- Seeking appropriate merger and acquisition opportunities.

FY2017 Highlights

Murrawombie Underground Mine commissioned

Production from the Murrawombie Underground Mine commenced during FY2017, providing an important secondary ore source for the Tritton processing plant. Murrawombie is now on track to reach full production rates in FY2018.

New ventilation system to support mine extension at Tritton

A new ventilation shaft and the installation of exhaust fans at the Tritton Underground Mine were completed during the year and commenced operation in the September quarter of FY2018. The ventilation system will enable the Tritton Underground Mine to be extended to at least 1,250 metres below surface (4,000mRL) at production rates of 1mtpa or better.

New Greenfields Exploration campaign

A strategic $7.5 million greenfields exploration program commenced with the aim of identifying new "Tritton-sized" (plus 10 million tonnes) ore bodies within the Tritton tenement package. The results to date are highly encouraging, with a number of new anomalies already identified including two which are within five kilometres of the existing Tritton infrastructure.

Torrens progress

Planning for a drilling program has commenced at the Torrens Project in South Australia, following a recent native title court ruling which provides a clearer pathway to exploration in FY2018. The Torrens exploration tenement encompasses the Torrens anomaly, a coincident magnetic and gravity anomaly with a footprint larger than that of Olympic Dam. Aeris holds a 70 per cent interest in the Torrens Project.

Divestment of non-core assets

Aeris completed the sale of its non-core Blayney Exploration Project in New South Wales in May 2017 for a cash consideration of $3.25 million.

Executive Chairman's Statement

The 2017 financial year included some significant achievements for Aeris Resources Limited as the Company invested in the future of its flagship Tritton Copper Operations and embarked on a major greenfields exploration program to drive future growth.

Aeris has been able to build on its solid platform as a significant, independent copper producer during FY2017. While the year presented us with some technical challenges in our mining operations, we have successfully overcome these, and furthermore, have made some significant investments in the long-term growth of our core project, the Tritton Copper Operations.

A highlight of FY2017 was the completion of some major capital projects that have set up the Tritton Copper Operations for the coming years. This included the commissioning of the Murrawombie Underground Mine (Murrawombie), and the construction of a major new ventilation system at the Tritton Underground Mine (Tritton). In addition, the company invested in a major greenfields exploration program, geared toward finding similar "Tritton-size" deposits in the region.

PRODUCTION

Copper production at the Tritton Copper Operations for FY2017 was 23,404 tonnes, which was lower than our initial guidance. The FY2017 production challenges related to a number of one-off issues, in particular, blockages in the paste fill lines at Tritton. We also encountered difficult ground conditions and changes in geology at Murrawombie, which required a change in mining method and subsequently delayed the ramp up of production.

These challenges resulted in lower volumes of ore being produced in the December and March quarters of FY2017, with a corresponding impact on copper production. However, I am pleased to say that these issues have been successfully resolved, and ore production levels have improved during the June quarter of FY2017. We are anticipating production rates to be back to normal levels by the end of the September quarter of FY2018, and we are targeting copper production for FY2018 of 27,000 tonnes.

While the reduced copper production for the year also impacted our operating cash flows, Aeris was well positioned to manage this following the restructure of our debt facilities last year. With access to the US$25 million Working Capital Facility, we have been able to continue to invest in the development of our mine and processing assets, and fund a significant exploration program.

MURRAWOMBIE UNDERGROUND MINE

Production from Murrawombie commenced during the reporting period. Murrawombie replaces the Larsens and North East Mines, providing a second source of ore to our Tritton processing plant. The ramp up of the project was impacted by more difficult than expected ground conditions in the upper levels. However, a solution has been implemented by changing to a bottom-up mining method, and full production rates from Murrawombie are now expected to be reached in FY2018.

TRITTON EXTENSION

One of our key milestones for the year was the commissioning of the new ventilation shaft at Tritton as part of our Tritton Deeps Project. This project will allow the mine to be extended to at least 4,000mRL, at production rates of 1mtpa or better.

It is a significant achievement by the Aeris team and our team of contractors. The shaft is 864 metres deep with a five metre diameter, making it a world record (in length and diameter) for the Atlas Copco 91R raisebore rig. It is also one of the largest single-pass ventilation shafts in Australia.

The ventilation and exhaust fan project was originally budgeted to cost more than $11 million. Current estimates of the final cost are now less than $10 million. The completion of this project under budget is a great result and testament to the hard work and expertise of all involved.

EXPLORATION

In July 2016, the Aeris Board approved a two year, $7.5 million strategic greenfields exploration program across the highly prospective Tritton tenement package. It is a significant investment, focusing on discovering "Tritton-size" ore bodies of more than 10 million tonnes.

The first stages of this campaign involve high power electromagnetic (EM) geophysics technology. A moving loop EM program commenced in December 2016 and was 50 per cent completed by 30 June 2017. Several new anomalies have already been identified, including two which are within 5 kilometres of our Tritton Copper Operations processing infrastructure.

An airborne EM survey was completed in the March quarter FY2017 on the northern and southern extremities of the Tritton tenement package. This has also identified numerous new anomalies which now require further investigation. Whilst it is early stages, we are highly encouraged by the exploration results to date and we are looking to build on this success in the coming year.

At the same time, we have continued to develop our pipeline of advanced mining projects to drive future growth. These include Avoca Tank underground, the Budgery open pit and Murrawombie open pit expansion, all of which are currently the subject of development studies to continue progressing each towards production.

In South Australia, Aeris holds a 70 per cent interest in the Torrens Project (EL5614), an exploration tenement encompassing the Torrens anomaly. The Torrens anomaly is a coincident magnetic and gravity anomaly with a footprint larger than that of Olympic Dam. In April 2017, the South Australian Environment, Resources and Development Court granted native title authority to access and undertake exploration within the area of EL5614. This is a significant development, and the Torrens Joint Venture is now seeking the reissue of two government approvals to enable exploration to recommence. Torrens is another very exciting exploration opportunity for the Company in a highly prospective area which has already yielded multiple world-class iron-oxide copper-gold deposits.

MARKETS

During the first half of FY2017, we experienced a substantial increase in the copper price, driven by a strengthening of the supply and demand fundamentals. Market commentators continue to support this positive outlook, with many forecasting the copper market to move into a deficit position before the end of the decade. With the fundamentals for copper looking very promising, it continues to be our commodity of choice as we explore opportunities to grow the Company, both organically and through merger and acquisition opportunities.

PEOPLE AND SAFETY

At Aeris, we continue to prioritise the safety of our people. During the year there were 3 lost time injuries and the Total Recordable Injury Frequency Rate was consistent with the previous year. We continue to focus on improving not only our safety systems but also other employee support systems, as we seek to ensure the physical and mental wellbeing of our employees.

Aeris also continues to be an active participant in the economic and social wellbeing in its local communities, including those of Nyngan, Hermidale and Girilambone in New South Wales. As part of the Company's ongoing commitment to the region and its people, it has made contributions to education support activities, charities, sporting groups, apprenticeships and community development programs in FY2017.

The Company also continues to demonstrate its preference of training and employing people from the local community. The vast majority of the Aeris workforce is employed from the local area, and where possible, the Company supports local service providers.

Aeris values the support of all staff, strategic partners and shareholders. While FY2017 has presented us with some technical challenges, the Company has been able to implement solutions to overcome these and build a solid foundation for further growth in FY2018.

Andre Labuschagne

Executive Chairman

Review of Operations and Activities

Financial Results

Aeris Resources Limited recorded a loss after tax for the financial reporting year to 30 June 2017 of $33.299 million, compared with a profit after tax for the year ended 30 June 2016 of $22.257 million.

The FY2017 financial result was impacted by a number of key factors, including:

- Reduced revenues due to lower production;
- Reduced cost of goods sold influenced by lower production and continued focus on cost control;
- Foreign exchange gains of $2.028 million;
- Finance costs associated with the Standard Chartered Bank Senior Debt (SCB Loan) and the Special Portfolio Opportunity V Limited Working Capital Facility (PAG SPV Facility).

Financial Position

At 30 June 2017 Aeris Resources Limited had a positive net asset position of $0.487 million, cash and cash equivalents at $9.698 million, other financial assets of $5.211 million (investments) and $4.902 million of restricted cash.

The Company's net cash inflow from operating activities during FY2017 was $19.069 million, with net cash outflows from investing activities of $29.672 million and net cash inflows from financing activities of $8.881 million. Despite the lower revenue, the Company has been able to continue to meet its capital investment program through positive operating cash flows generated by the Tritton Copper Operations and utilisation of part of the US$25 million PAG SPV Facility. At 30 June 2017 US$15.5 million of the PAG SPV Facility had been drawn down, with US$9.5 million undrawn.

The PAG SPV Facility has a three-year term, expiring on 31 December 2018.

Profit/(loss)	30 June 2017 ($M)	30 June 2016 ($M)
Revenue from continuing operations	168.1	192.5
Gross Profit	(4.2)	(2.4)
Profit/(Loss) from continuing operations	(27.0)	27.9
Profit/(Loss) for the year	(33.3)	22.3

Non-Core Investments

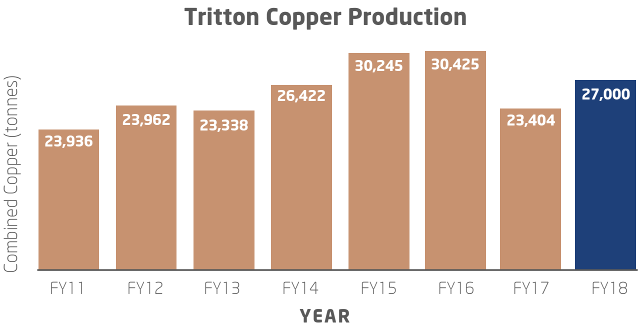
During the June quarter of FY2017, Aeris Resources Limited completed the sale of its Blayney Exploration Project in New South Wales to LFB Resources NL, a wholly owned subsidiary of Regis Resources Limited. The Blayney Project was 100 per cent owned by Aeris and comprised the tenement EL 5922.

Consideration for the sale was $3.25 million paid in cash by Regis Resources Limited.

Tritton Copper Operations

Aeris Resources Limited is targeting 27,000 tonnes of copper production from its Tritton Copper Operations in FY2018.

The Tritton Copper Operations are located in central New South Wales, near the town of Nyngan. The project comprises two underground mines (Tritton and Murrawombie), and an ore processing plant, with a capacity of 1.8 million tonnes per annum. The Tritton Copper Operations are 100 per cent owned and operated by Aeris' subsidiary, Tritton Resources Pty Limited.



The Tritton Copper Operations currently have an estimated mine life of six years, based on Ore Reserves and Mineral Resources from advanced mining projects. However, Aeris remains confident in the long-term growth prospects at Tritton. The Company has an extensive portfolio of exploration and development projects, which hold significant potential for further discoveries in this highly prospective region.

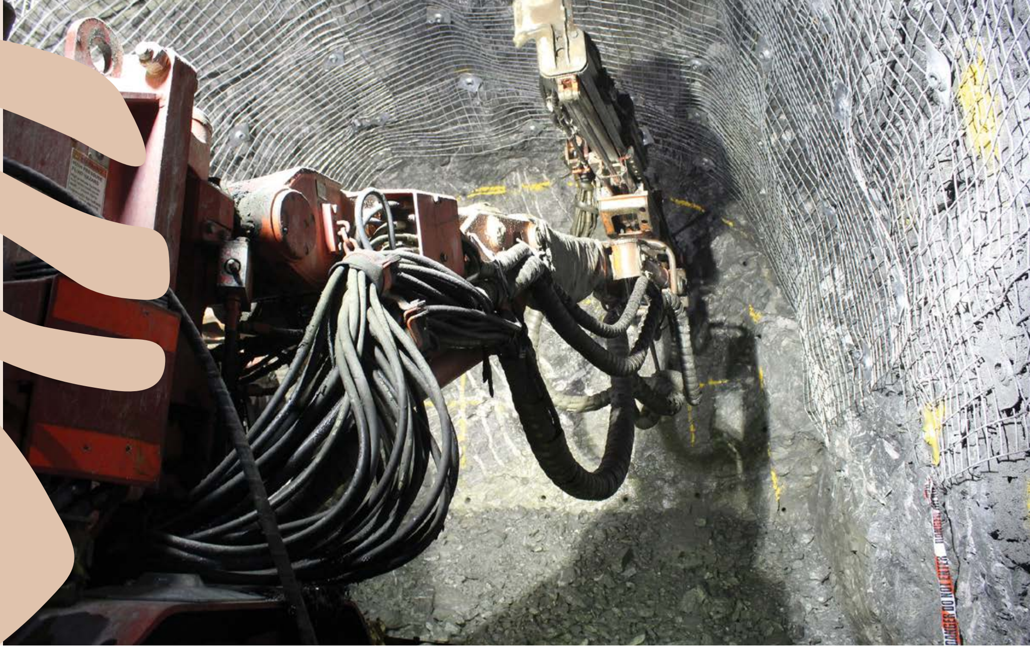
During FY2017, Aeris committed to major capital expenditure at the Tritton Copper Operations, which have helped set up the production plan for the coming years.

Key areas of investment included the construction of a ventilation shaft at Tritton, and development of Murrawombie. The ventilation shaft development at Tritton is 864 metres deep and 5 metres in diameter and will enable mining to be extended to at least 1,250 metres below surface (4,000mRL), at production rates of 1mtpa or better. The exhaust fans have been installed at the surface of the shaft and were successfully commissioned in the September quarter of FY2018.

Murrawombie has replaced the Larsens and North East Mines as the supplementary ore source for the Tritton processing plant. Ore production has increased during FY2017 as the mine was developed and access to the ore body was established. It is scheduled to move to full production rates during FY2018.

To help drive long-term growth, Aeris is also investing in a two year, $7.5 million exploration program over the Tritton tenement package. This is greenfields exploration with the aim of identifying Tritton- sized orebodies (+10 million tonnes).

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



Mining

TRITTON UNDERGROUND MINE

Mine production was relatively steady at 1.2 million tonnes for the year. The result was a pleasing outcome, given the increasing depth of the mine and the changing geometry of the orebody. The mining team has been able to successfully manage the tighter mining fronts, and mine production has been maintained despite the haul depth now exceeding 1,000 metres to the surface.

Investment in a new fleet of trucks in FY2016 facilitated the FY2017 performance and continued investment in the fleet's maintenance is included in Aeris' plans to be able to maintain production rates as we mine deeper over time. Investment in the new ventilation shaft and exhaust fans has also been critical to enable production rates to be maintained in the coming years.

Changes to the stope design and orientation have been made progressively during the year. These changes have ensured the stopes remain aligned in the optimum orientation to manage ground pressure and are extracted without leaving long term pillars.

During early FY2017, production was impacted by a series of blockages in the paste backfill pipelines. This caused an unexpected backlog of empty voids, which impacted production schedules and contributed to the lower ore production during the financial year. To manage the issue, Aeris engaged a paste fill specialist, and made a number of changes to the mix recipe for the paste backfill and the paste fill reticulation pipeline. These changes have been successful, and the backlog of stope voids was filled by the end of the 2017 financial year.

In FY2017, the Aeris Board approved the development of Tritton Deeps, which enables mining at Tritton to continue to nearly 1,240 metres below the surface. The Tritton Deeps development includes the construction of a new ventilation shaft and exhaust fans, which were commissioned in the September quarter of FY2018. The new raisebored shaft is 864 metres deep and 5 metres in diameter.

Break through of the ventilation shaft

The project started in October 2015 with the boring of a geotechnical diamond drill hole to confirm the suitability of the shaft site and competence of the rock mass. Final feasibility studies followed and contractors were appointed to raisebore the shaft.

On 20 April 2017, the raisebore broke through to surface, completing the largest (by length and diameter) shaft excavated with an Atlas Copco 91R raise boring machine, and one of the longest single pass holes in Australia. The surface infrastructure has been installed and was commissioned and operational by the end of the September quarter of FY2018.

Ventilation Fans installed at Tritton Underground Mine over the new exhaust ventilation shaft

MURRAWOMBIE UNDERGROUND MINE

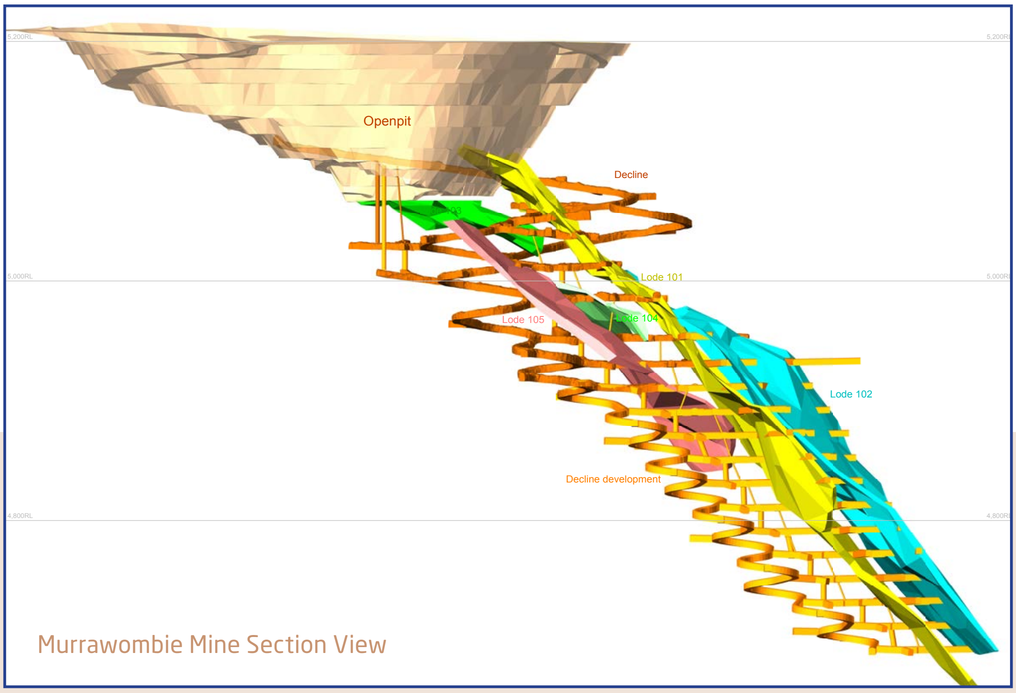
A highlight of FY2017 was the development and commissioning of the Murrawombie Underground Mine. Murrawombie will be a secondary source for the Tritton ore processing plant, and it replaces the exhausted Larsens and North East Mines, which ceased production at the beginning of the year. Murrawombie will reach full production during FY2018. However, a slower than planned production ramp up was the major cause of low production in the year.

Planned mining methods are a combination of benching, sub level open stopes and cave mining. The deposit has a number of lenses numbered 101 lode through to 105 lode. In the very upper levels the 101 lode is the dominant lense, however, the large 102 lode is the most important from the 4,987mRL sub level downwards. Mining methods vary with the lode and the nature of mineralisation, and mine design is evolving as further information becomes available from grade control drilling, detailed lithology and structural mapping activities.

Mining of the 101 lode, in the upper levels, encountered geotechnical challenges during the year that required changes in the stoping sequence. The original design for bench stope mined top down with rib pillars. This provided some challenges, with excess hanging wall dilution being experienced. A change to bottom-up mining with dry rock fill support of the hanging wall has allowed extraction of stable stopes. Geology in this lode continues to be quite variable, requiring changes in detailed stope design and slowing the extraction rate. Changes in the resource estimation model have resulted in a moderate reduction in the ore to be mined from the 101 lode.

Development of ore drives on the main 102 lode orebody has commenced on two levels. Grade control drilling was prioritised, with two rigs contracted to provide the necessary geological information. Ventilation and electrical infrastructure installation was completed to support the increased development activity.

Portions of the 105 lode, located in the footwall of the other lodes, are also showing promise as viable mining areas, providing additional production opportunities in the future.



Murrawombie Mine Section View

Processing

During FY2017, the Tritton processing plant milled 1.467 million tonnes of ore, producing 23,253 tonnes of copper in concentrate. The tonnes milled was lower than the previous year and impacted by the lower tonnes produced by the mines. Copper in concentrate produced was also lower than the previous year and was impacted by the lower ore tonnes and a lower copper grade of the ore, but was partially offset by a higher copper recovery.

Aeris replaced some of the flotation cells in the processing plant during the year. The new cells have enabled a reconfiguration of the floatation circuit to provide additional "cleaning" cells. Early results have seen the copper concentrate grade improve.

Costs

For FY2017, the C1 Unit cash costs and All-in-sustaining (AISC) unit costs averaged $2.60/lb and $3.51/lb copper respectively. Both the C1 and AISC were impacted by the lower tonnes of copper produced. The AISC also reflected the high capital spend for the year as the Murrawombie underground mine was brought on line and the Tritton ventilation shaft and associated infrastructure was constructed.

Outlook

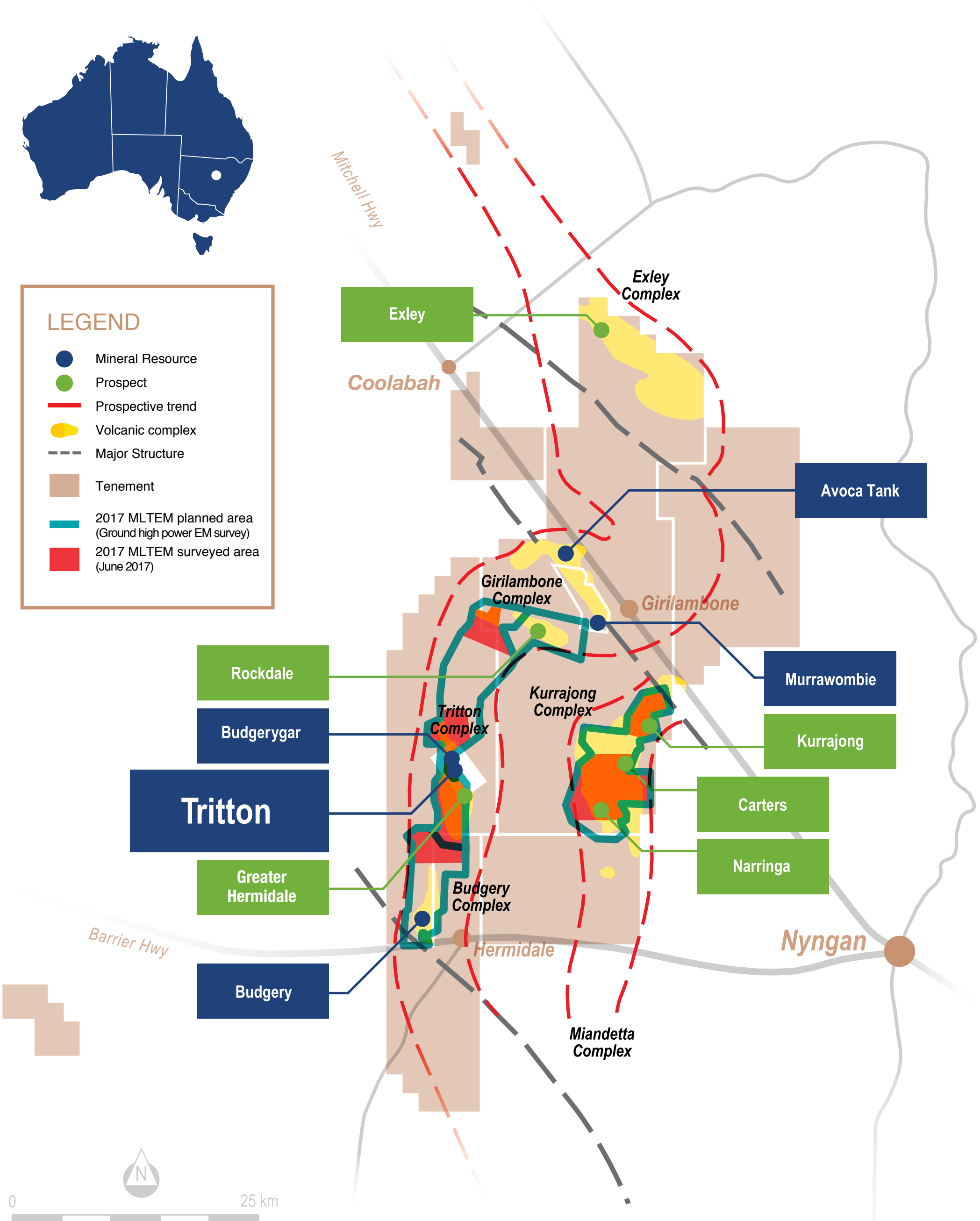
Aeris has established a strong production and financial footing, and is well positioned for growth.

Following the significant capital upgrades and refinements to mining methods this year, the Company is targeting production of 27,000 tonnes of copper in FY2018 – an increase of approximately 16 per cent from FY2017.

Longer term growth will be supported by the $7.5 million greenfields exploration program which commenced this financial year. This campaign will cover the Company's highly prospective 1,800km² tenement holding around the Tritton Copper Operations, with the aim to discover further Tritton-scale (+10 million tonne) ore bodies.

The Company will continue to explore opportunities for growth through merger and acquisition, with a focus on producing or ready-to-develop assets in base metals and gold.

Advanced Mining Projects - Tritton



Aeris's Tritton Regional Tenements showing copper Mineral Resources and Prospects

Aeris has a pipeline of advanced mining projects in the Tritton region which are currently the subject of development studies. These include the Avoca Tank underground mine, the Murrawombie open pit expansion and Budgery open pit..

Avoca Tank Deposit: Pre-Feasibility Study Completed

The Avoca Tank Deposit (Avoca Tank) is in the far north of the Girilambone Complex. It is located only 2.5 kilometres north-west from the North East Deposit, which will allow office, workshop and other infrastructure in the Girilambone area to be used for Avoca Tank.

Avoca Tank is a high-grade sulphide deposit with an Ore Reserve estimate and completed pre-feasibility study and will provide higher grade supplementary feed for the Tritton processing plant. It is scheduled to be used as top up plant feed when the production rate from Tritton starts to decline, providing spare processing capacity.

Avoca Tank copper mineralisation is associated with three stacked lenses hosted at the contact between an upper sequence of interlayered metasediments and a lower sequence of mafic volcanics. The mineralised lenses vary in strike size from 15 metres to 60 metres, and true thickness ranges between 2 metres and 30 metres.

A development application for the project has been approved by the Bogan Shire Council and the processes leading to application of a Mining Lease are underway.

The Avoca Tank Deposit remains open at depth below 450 metres vertical. There is further opportunity for future depth extension when underground drilling platforms are available. Aeris remains confident in the likelihood of other, similar type discoveries, given the prospective geology around the northern end of the Girilambone Mafic Complex.

Murrawombie - Open Pit Extension: Pre-Feasibility Study Completed

A modest expansion cut-back of the historic Murrawombie open pit has been designed to mine an estimated 1.5 million tonnes of sulphide ore. The estimated ore has increased from the previous year. This follows a redesign of the pit that avoids a crown pillar above the underground mine and access to some of the 101 lode that is better mined by pit than by underground methods.

Mining of the pit expansion will assist with the final closure of the heap leach pads, saving on mine rehabilitation costs. The Murrawombie open pit expansion project will commence after the Murrawombie underground is completed to avoid any interaction risks with an operating underground mine.

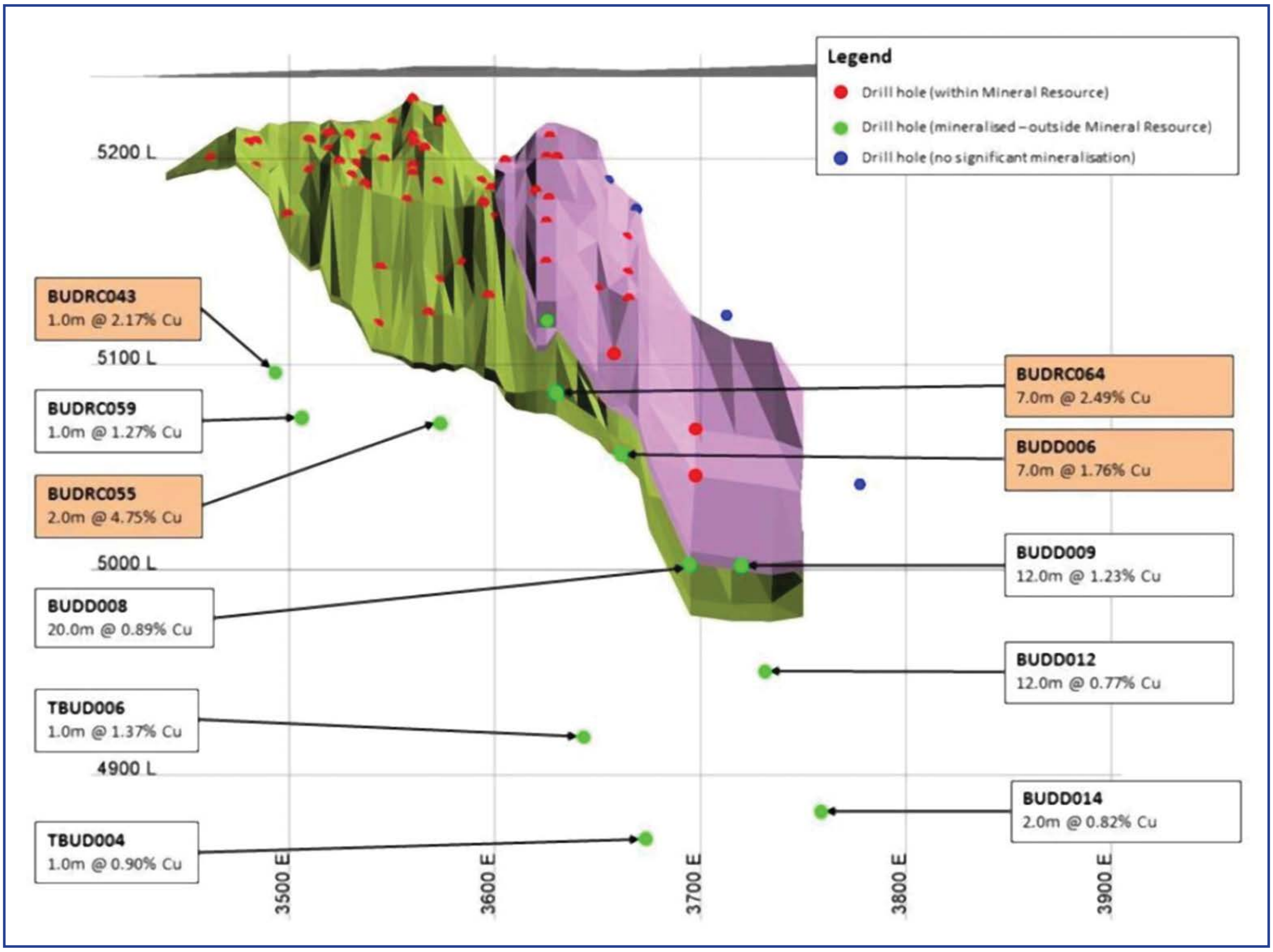
Budgery Deposit Conceptual Open Pit

The Budgery Deposit is part of the Budgery Complex and is located approximately 20 kilometres south of the Company's processing plant at Tritton by a sealed road, close to the Hermidale township. Significant drilling has already been conducted, sufficient to support a concept study for an open pit. Further resource drilling, metallurgy studies, environmental studies and native title negotiations are required before a pre-feasibility study can be completed.

Any further technical work on the project has been suspended pending clarification of the native title status of a small but important area of the project.

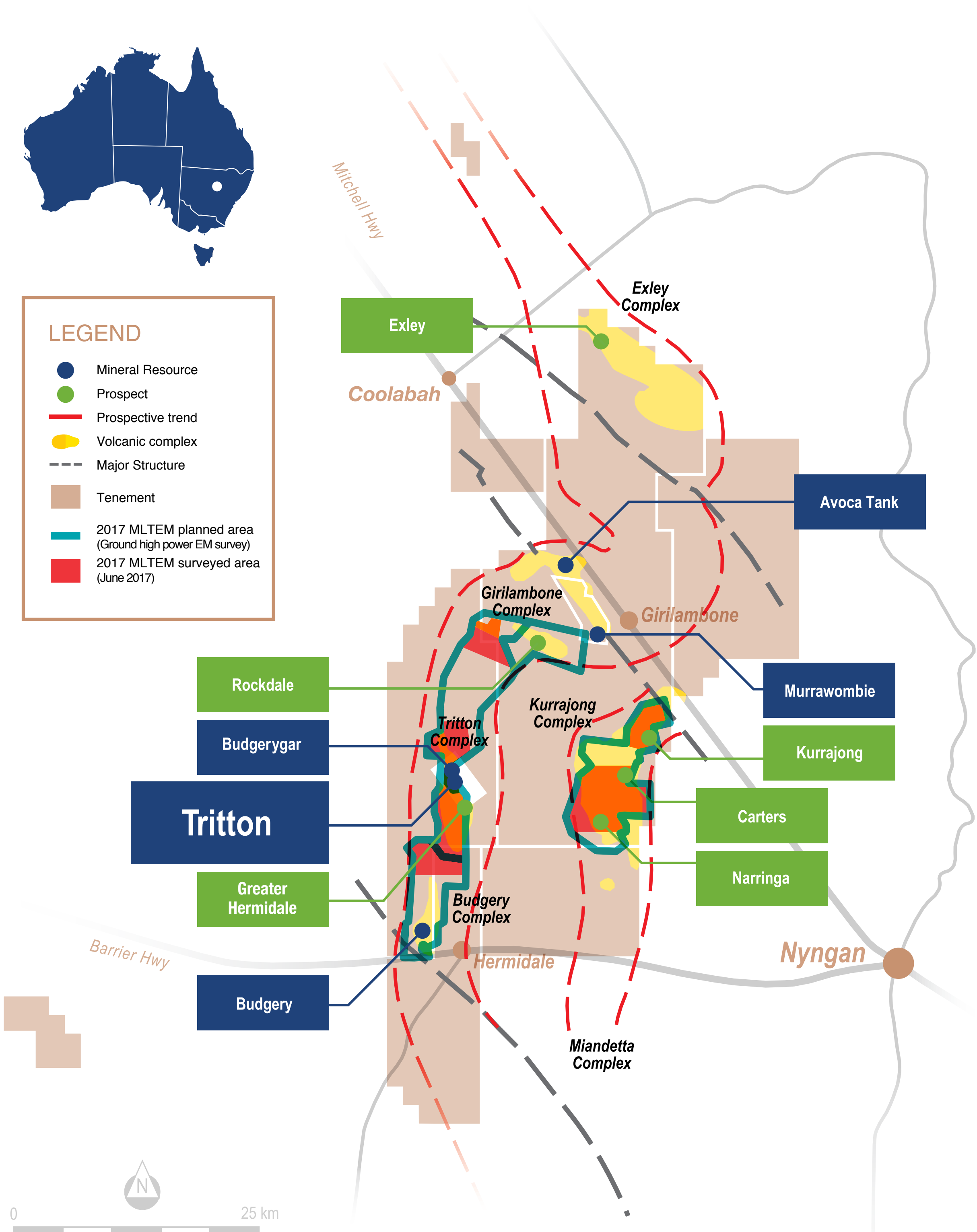
The treatment method for the near surface oxide portion of the ore body requires additional technical study. Tritton Copper Operations has long experience with treatment of oxide ores by heap leaching and this is one option. Treatment through the Tritton processing plant with a sulphidization pre-treatment may also be possible. At this stage, the Life of Mine plan only includes the treatment of the sulphide ore from Budgery, but the copper recovery from the oxide ore remains an opportunity.

The Budgery mineralised system is large and known to continue at depth. There has been limited drilling completed at depth, and this presents an opportunity to increase the Mineral Resource down dip from the current reported Mineral Resource, which extends 250 metres vertically.



Long section view of the Budgery deposit showing drill hole intersections within (red) and outside (green and blue) of the current Mineral Resource.

Exploration



Aeris' Tritton Regional Tenements showing copper Mineral Resources and Prospects

Exploration

Tritton Regional Exploration Overview

Aeris Resources Limited has a number of prospective regional exploration tenements in New South Wales, Queensland and South Australia. The exploration strategy is to remain primarily focused on the Tritton Copper Operations, where the Company has an exploration tenement package covering in excess of 1,800km² over the prospective Tritton VMS (volcanic massive sulphides) field, made up of six exploration leases and three mining leases; collectively referred to as the Tritton tenement package.

Within the Tritton tenement package copper mineralisation is interpreted to occur in close association with volcanic complexes. Six major complexes have been identified to date: Tritton, Girilambone, Budgery, Kurrajong, Miandetta and Exley. These complexes are found within a sequence of sedimentary and volcanogenic rocks extending over a combined strike length of more than 100 kilometres.

Within a single volcanic complex it is common to find one or two large deposits and more numerous smaller deposits. A large deposit maybe 20 million tonnes such as the Tritton Deposit, while the smaller deposits are sub 1 million tonnes or up to 2 million tonnes in size. The exploration plan is to test each of the volcanic complexes, looking deeper than previously, with a focus on the large deposits.

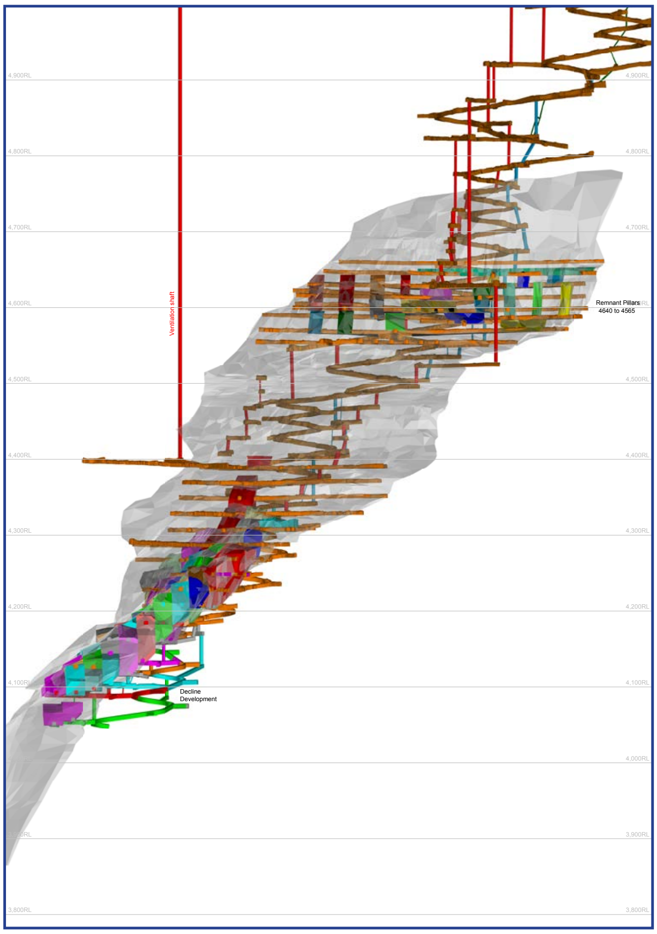
The exploration techniques and technology utilised to date have been very effective in identifying and defining copper deposits within the tenement package focusing on exploring within 250 metres from surface. This strategy has yielded more than 750,000 tonnes of copper. A majority of the deposits are detectable from electromagnetic geophysical methods, which were instrumental in the discovery of the Tritton Deposit.

Brownfields Exploration

TRITTON DEPOSIT

The Aeris Board approved the development of Tritton Deeps in FY2017, along with the associated construction of a ventilation shaft and installation of exhaust fans, enabling mining at Tritton to continue down to nearly 1,200 metres below surface, with the orebody remaining open at depth. Aeris has identified a number of other exciting opportunities as part of the focus on brownfields exploration in FY2018.

Tritton is located approximately 45 kilometres north-west of Nyngan in central New South Wales and is one of the largest known mineralised VMS systems in the area. A multi-phase drill program was completed in FY2016 to better define the mineralised system below 4,200mRL, known as Tritton Deeps. The initial drill program was designed to confirm continuity of copper mineralisation between the 4,200mRL to 4,000mRL levels. The second phase of drilling was designed to drill out the Tritton orebody to 40 metre by 40 metre drill spacing between the 4,200mRL to 4,000mRL and thereby increase the level of geological and grade certainty. Two drill holes were extended deeper and intersected copper mineralisation down to the 3,830mRL level (1,460 metres below surface) indicating copper mineralisation is not closed off at depth. During FY2017 no further exploratory drilling was completed. Drilling activities during the reporting period were focused on grade control delineation below the current mining front (4,165mRL-4,125mRL).

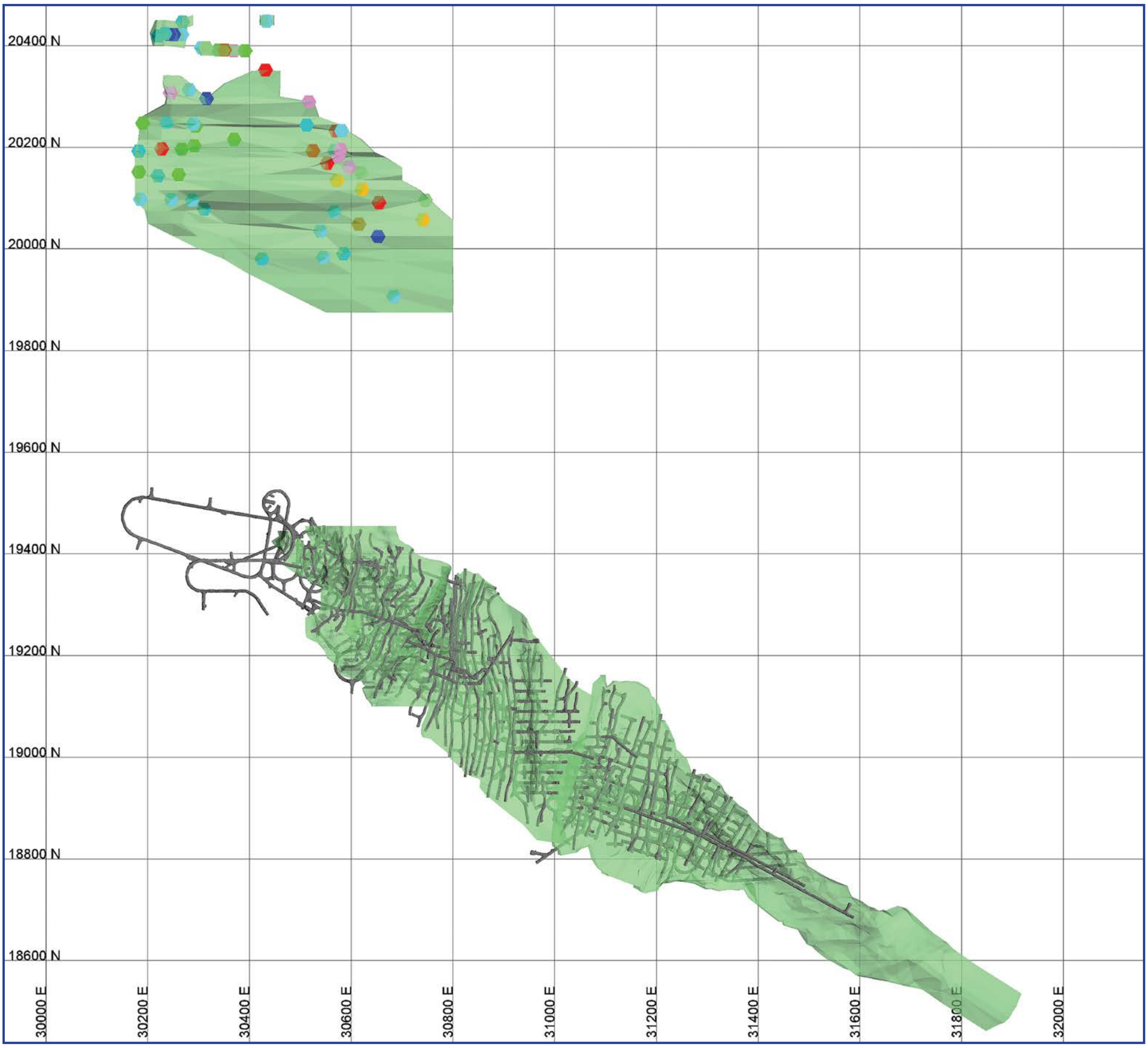


Tritton Mine Section View

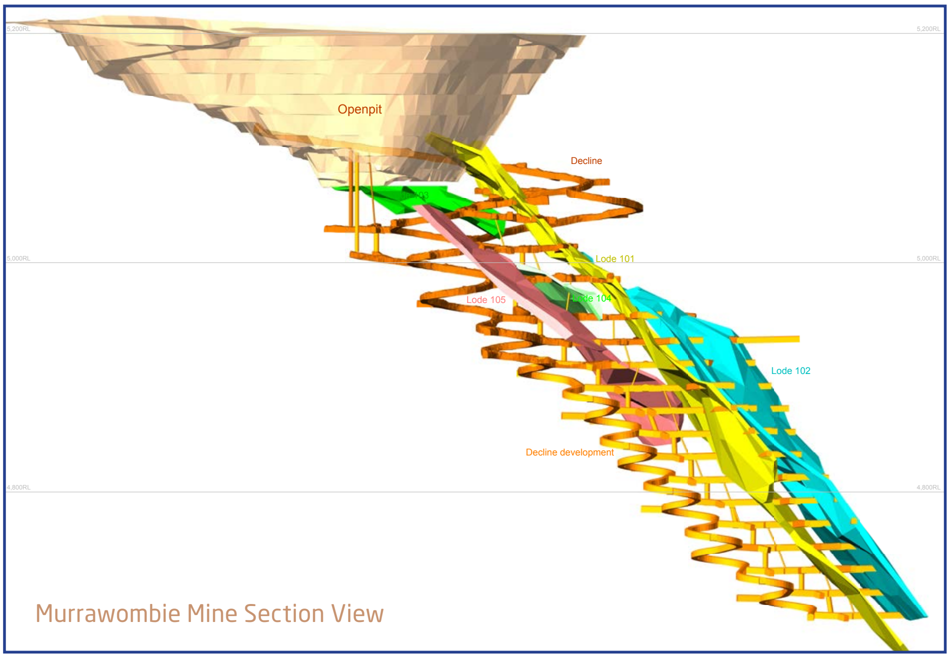
BUDGERYGAR DEPOSIT

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 outcropping 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.



Plan view of the Tritton and Budgerygar modelled copper deposits. Drill intersections through the Budgerygar Deposit are represented by coloured circles.



Murrawombie Mine Section View

MURRAWOMBIE DEPOSIT

The Murrawombie Deposit is located in the southern area of the Girilambone Complex. The deposit is the largest concentration of copper metal on Aeris' tenements outside the Tritton Deposit and was previously mined in the 1990s as an open pit to access the oxide portion of the orebody for heap leach processing. The sulphide portion of the deposit was not mined at the time due to its unsuitability for heap leaching.

Mineralisation below the open pit is defined by multiple sulphide lodes that dip 50 degrees to the east. The dominant copper mineral, chalcopyrite, is typically associated with massive pyrite, with lesser disseminated pyrite. The larger sulphide lodes are continuous over 200 metres in length and extend at least 400 metre down dip. The dominant mineralised lodes remain open at depth below the 4,700mRL level (about 500 metres below surface) and represent an opportunity to further grow the Mineral Resource inventory. During FY2017, mining focused on level development with intermittent production from stoping. Refinements to the geology model continued as the level of geological understanding increased from underground exposures.

Tritton Greenfields Exploration

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 stages 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 survey (VTEM-Max survey) able to cover large areas but not "see" as deep.

The MLTEM program commenced in December 2016 and was 50 per cent completed by the end of the FY2017. Results to date from the MLTEM survey have detected several new bedrock EM conductors (anomalies), including two which are within 5 kilometres of the Tritton processing infrastructure, whilst also detecting the sulphide rich component of the Kurrajong prospect. Importantly the modelled EM conductors at Kurrajong 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.

The airborne EM survey was completed in the March quarter of FY2017 on the northern and southern extremities of the Tritton tenement package, with the latest results also identifying numerous new anomalies, which now require further investigation.

Whilst it is early stages in our revitalised greenfields exploration program and more work is required, Aeris is highly encouraged by the results to date and hopes to build on this success in the coming year.

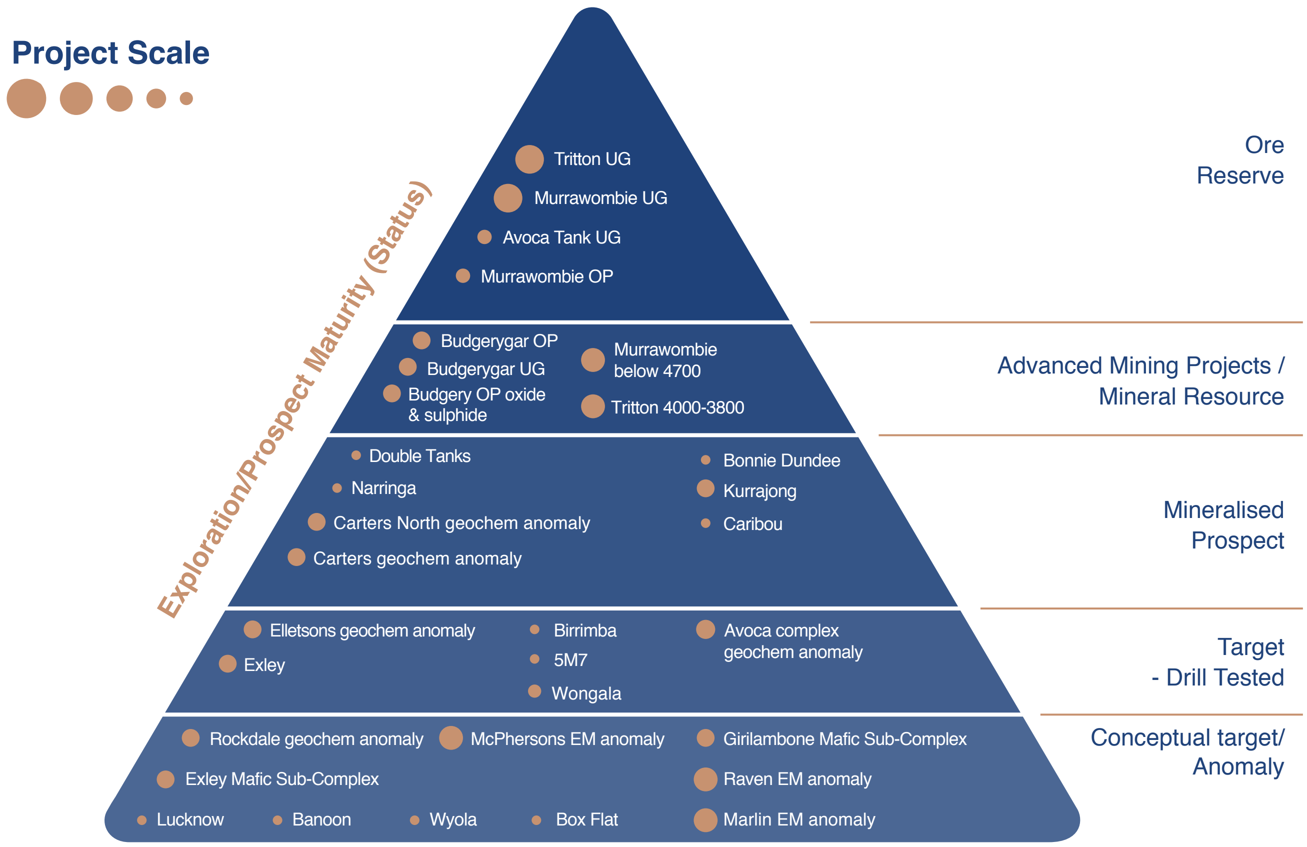
Regional Geology Compilation

In conjunction with the focused MLTEM survey within the known stratigraphic corridors, work is being undertaken to understand the geological architecture further afield. During FY2017, a regional mapping and historical data compilation program commenced, focusing on the structural and lithological features within the interpreted extensions of the Tritton and Kurrajong Corridors. Copper deposits discovered within the tenement package to date are localised within the Tritton and Kurrajong stratigraphic corridors. The projection of each corridor is understood through the central portion of the tenement, however beyond this their location is not well understood, predominately from poor outcrop, increased cover and paleao-channels masking bedrock trends from magnetic imagery. Importantly this area covers approximately 50 per cent of the current tenement package.

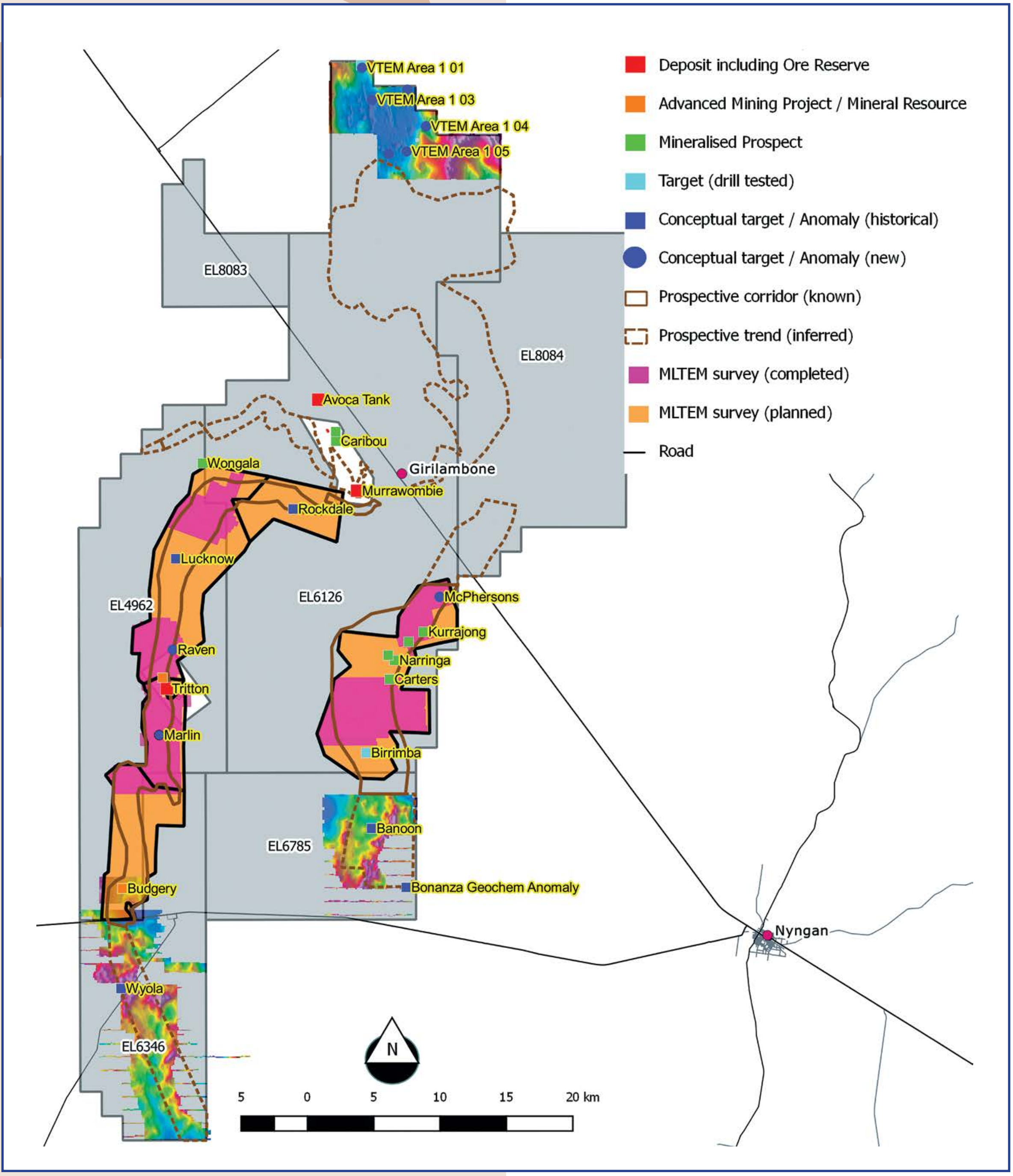
The intent is to identify and trace the outcropping lithological units within the favourable horizons along strike to identify and project the prospective corridors and provide a more detailed understanding of the structural framework.

Surface outcrop exposures are limited to a series of resistant quartzite/chert units within the Kurrajong extensions and a regionally continuous sandstone unit within the Tritton Corridor, referred to as the Budgery Sandstone. The Budgery Sandstone unit is a significant marker unit which has been traced intermittently throughout the known corridor from Budgery through to Murrawombie. The unit represents a correlatable marker horizon from which the inferred stratigraphic position of the known deposits can be made. The regional mapping will result in a more detailed geological interpretation, which will be used in conjunction with historical data (geophysics, surface geochem and geological interpretations) to refine prospective areas for follow up work, including the anomalies identified from the VTEM-Max survey.

Aim to Progress Projects & Prospects to Higher Levels of Quality



Increasing Project Prospect Quality



Tritton region showing Aeris Tritton tenement package and prospective corridors for copper mineralised systems. The planned MLTEM geophysical survey coverage is highlighted by shaded orange regions and completed survey areas by shaded magenta regions.

*MLTEM Survey as at 30 June 2017

Bedrock EM Conductors (Kurrajong Corridor)

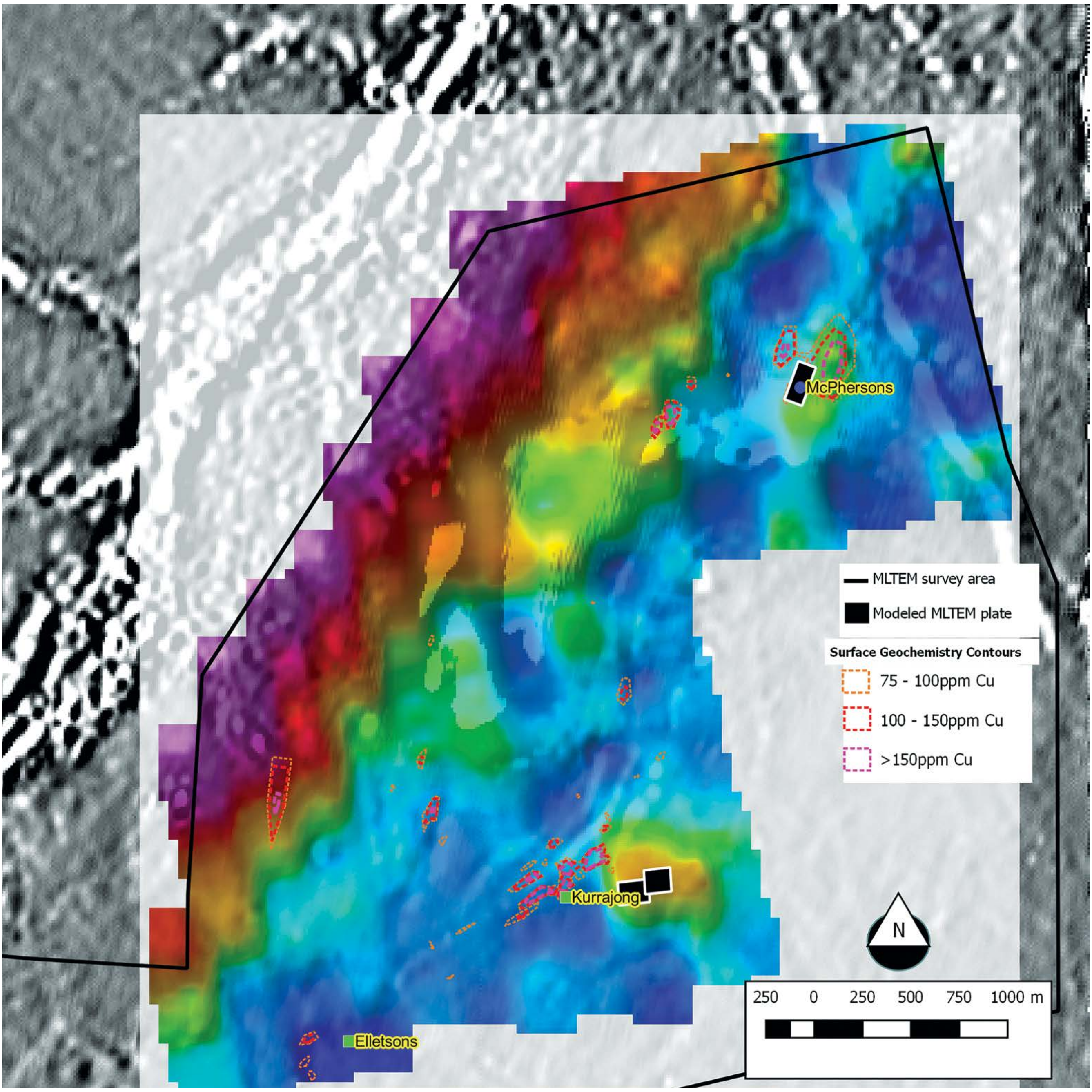
Finalised MLTEM results over the Kurrajong Complex is constrained to the north-east corner of the survey area. The survey has detected two EM conductors, the already known Kurrajong prospect and the McPhersons geochemical anomaly (McPhersons EM anomaly).

The Kurrajong prospect is defined by a broad surface geochemical anomaly and associated historical workings. An initial shallow RC drill program completed in 1997, targeting oxide mineralisation in the vicinity of the historical workings, returned sporadic zones of elevated copper mineralisation (+1.0% Cu) within broader low grade copper haloes. A second phase of drilling over the prospective area was completed between May 2012 to March 2013 and utilised down hole EM technology to assist with vectoring toward mineralisation. The drill program targeted down plunge extensions of the previous shallow copper mineralisation. A majority of drill holes intersected a series of stacked sulphide lenses defined by massive/banded pyrite +/- chalcopyrite and in places, stringer pyrite with lesser chalcopyrite. The mineralised system has been traced from drill intercepts over 500 metre along strike and down plunge. The modelled EM conductor plates from the current MLTEM survey correlate with the higher grade massive/semi massive sulphide core which is defined from a limited number of drill holes.

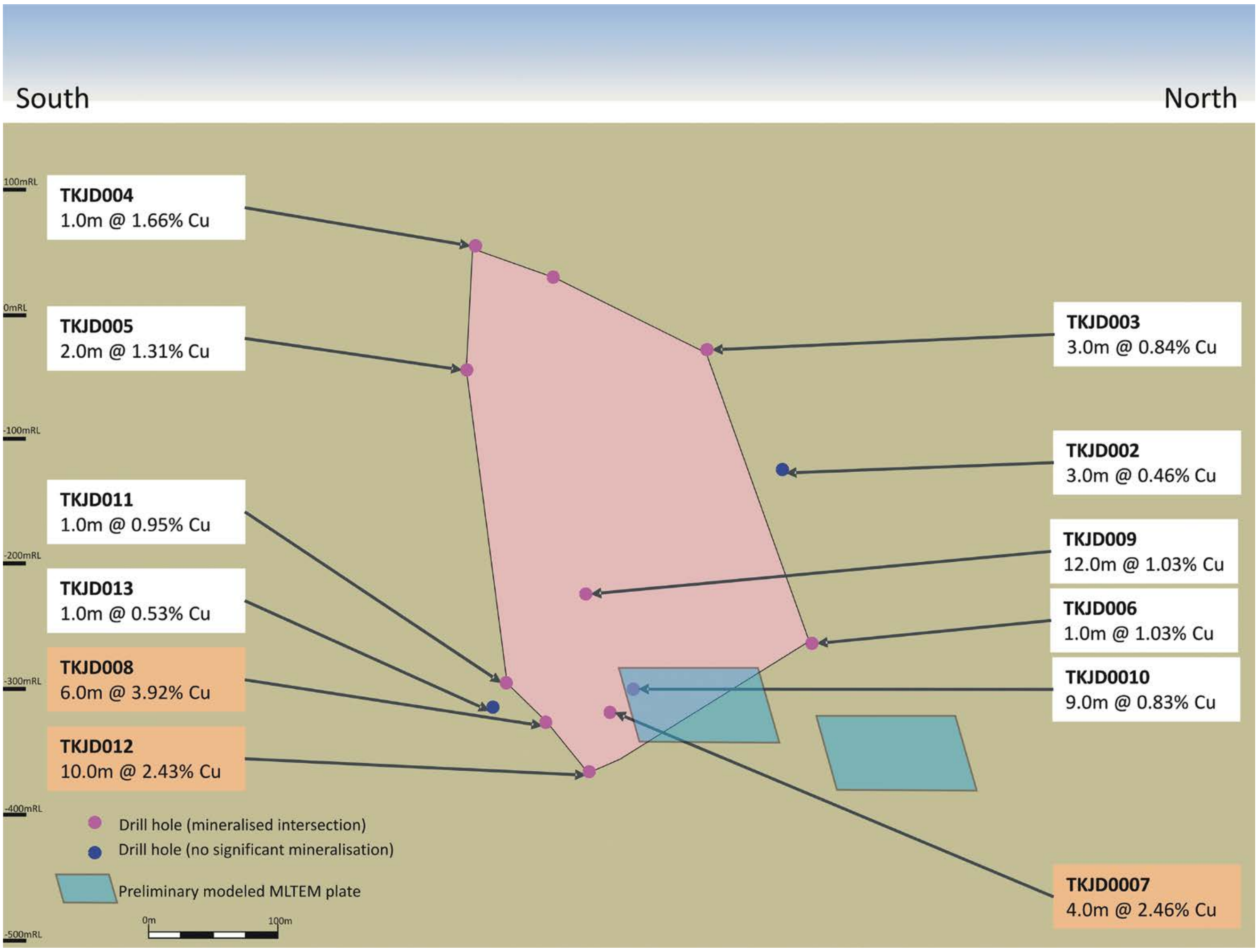
Preliminary models defining the dimensions, orientation and depth below surface for the Kurrajong and McPhersons EM conductors has been completed. The Kurrajong EM conductive response is interpreted to represent two stacked moderate strength conductors (1,500 to 2,000 siemens) positioned approximately 400 metres below surface, with dimensions in the range of 125 metres (strike) by 150 metres (depth). The modelled plates correlate favourably with the higher grade sections of the known deposit based on current drill hole information. Both modelled plates are orientated parallel to the regional geology.

HOLE ID	FROM (m)	TO (m)	LENGTH (m)	CU 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

Drill hole intersections through massive/semi massive mineralisation at the Kurrajong prospect which broadly correlates with the modelled bedrock EM conductors from the current MLTEM survey. Intersections represent down hole lengths.



Plan view of the north-east corner of the Kurrajong Complex showing MLTEM results (CH25 B field Z component) overlain on a magnetic 2VD image (black and white image). Anomalous copper surface geochem contours are also displayed.



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

Recent surface mapping within the Kurrajong Complex confirms the broad stratigraphic units identified at Kurrajong trend toward the McPhersons EM anomaly. Both the Kurrajong prospect and the McPhersons EM anomaly are located within or adjacent to basic, intermediate volcanic units which manifest as magnetic highs. The McPhersons bedrock EM conductor is of similar size and conductance to the Kurrajong modelled plates.

Preliminary modelling of the McPhersons EM response defined a moderate strength conductive plate (1,000 to 2,000 siemens), with dimensions in the range of 200 metres (strike) by 150 metres (depth) from 350 to 400 metres below surface.

A fixed loop EM (FLEM) survey will be completed over each EM conductor to refine the modelled plate spatial location and dimensions further to assist with prospect ranking and drill targeting. Modelled EM plate parameters (size/signal strength) will be considered in conjunction with the geological setting (stratigraphy/proximity to magnetic embayments) and surface geochemistry results. EM anomalies positioned higher on the prospectivity ranking will be prioritised for follow up exploration work including a first pass drill program.

Bedrock EM Conductors (Tritton Corridor)

MLTEM results to date within the Tritton Corridor are centralised around the Tritton Deposit, extending 9 kilometres south and 5 kilometres north of Tritton. Two new EM conductors have been identified. The Raven EM anomaly is located 2.5 kilometres north of the Tritton deposit and is interpreted to occur within the same stratigraphic package hosting the Tritton Deposit. The Marlin EM anomaly is located 3.5 kilometres south of the Tritton Deposit within the extensive Greater Hermidale geochemical anomaly, which extends periodically over a 5 kilometre strike length. A number of small highly conductive cover units occur throughout the area shown as magenta/red shaded regions.

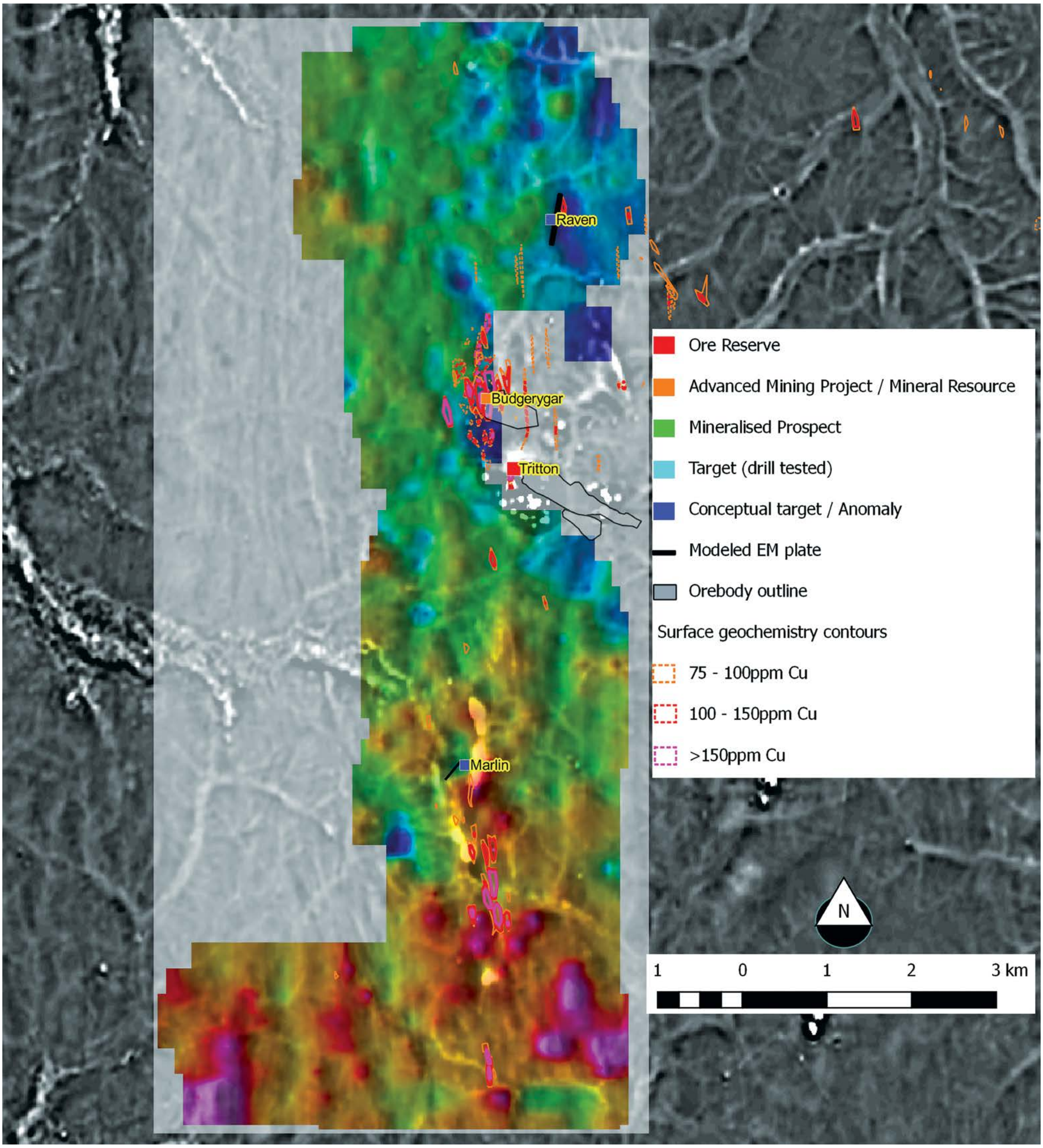
Preliminary modelling has been completed on both the Raven and Marlin EM conductors to define their spatial location and dimensions. The Raven conductive model is defined as a large 500 metre (strike) x 100 metre (depth) plate from 350 metre to 400 metre below surface. The plate is orientated parallel to the regional trend and dipping steeply to the west. The Marlin EM response is defined by a 300 metre (strike) x 300 metre (depth) plate located approximately 200 metre below surface. The interpreted orientation is striking north-east which is oblique to the interpreted regional trend (north-south).

A fixed loop EM (FLEM) survey will be completed over each EM conductor to refine the modelled plate spatial location and dimensions further to assist with prospect ranking and drill targeting. Modelled EM plate parameters (size/signal strength) will be considered in conjunction with the geological setting (stratigraphy/proximity to magnetic embayments) and surface geochemistry results. EM anomalies positioned higher on the prospectivity ranking will be prioritised for follow up exploration work including a first pass drill program.

Airborne EM Survey

During the March quarter FY2017 a helicopter-borne EM geophysical survey (VTEM-Max survey), covering 977 line kilometres, was also conducted across the northern and southern extremities of the Tritton tenement package. The VTEM-Max survey was flown on 200 metre line spacings over three discrete areas within the Tritton tenement package. Each area is interpreted to represent along strike extensions from known stratigraphic corridors hosting the current Mineral Resource/advanced deposits within the Tritton and Kurrajong Corridors. The intent of the survey was to identify conductive bedrock conductors within 300 metres from surface.

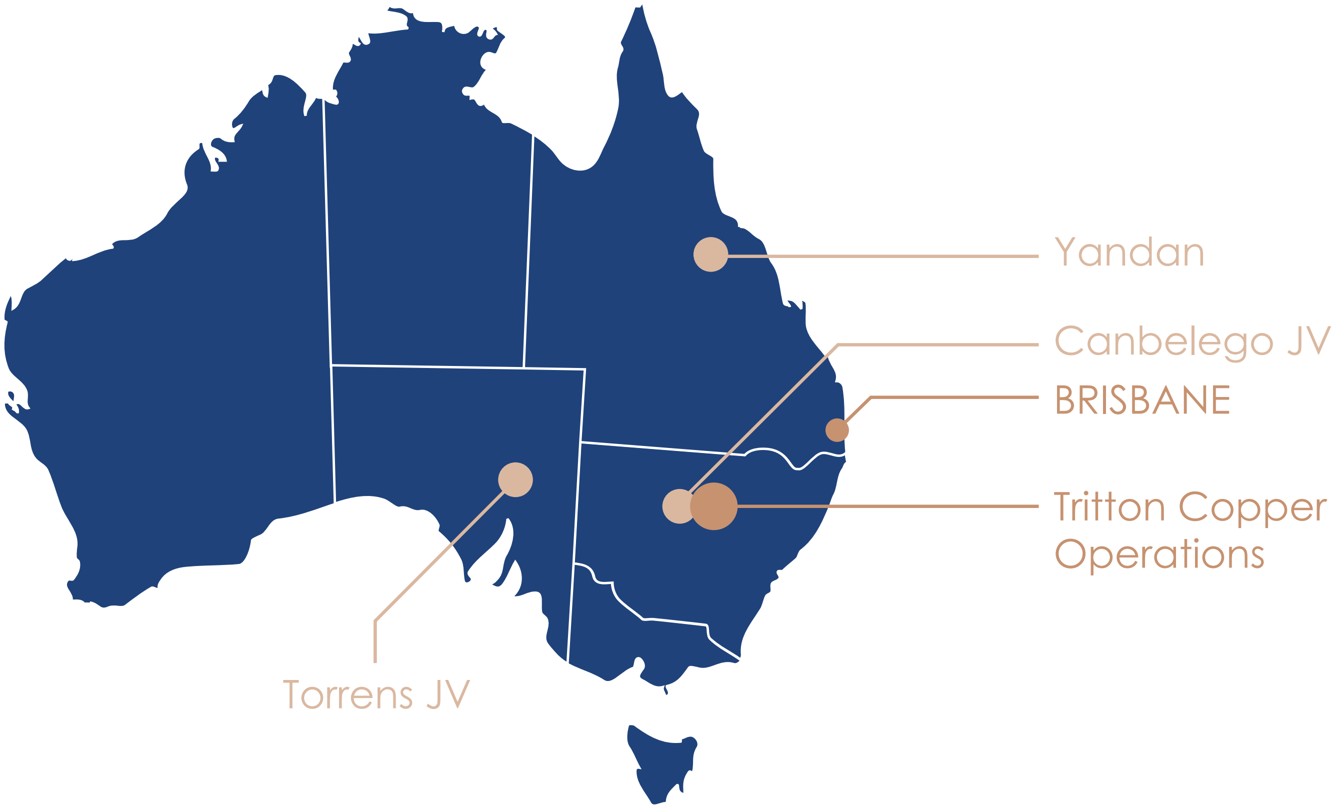
The results from the VTEM-Max survey were finalised during the March FY2017 quarter with multiple EM anomalies being identified, which require follow up work to assess their prospectivity. A majority of the EM anomalies have been detected toward the northern end of the tenement package, which is interpreted to represent the northern extension of the Tritton stratigraphic corridor. Further work is required to verify whether the anomalies may represent a conductive sulphide body, however at this early stage it indicates there is considerable prospectivity within this portion of the tenement, which historically has not been explored as extensively.



Plan view showing MLTEM results within the Tritton Corridor (CH23 B field Z component). The Raven EM conductor is located north of Tritton while the Marlin EM conductor is located south of Tritton within the Greater Hermidale geochemical anomaly.

Other Exploration Projects

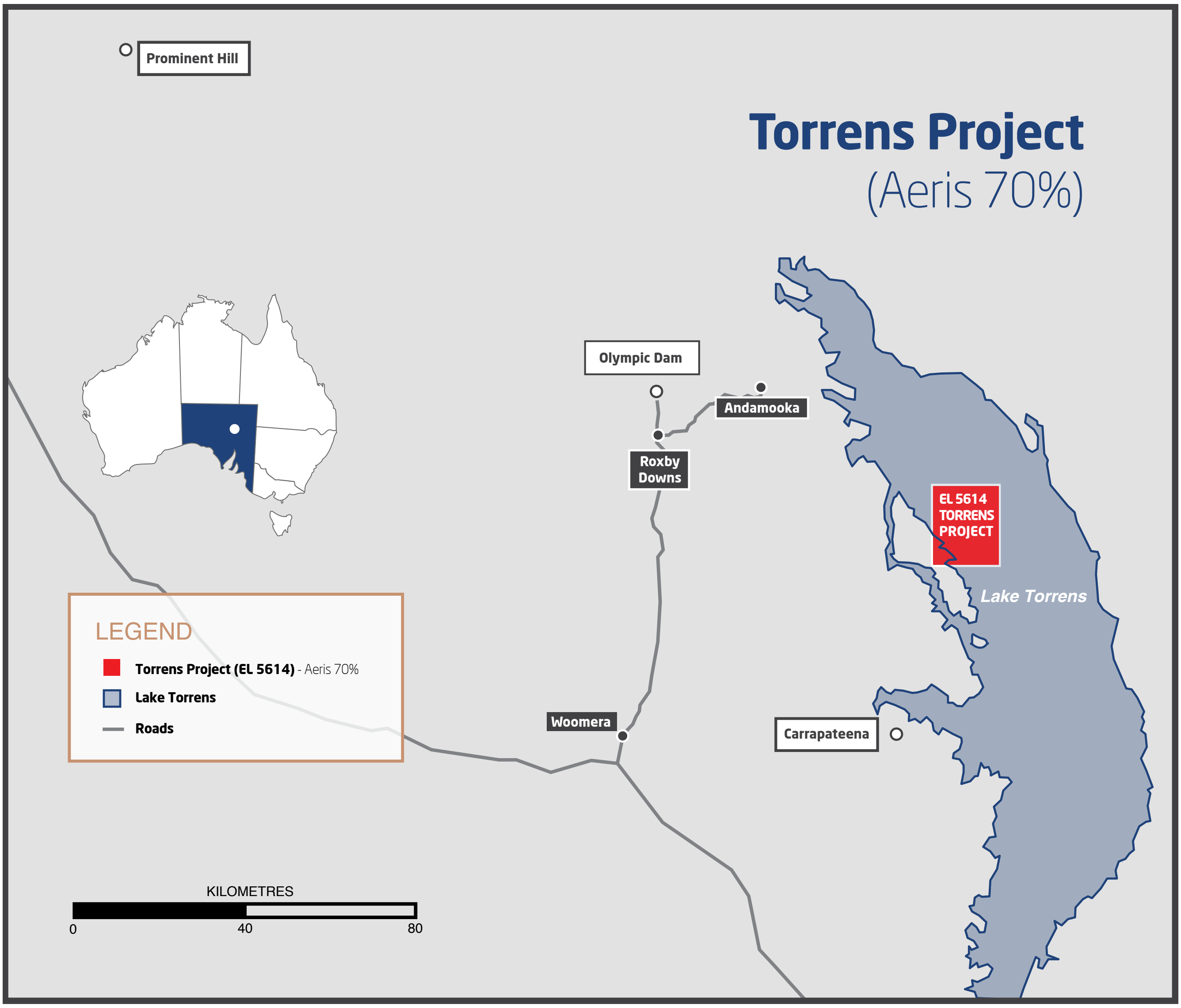
Aeris Resources Limited also holds a number of prospective regional exploration tenements in South Australia, New South Wales and Queensland.



Torrens Project (South Australia)

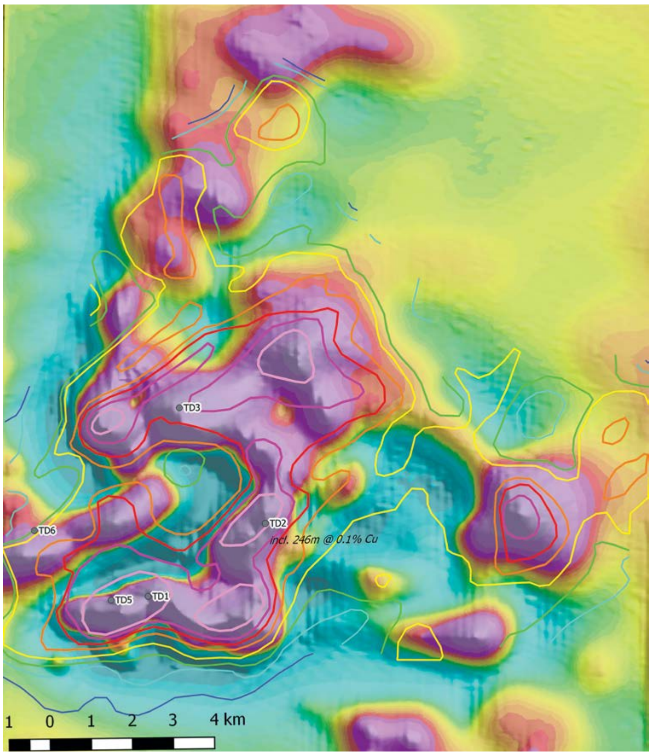
The Torrens Project (EL5614) is a joint venture between Aeris Resources Limited (70 per cent interest) and Kelaray Pty Ltd (a wholly owned subsidiary of Argonaut Resources NL) and is exploring for iron-oxide copper-gold (IOCG) systems.

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 anomaly, a large regionally significant coincident magnetic and gravity anomaly with a footprint in excess 160km² (larger footprint than Olympic Dam) is located within EL5614.



EL5614 Torrens Project - Stuart Shelf Region in South Australia.

Limited drilling, totalling 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).



Magnetic RTP 1VD image of Torrens Anomaly, overlain with residual gravity contours

Exploration activity on the project has 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 (No. 3). 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 have made appeals to the full court. The court has not yet made a decision on the appeals and it may dismiss all the appeals. In the interim, the effect of the Mansfield decision is that the area of the project has no Native Title granted, nor any recognised Native Title claimants.

On 31 March 2017 the joint venture partners were granted a summary determination by the South Australia Environmental Resources and Development Court, in the absence of any Native Title claimants, of the Native Title authority for the conduct of exploration activities on EL5614. This allows the joint venture to submit the plan of activity with supporting environmental impact assessments. The State regulators will review and can approve the exploration activities.

Aboriginal Heritage matters remain to be resolved before exploration activities can commence in practice. The whole of Lake Torrens and several sites in close proximity to EL5614 have been claimed as Aboriginal Heritage sites. Application to disturb the Lake Torrens site for the purposes of exploration under Aboriginal Heritage Law of South Australia was previously refused and then became entangled in legal dispute and appeals. This issue remains to be resolved through Native Heritage Agreements and a new application to the South Australia Government for approval to disturb.

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 the Pajingo (~5Moz Au), Ravenswood (~4Moz Au) and Mt Leyshon (~3.5Moz) deposits.

The Yandan gold mine was operated by Ross Mining between 1992 and 1998 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:

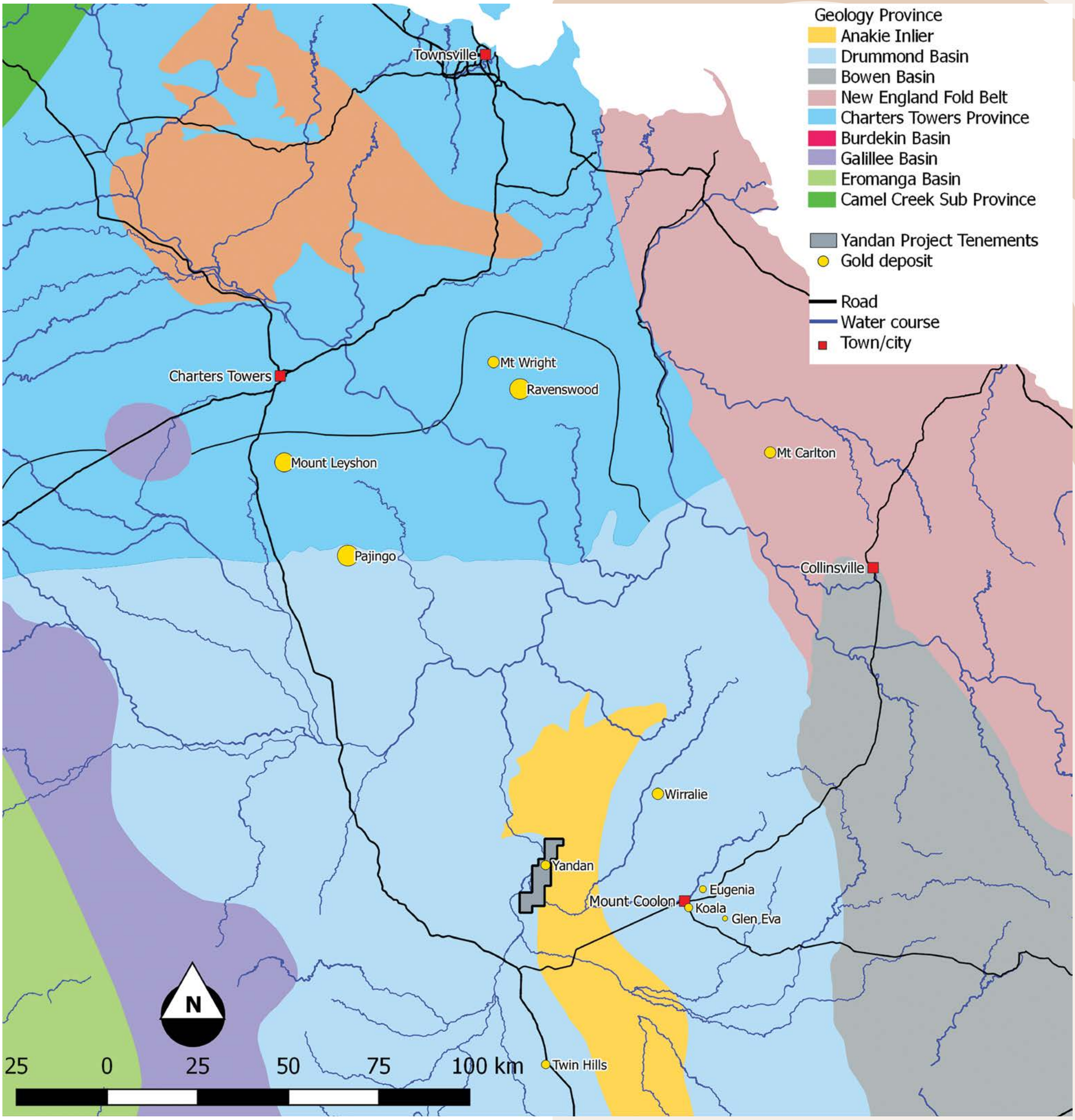
- 4Mt at 2.4 g/t Au for 300,000 ounces gold Inferred Resource [1]

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.

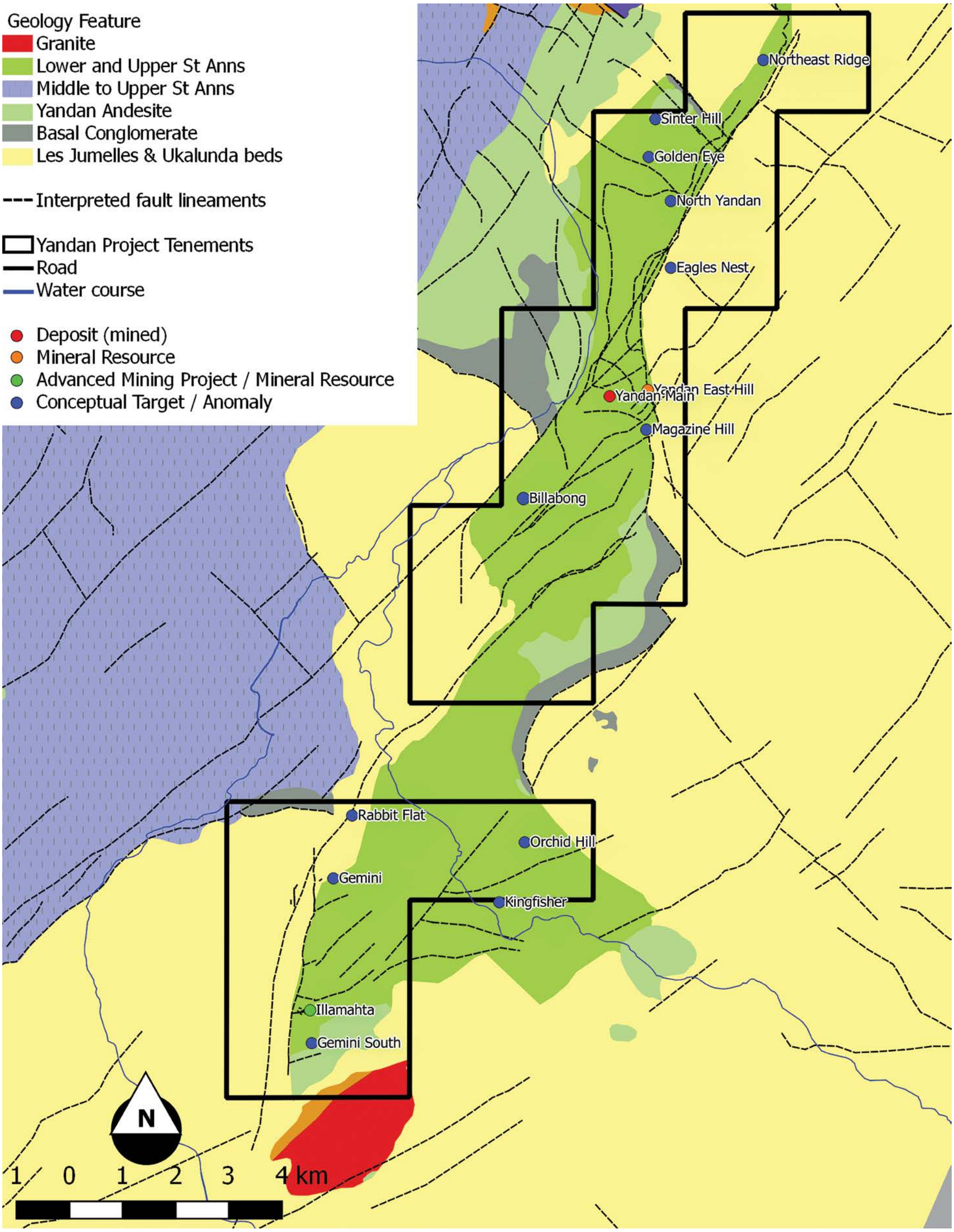
The mining lease has significant water dams and rights to harvest water from the adjacent Sutor River. The gold processing plant was removed before the property was purchased.

The Company is considering future options for the asset.

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).



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



Plan view of the local geology within the Yandan Project tenement

Canbelego Project (NSW)

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

The Canbelego Project covers approximately 40km^2 and is located 45 kilometres south-west of the Tritton Copper Operations. 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 9 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.

Blayney (NSW)

The sale of the Blayney Exploration Project in New South Wales to LFB Resources NL, a wholly owned subsidiary of Regis Resources Limited, was finalised on 19 May 2017.

Cheesemans Creek (NSW)

The Cheesemans Creek Project (EL 5979 and EL7321) is located approximately 22 kilometres to the north-west of Orange, New South Wales. Both tenements were relinquished in March 2017.

2017 Resource and Reserves

Aeris Resources Limited has updated its Mineral Resource and Ore Reserve estimate for its Tritton Copper Operations as at 30 June 2017.

Total reported Measured and Indicated Mineral Resource estimate, after mining depletions, are 16.2 million tonnes at 1.6 per cent copper for 260,000 tonnes of contained copper metal. Inferred Mineral Resource is 5.0 million tonnes at 1.3 per cent copper for 60,000 tonnes of contained copper.

This represents a 9 per cent net decrease in contained copper compared with the 30 June 2016 estimate.

Total reported Proved and Probable Ore Reserves, after mining depletions, are estimated at 10.5 million tonnes at 1.5 per cent copper for 150,000 tonnes of contained copper metal. This represents a 12 per cent net decrease in contained copper compared with the 30 June 2016 inventory.

Actual copper production was 23,253 tonnes in concentrate with processing recoveries estimated at 94.84 per cent.

Aeris' Statement of Mineral Resources and Ore Reserves as at 30 June 2017 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.

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 at the Drummond Basin (Yandan Project) in Queensland.

The Tritton Copper Operations area is host to a cluster of deposits. Mineralisation across the Tritton Copper Operation deposits are hosted within Ordovician turbidite sequences within the Lachlan Fold Belt. The deposits are classified as stratiform volcanogenic massive sulphide deposits, referred to as "Besshi style" systems. 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 >1,700 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 of 0.3 per cent to 0.8 per cent 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 2016, the Tritton Deposit Mineral Resource has been depleted by an estimated 20,000 tonnes of contained copper metal. In addition to this depletion, additions and changes to the Mineral Resource inventory during the period are based on detailed grade control drilling ahead of stope production. There has been no significant resource extension drilling completed.

TRITTON UPPER LEVEL REMNANT PILLARS

The Tritton upper level remnant pillars are a small portion of the Tritton Deposit Indicated Mineral Resource estimate, (490,000 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. The Tritton remnant pillars Indicated Mineral Resource estimate did not change for the 30 June 2017 estimate compared to the prior estimate. Mining of the pillars is planned to commence in FY2018 and the resource estimate may change on the basis of mining experience in the next public report.

MURRAWOMBIE DEPOSIT CHANGES

Development of the Murrawombie Underground Mine re-started in December 2015. During the year ending 30 June 2017 significant additional geology information has been collected from grade control diamond drilling, cross cut sampling and mapping, and detailed structural mapping. As a consequence, the geology and resource estimation models for the Murrawombie Deposit have been significantly changed since the previous report. In general, the changes have resulted in increased tonnage of higher grade resource with a loss of tonnage in lower grade resource. The net effect is a reduction in Mineral Resource tonnage at the similar contained copper.

2017 Mineral Resource Tritton Tenement Package

JUNE 2017

	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	0
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	5,000	1.3	60
TOTAL	**21,000**	**1.5**	**320**

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.

2017 Mineral Resources Tritton Tenement Package Continued

JUNE 2016

	Tonnes (kt)	Cu (%)	Cu (kt)
Tritton Underground			
Measured	3,800	1.9	73
Indicated	4,900	1.2	61
Total M + I	8,800	1.5	130
Inferred	2,000	1.2	20
TOTAL	**10,700**	**1.5**	**160**
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	6,500	1.4	92
Total M + I	6,500	1.4	92
Inferred	2,000	1.2	20
TOTAL	**8,100**	**1.4**	**110**
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	0
TOTAL	**2,000**	**1.1**	**22**
Stockpiles			
Measured	83	2.0	2
Indicated	-	-	-
Total M + I	83	2.0	2
Inferred	-	-	-
TOTAL	**83**	**2.0**	**2**
Total			
Measured	3,900	1.9	74
Indicated	14,500	1.4	210
Total M + I	18,400	1.5	280
Inferred	5,500	1.3	70
TOTAL	**23,900**	**1.5**	**350**

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.

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 Resource 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 Resource Statements as at 30 June 2017 by the Directors of Aeris Resources Limited.

2017 Mineral Resource - Other Deposits

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

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

Blayney and Cheeseman's Creek Exploration Projects were disposed during the year.

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**

JUNE 2016

	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**

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 (0 g/t Au cut-off).
2. Discrepancy in summation may occur due to rounding.

Ore Reserves

The 30 June 2017 Ore Reserves estimate is a revision of the 30 June 2016 estimate that accounts for changes in the Mineral Resource and depletion due to mining.

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 Deposit, the ore is extracted using a combination of sub-level open stoping, bench stoping and sub-level cave. 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. There were no other significant changes.

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 planned mining methods.

The Avoca Tank Ore Reserve estimates have not changed since last report. Revision of the mine design is expected in FY2018 that may result in changes to the Ore Reserve estimate. Design changes are to be tested in technical and commercial studies before being applied to the estimate of reserves.

Ore Reserve estimates have been developed assuming a range of copper prices that increase over time, consistent with market intelligence. Copper prices assumed are A$7,850 in FY2018 rising to A$8,270 per tonne in FY2020.

The cut-off grade criteria applied at all deposits is copper grade, per cent copper. There are no significant deleterious elements in the ore and the by-product value of gold and silver is of minor economic importance. Inclusion of the precious metal value is managed by applying a small copper equivalent adjustment.

At the Tritton Deposit, the cut-off grade is 1.1 per cent copper applied at a whole of stope average grade.

At the Murrawombie Deposit, where ore is mined by sub-level open stope, a cut-off grade is 1.1 per cent copper applied as a whole of stope average grade. Ore to be mined by sub-level cave at Murrawombie is not estimated with a conventional cut-off grade. Sub-level cave Ore Reserves are estimated from cave simulation software assuming a cut-off grade of 0.5 per cent copper and minimum 500 tonnes draw per blasted ring.

All Ore Reserve estimates for the underground mines are 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.

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

2017 Ore Reserves Tritton Tenement Package

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	30	1.2	0.4
Probable	2,900	1.4	40
TOTAL	**2,900**	**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	0.1
Probable	0	0.0	0
TOTAL	**10**	**1.3**	**0.1**
Total			
Proven	3,100	1.7	51
Probable	7,400	1.4	100
TOTAL	**10,500**	**1.5**	**150**

JUNE 2016

	Tonnes (kt)	Cu (%)	Cu (kt)
Tritton Underground			
Proved	3,600	1.7	61
Probable	2,800	1.4	40
TOTAL	**6,400**	**1.6**	**100**
Murrawombie Underground			
Proved	0	0.0	0
Probable	3,300	1.3	43
TOTAL	**3,300**	**1.3**	**43**
Murrawombie Open Pit			
Proved	0	0.0	0
Probable	700	1.3	8
TOTAL	**700**	**1.2**	**8**
Avoca Tank			
Proved	0	0.0	0
Probable	700	2.5	18
TOTAL	**700**	**2.5**	**18**
Stockpiles			
Proven	80	2.0	2
Probable	0	0.0	0
TOTAL	**80**	**2.1**	**2**
Total			
Proven	3,700	1.7	63
Probable	7,500	1.4	110
TOTAL	**11,200**	**1.5**	**170**

Note: 1. June 2016 estimates have been presented using the same significant figures and rounding policy as the June 2017 estimate. Difference between 2016 and 2017 annual report tables may occur due to the rounding.

2. Discrepancy in summation may occur due to rounding.

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 five years' 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 myself and the company, including any issue that could be perceived by investors as a conflict of interest. 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 four 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 2017 by the Directors of Aeris Resources Limited.


Aeris
TRITTON OPERATIONS
FIRING
LINE

Health, Safety and Environment

The safety of people is Aeris' highest priority. During the FY2017 the Company continued to improve its safety management systems.

Tritton Copper Operations has a target to reduce the Total Reportable Injury Frequency Rate (TRIFR) by 20 per cent per annum year on year. This year the TRIFR remained steady at 21 (the same level as the previous year). However, Aeris is committed to further improvement in this area. The TRIFR statistic is dominated by the more frequent, low potential incidents and eliminating these small incidents remains a focus for Aeris' personnel. However, the 2017 result does not reflect the significant effort that has been applied to the management of the hazards with potential for the very serious incidents that cause permanent and life changing impacts. The Company's safety management system has been committed to reducing the potential for these catastrophic potential events and we expect to see positive trickle down impacts from management of catastrophic potential events into the prevention of the low potential incidents during the year to come.

Health And Safety Vision

Aeris is committed to continual improvement of its health and safety performance. The Company manages its business 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, and is committed to take whatever action is required, to prevent injury and illness.

Health And Safety Strategy

Aeris has a safety management system framework that has been developed to be consistent with the relevant regulatory compliance obligations, as well as its corporate policies and the resource industry best practice. The framework is evolving as it adjusts to recent changes in the New South Wales regulatory requirements and latest industry thinking on management of safety in mines. Constant renewal of the framework is part of our commitment to continual improvement of our health and safety performance.

The concept of critical control management has been introduced to the safety framework during the past year. Aeris' catastrophic potential events have been identified through a comprehensive risk analysis process known as bow-tie. Catastrophic potential events are those that can result in multiple permanent impairment in a single incident or recurring events that may cause single permanent impairments. For each catastrophic potential event, the critical control measures have been identified. Safety attention can then be focused on these controls. It has been found that dilution of safety management attention over every possible risk in a mine results in loss of focus on the important controls over time. If the Company can identify and then focus on the critical controls the safety management systems are more effective and sustainable. Further work is required in bow-tie risk assessments and subsequent development of management plans. The aim is to have a 'one page' check-list for each catastrophic potential event to verify control effectiveness.

Considerable effort was made during the year to develop the Tritton specific Principal Hazard Management Plans and Principal Control Plans that are required under new New South Wales regulations. These new regulations were introduced in 2016 with a phase in period for implementation. The Company has made excellent progress in this area, with the site team having nearly completed this considerable body of work, and keeping the Tritton Copper Operations compliant with the new system. Further work remains to be completed, in particular on supervisor statutory training and certification, but this is in progress and on schedule. The New South Wales regulations documentation is consistent with Aeris' own focus on catastrophic potential events and the development process has been complementary.

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 desires to achieve and maintain. The cornerstone for achieving interdependence is to focus heavily on desired behaviours and the Company is committed at all levels of the organisation.

A large portion of the low potential incidents that impacted the TRIFR in the last 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 will involve:

- 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.

Health Safety and Environment Continued

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.

Aeris was a proud sponsor of White Ribbon Day activities in Nyngan.

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 the environmental impacts are actively managed. Research into improving the methods for final mine closure and rehabilitation at the Murrawombie heap leach site is being conducted in the coming year.

During FY2017, there was one environmental incident requiring notification. Failure of a breather valve on a water pump line resulted in release of dirty water being pumped from the Murrawombie pit to Larsen's pit. There was no lasting impact from the release of water, which flowed a short distance through local ephemeral drainage channels.

Community

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 FY2017 included:

- Training local apprentices to give them practical experience in a mining environment;
- Supporting White Ribbon Day;
- Local careers expo;
- Providing funding for local school activities; and
- Supporting local sporting teams through key sponsorship.

Aeris provided funding for local school activities

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 76 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.

Aeris promoted careers in mining at local career expos.

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 2017.

Directors

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

Director	Experience	Special Responsibilities	Appointed / Resigned	Classification
Andre Labuschagne	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

Director	Experience	Special Responsibilities	Appointed / Resigned	Classification
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, take-overs 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): Xanadu Mines 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
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 2017 were the production and sale of copper, gold and silver and the exploration for copper. Other than as referred to on pages 46 to 47, there were no significant changes in those activities during the financial period.

Operating and Financial Review

Aeris commenced three major capital projects during the financial year end 30 June 2017, to set up the 100% owned Tritton Copper Operations for the coming years. The three capital projects were:

- Construction of a Ventilation Shaft at the Tritton Underground Mine;
- Commissioning of the Murrawombie Underground Mine; and
- A strategic two year, $7.5 million greenfields exploration program on our Tritton tenement package.

The ventilation shaft will enable the Tritton Underground Mine to be extended to at least 4,000mRL, at production rates of 1mtpa or better. The raisebore for the Tritton Ventilation Shaft broke through on 20 April 2017. Civil works on the surface have been completed, the ventilation fans are currently being installed and are targeted to be operational by the end of the September 2017 quarter. The 864 metres deep, five metre diameter shaft is a world record (length and diameter) for the Atlas Copco 91R raisebore rig and also one of the largest single-pass ventilation shafts in Australia.

Development of the Murrawombie Underground Mine commenced during the financial year with full production rates expected to be achieved during the 2018 financial year. The mine is approximately 25 kilometres from the Tritton processing plant and replaces the North East / Larsens mine, where mining activities ceased early in the financial year, as the second ore source for the processing plant.

In July 2016 the Aeris Board approved a two year, $7.5 million strategic greenfields exploration program, focusing on discovering "Tritton" sized orebodies (+10Mt) (see ASX Announcement dated 28 July 2016). The first stages of this strategic greenfields exploration program involve using high power electromagnetic (EM) geophysics technology. This has involved using moving loop EM technology which is able to "see" 400m-500m below surface, compared to the 200m depth of the equipment previously used on the tenement package, and airborne EM survey, which is able to cover large areas but not "see" as deep. The moving loop EM program commenced in December 2016 and was 50% completed by the end of the financial year. The program has identified three new anomalies, including two which are within 5 kilometres of our Tritton processing infrastructure.

The airborne EM survey was completed in the March 2017 quarter on the northern and southern extremities of the Tritton tenement package with numerous new anomalies being identified. The results to date from both the moving loop and airborne EM programs are highly encouraging.

Other

In addition to the above management also completed the sale of its non-core Blayney Exploration Project in New South Wales to LFB Resources NL, a wholly owned subsidiary of Regis Resources Limited (ASX: RRL) on 19 May 2017. Consideration for the sale was $3.250 million in cash. The Blayney Exploration Project fell outside the Tritton Copper Operations' tenement package. The sale formed part of Aeris' previously announced strategy to joint venture or divest non-core projects.

Tritton Copper Operations Review

The Financial Results for year ended 30 June 2017 were impacted by lower than budgeted copper production. The Tritton Copper Operations produced 23,404 tonnes of Copper (in concentrate and in copper cement), which was lower than the guidance of 28,000 tonnes of copper. The result was impacted by lower ore production at both the Tritton and Murrawombie underground mines.

Tritton Underground Mine (Tritton)

Tritton mine production was impacted during the financial year by a backlog of unfilled stope voids. A series of blockages in the paste backfill pipelines experienced in early FY2017 and paste reticulation issues caused the backlog of voids.

Tritton stope production schedules are sensitive to the on-time backfilling of empty stope voids. The effect of the issues with the paste fill reticulation was lower ore tonnes available during the year. After consultation with a paste fill specialist, changes were made to the mix recipe for the paste backfill, reducing its viscosity and making it less sensitive to blockages on long runs through the paste fill reticulation system. These changes have been successful in stabilising the performance of the paste backfill system. There have been no blockages since the changes were implemented, allowing catch up on the backlog of stope voids. There is excess capacity within the paste fill system, enabling the backfilling of empty voids to be back on plan by the end of the 2017 financial year.

It is expected that production rates will be back to normal levels by the end of the first quarter of FY2018.

Murrawombie Underground Mine (Murrawombie)

Murrawombie encountered difficult ground conditions in the upper levels of the mine, which was impacting on stope production. The solution has been to change to a bottom-up mining method. This resulted in lower ore production than planned during the year whilst developing deeper into the mine.

Despite the delay in production, the change in mining method also allowed additional grade control drilling to be undertaken, producing exciting results. The grade control drilling identified a large high grade zone in the 102 stopes, which enabled a change in mining extraction from the originally planned bulk mining method through the whole orebody to a combination of low dilution, open stopes in the high grade zone and lower cost, sub-level caving (SLC) for the lower grade areas of the orebody. The first stopes under the new mining method were commenced during the fourth quarter of FY2017. The mine is expected to ramp-up to full production during FY2018.

Copper production guidance at the Tritton Copper Operations for the 2018 financial year is 27,000 tonnes.

Financial Results

The Group recorded a loss after tax for the financial reporting year to 30 June 2017 of $33.299 million, compared with a profit after tax for the year ended 30 June 2016 of $22.257 million.

The June 2017 financial result for the Group was impacted by a number of key factors, including:

- Reduced revenues due to lower production;
- Reduced cost of goods sold influenced by lower production and continued focus on cost control;
- Foreign exchange gains of $2.028 million; and
- Finance cost recognised on the Standard Chartered Bank Senior Debt (SCB Loan) and Special Portfolio Opportunity V Limited Working Capital Facility (PAG SPV Facility).

Financial Position

At 30 June 2017 Aeris had a positive net asset position of $0.487 million, cash and cash equivalents at $9.698 million, other financial assets of $5.211 million (investments) and $4.902 million of restricted cash.

The Company's net cash inflow from operating activities during the financial year was $19.069 million, with net cash outflows from investing activities of $29.672 million and net cash inflows from financing activities of $8.881 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; utilisation of part of the US$25.000 million PAG SPV Facility; and management of the timing of cash flows to meet obligations as and when due. At 30 June 2017 US$15.5 million of the PAG SPV Facility had been drawn down, with US$9.500 million undrawn. The PAG SPV Facility has a 3 year term, expiring on 31 December 2018.

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 production of 27,000 tonnes of copper at its Tritton Copper Operations in FY2018.

The two year $7.5 million greenfields exploration program on the Company's highly prospective 1,800km^2 tenement holding around the Tritton Copper Operations which commenced during the financial year will continue into the coming year as we seek to discover Tritton-scale (plus 10 million tonnes) orebodies.

Having established a sound production and financial footing, the next step for Aeris is to seek opportunities to grow the Company, both organically and through the execution of appropriate merger and acquisition opportunities.

Dividend

The Directors do not recommend payment of a dividend for the year to 30 June 2017. 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 3.5 years.

Shares Issued on the Exercise of Options

There were no ordinary shares of the Company issued during the twelve months to 30 June 2017 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.

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 2017 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 62.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2017 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.

Remuneration Report

The Directors are pleased to present your Company's 2017 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 2017, 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 44 to 45.

The Key Management Personnel of the Company during the year ended 30 June 2017 are set out on pages 55 to 57.

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 10% of the Company's post restructuring and post Consolidation 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 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 debt restructure (Restructure) completion date (Completion Date).

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 3.5 years. At 30 June 2017 30% of the options had vested.

Subject to the option holder remaining an employee of the Company Group for at least 12 months from the Completion Date, 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.

EMPLOYEE SHARE ACQUISITION PLAN (ESAP)

As part of the Extraordinary General 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 (see above). The issue of the Options was conditional on all Employee Share Acquisition Plan (ESAP) shares pursuant to the existing incentive ESAP plan for the senior management of the Company being bought back and cancelled by the Company, in accordance with the Corporations Act.

This Long Term Incentive had been 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.

Shares totalling 53,580,134 issued to executive management under the ESAP during the year ended 30 June 2014 were bought back upon completion of the Restructure on 31 December 2015.

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.

PERFORMANCE RIGHTS PLAN (PRP)

Following a review of its remuneration policy in previous years, the Company has amended its long term incentive structure offered to employees by introducing a Performance Rights Plan. The PRP is in line with current market practice. The Performance Rights Plan will allow the Company to grant different types of appropriately structured performance-based awards to eligible employees, depending upon the prevailing circumstances and having regard to market practices generally.

At the date of this report, no performance conditions have been established and as a result no Performance Rights have been issued under the PRP for the financial year ended 30 June 2017.

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 2017. 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 the Restructure on 31 December 2015, through a deed of variation. Mr Labuschagne's package consists of total fixed remuneration package of $550,000, including superannuation of 10% or maximum contribution cap less contribution to the Company's Group Life Plan, participation in a Short Term Incentive Plan, Bonuses as stipulated in the variation deed and Employee Options. Mr Labuschagne was also covered by the Company's Group Life Plan and Salary Continuance Plan during the year.

At the 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 in the prior year:

- 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 the Restructure on 31 December 2015, through a deed of variation. Mr Brainsbury's package consists of total fixed remuneration package of $385,000, including superannuation of 10%, participation in a Short Term Incentive Plan, 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 $385,000, including superannuation of 10% or maximum contribution cap less contribution to the Company's Group Life Plan, participation in a Short Term Incentive Plan, Bonuses as stipulated in the variation deed and Employee Options. Mr Sheppard is also covered by the Company's Group Life Plan and Salary Continuance Plan.

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 $369,138, including superannuation of 10% or maximum contribution cap less contribution to the Company's Group Life Plan, participation in a Short Term Incentive Plan, Bonuses as stipulated in the variation deed and Employee Options. Mr Miller is also covered by the Company's Group Life Plan and Salary Continuance Plan.

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 2017

	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**
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.

Remuneration of Key Management Personnel ('KMP') of the Group - 30 June 2016

	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)	
Non-executive								
Michele Muscillo	60,000	-	-	-	60,000	-	-	**60,000**
Alastair Morrison	60,000	-	-	-	60,000	-	-	**60,000**
Marcus Derwin	10,000	-	-	-	10,000	-	-	**10,000**
	130,000	-	-	-	130,000	-	-	130,000
Executive								
Andre Labuschagne^	527,981	264,302	2,896	32,104	827,283	-	182,419	**1,009,702**
	657,981	264,302	2,896	32,104	957,283	-	182,419	1,139,702
OTHER KMP								
Robert Brainsbury^	357,351	170,266	-	35,000	562,617	-	109,452	**672,069**
Ian Sheppard^	363,456	169,656	3,472	31,528	568,112	-	138,461	**706,573**
John Miller^	333,935	122,250	4,892	30,608	491,685	-	54,726	**546,411**
	1,054,742	**462,172**	**8,364**	**97,136**	**1,622,414**	**-**	**302,639**	**1,925,053**
	1,712,723	**726,474**	**11,260**	**129,240**	**2,579,697**	**-**	**485,058**	**3,064,755**

Notes to tables:

^ Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2016.

(A) Includes cash salary and Directors' fees.

(B) Short-term incentives paid during the 2016 financial year related to the 30 June 2015 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	**51%**	56%	**24%**	26%	**25%**	18%
Marcus Derwin	**100%**	100%	**-**	-	**-**	-
Key Management Personnel						
Robert Brainsbury	**54%**	59%	**24%**	25%	**22%**	16%
Ian Sheppard	**54%**	56%	**24%**	24%	**22%**	20%
John Miller	**69%**	67%	**16%**	23%	**15%**	10%

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 10% of the Company's post Restructuring and post Consolidation 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 3.5 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	11,209,273	30%	-	928,501
Robert Brainsbury	2016	22,418,546	758,868	6,725,564	30%	-	557,101
Ian Sheppard	2016	22,418,546	758,868	6,725,564	30%	-	557,101
John Miller	2016	11,209,273	379,434	3,362,782	30%	-	278,550
		93,410,609	**3,161,950**	**28,023,183**	**30%**	**-**	**2,321,254**

(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.

As part of the Extraordinary General 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 (see above). The issue of the Options was conditional on all Employee Share Acquisition Plan (ESAP) shares pursuant to the existing incentive ESAP plan for the senior management of the Company being bought back and cancelled by the Company, in accordance with the Corporations Act.

Shares totalling 53,580,134 issued to executive management under the ESAP during the year ended 30 June 2014 were bought back upon completion of the Restructure. No shares have been issued under the employee share acquisition plan for the financial year ending 30 June 2017.

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 2016	Issued and Acquired*	Disposed / Forfeited	Balance 30 June 2017
Directors				
Non-executive:				
Michele Muscillo	-	-	-	-
Alastair Morrison	-	-	-	-
Marcus Derwin	-	-	-	-
Executive:				
Andre Labuschagne	140,000	-	-	140,000
Other Key Management Personnel				
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 2017

Auditor's Independence Declaration

As lead auditor for the audit of Aeris Resources Limited for the year ended 30 June 2017, 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.

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
28 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
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Financial Report

Aeris Resources Limited ABN 30147131977
Annual Financial Report - 30 June 2017

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 2017. 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

	Notes	**2017 $'000**	2016 $'000
Revenue from continuing operations	4	**168,098**	192,498
Cost of goods sold	5	**(172,338)**	(194,859)
Gross loss		**(4,240)**	(2,361)
Exploration expense	5	**(369)**	(387)
Administration and support	5	**(6,978)**	(6,638)
Net foreign exchange gains/(losses)		**2,028**	(8,164)
Other (expenses)/income	5	**(723)**	3,813
Gain on debt restructure	5	**-**	45,438
(Loss)/profit before net finance costs		**(10,282)**	31,701
Finance expenses	5	**(16,700)**	(3,789)
(Loss)/profit before income tax from continuing operations		**(26,982)**	27,912
Income tax expense	6	**(6,317)**	(5,655)
(Loss)/profit for the year		**(33,299)**	22,257
Other comprehensive income			
Items that may be reclassified to profit and loss			
Income tax relating to components of other comprehensive income	9(c)	**-**	656
Reclassification to net income of net gains on cash flow hedges	9(c)	**-**	(2,187)
Other comprehensive loss for the year, net of tax		**-**	(1,531)
Total comprehensive (loss)/income for the year		**(33,299)**	20,726
Total comprehensive (loss)/income for the year attributable to owners of Aeris Resources Limited arises from:			
Continuing operations		**(33,299)**	20,726
		Cents	Cents
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	**(23.8)**	17.1
Diluted earnings per share	21	**(3.6)**	2.4
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(23.8)**	17.1
Diluted earnings per share		**(3.6)**	2.4

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 2017

	Notes	2017 $'000	2016 $'000 Restated
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**9,698**	11,300
Trade and other receivables	7(b)	**6,656**	11,019
Inventories	8(a)	**14,795**	13,958
Other financial assets	7(c)	**5,211**	5,657
Total current assets		**36,360**	41,934
Non-current assets			
Receivables	7(b)	**4,902**	4,991
Mine properties in use	8(c)	**45,088**	39,058
Property, plant and equipment	8(b)	**52,931**	48,465
Deferred tax assets	8(d)	**10,205**	16,522
Exploration and evaluation	8(c)	**14,497**	16,279
Total non-current assets		**127,623**	125,315
Total assets		**163,983**	167,249
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	**24,735**	20,163
Interest bearing liabilities	7(e)	**5,144**	4,558
Provisions	8(e)	**6,566**	5,739
Total current liabilities		**36,445**	30,460
Non-current liabilities			
Interest bearing liabilities	7(e)	**114,034**	90,172
Provisions	8(e)	**13,017**	13,498
Total non-current liabilities		**127,051**	103,670
Total liabilities		**163,496**	134,130
Net assets		**487**	33,119
EQUITY			
Contributed equity	9(a)	**360,828**	360,828
Preference equity	9(b)	**31,560**	31,560
Reserves	9(c)	**(7,838)**	(8,505)
Accumulated losses	9(d)	**(384,063)**	(350,764)
Total equity		**487**	33,119

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

	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 2015	353,300	-	(7,459)	(373,021)	**(27,180)**
Profit for the year	-	-	-	22,257	**22,257**
Other comprehensive loss	-	-	(1,531)	-	**(1,531)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(1,531)**	**22,257**	**20,726**
Transactions with owners in their capacity as owners:					
Share buy back	(97)	-	-	-	**(97)**
Convertible notes converted	7,625	-	-	-	**7,625**
Issue of preference equity	-	31,560	-	-	**31,560**
Share based payments	-	-	485	-	**485**
	7,528	31,560	485	-	**39,573**
Balance at 30 June 2016	**360,828**	**31,560**	**(8,505)**	**(350,764)**	**33,119**
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 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**

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

	Notes	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Receipts from customers		**171,567**	190,123
Payments to suppliers and employees		**(150,820)**	(178,582)
Interest paid		**(1,678)**	(2,484)
Net cash inflow from operating activities	10(a)	**19,069**	9,057
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and mine properties		**177**	2,500
Payments for property, plant and equipment and mine properties		**(31,415)**	(21,026)
Payments for exploration expenditure		**(1,744)**	(2,001)
Proceeds from held for trading financial assets		**-**	282
Cash backed security deposits		**60**	(1,025)
Proceeds from sale of exploration tenements		**3,250**	-
Net cash outflow from investing activities		**(29,672)**	(21,270)
Cash flows from financing activities			
Payment for share buy back		**-**	(97)
Proceeds from borrowings		**14,543**	6,446
Repayment of borrowings		**(50)**	(1,714)
Finance lease payments		**(5,612)**	(5,038)
Net cash inflow/(outflow) from financing activities		**8,881**	(403)
Net decrease in cash and cash equivalents		**(1,722)**	(12,616)
Cash and cash equivalents at the beginning of the financial year		**11,300**	24,022
Effects of exchange rate changes on cash and cash equivalents		**120**	(106)
Cash and cash equivalents at the end of the year	7(a)	**9,698**	11,300

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 2017. 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 2016.

At 30 June 2017 Aeris has a positive net asset position of $0.487 million, cash and cash equivalents at $9.698 million, other financial assets of $5.211 million (investments) and $4.902 million of restricted cash.

The Company’s net cash inflow from operating activities during the financial year was $19.069 million, with net cash outflows from investing activities of $29.672 million and net cash inflows from financing activities of $8.881 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; utilisation of part of the US$25.000 million PAG SPV Facility; and management of the timing of cash flows to meet obligations as and when due. At 30 June 2017 US$15.500 million of the PAG SPV Facility had been drawn down, with US$9.500 million undrawn. The PAG SPV Facility has a 3 year term, expiring on 31 December 2018.

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.

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:

- A 55% reduction, to US$50.000 million, in the debt with Standard Chartered Bank (SCB) following the successful restructure completed on 31 December 2015;
- The US$25.000 million Special Portfolio Opportunity V Limited (PAG SPV) Facility;
- The Group has generated positive cash flows from operating activities of $19.069 million (June 2016: $9.057 million);
- Continued strong operating cost control and management at the Tritton Copper Operations;
- Completion of civil works for Ventilation Shaft at Tritton underground operations enabling Tritton to be extended to at least RL4000m, at production rates of 1mtpa or better; and
- Successful commissioning of Murrawombie Underground Mine.

2 Significant changes in the current reporting period

(a) Disposal of non-core assets

On 19 May 2017, the Company announced that it completed the sale agreement of the Blayney Exploration Project (EL5922) in New South Wales to LFB Resources NL, a wholly owned subsidiary of Regis Resources Limited (ASX: RRL) for $3.250 million.

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 2017 and 30 June 2016.

Segment results

(b) Segment information provided to the board of directors

2017	**Tritton 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**	**(3,348)**	**12,567**	**12,567**
Segment assets and liabilities				
Segment assets	**223,885**	**140,334**	**364,219**	**364,219**
Intersegment elimination	**(83,257)**	**(127,184)**	**(210,441)**	**(210,441)**
Unallocated assets	**-**	**-**	**10,205**	**10,205**
Total assets	**140,628**	**13,150**	**163,983**	**163,983**
Segment liabilities	**309,774**	**64,163**	**373,937**	**373,937**
Intersegment elimination	**(147,702)**	**(62,739)**	**(210,441)**	**(210,441)**
Total 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**

3 Segment information (continued)

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

2016

	Tritton Operations $'000	Other $'000	Total Continuing Operations $'000	Consolidated $'000
Segment Revenue				
Sales	191,567	-	191,567	191,567
Total sales revenue	191,567	-	191,567	191,567
Other revenue	524	407	931	931
Total segment revenue	192,091	407	192,498	192,498
Adjusted EBITDA	25,094	2,362	27,456	27,456
Segment assets and liabilities				
Segment assets	**252,024**	**108,004**	**360,028**	**360,028**
Intersegment elimination	(117,067)	(92,234)	(209,301)	(209,301)
Unallocated assets	-	-	16,522	16,522
Total assets	134,957	15,770	167,249	167,249
Segment liabilities	**276,059**	**67,372**	**343,431**	**343,431**
Intersegment liabilities	(143,353)	(65,948)	(209,301)	(209,301)
Total liabilities	132,706	1,424	134,130	134,130
Other segment information				
Depreciation and amortisation	32,979	50	33,029	33,029
Acquisition of property, plant and equipment, intangibles and other segment assets	37,245	38	37,283	37,283

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 loss before income tax from continuing operations is provided as follows:

	2017 $'000	2016 $'000
Adjusted EBITDA (continuing operations)	**12,567**	27,456
Finance costs	**(16,700)**	(3,789)
Net foreign exchange gains/(losses)	**2,028**	(8,164)
Gain on restructure of SCB facility	**-**	45,438
Depreciation and amortisation	**(24,877)**	(33,029)
(Loss)/profit before income tax from continuing operations	**(26,982)**	27,912

4 Revenue

	2017 $'000	2016 $'000
From continuing operations		
Sales revenue		
Mining activities	**168,043**	191,567
Other revenue		
Other revenue from ordinary activities	**55**	931
	168,098	192,498

A portion of the Group's revenue from mining activities denominated in foreign currencies was historically cash flow hedged. 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:

	2017 $'000	2016 $'000
Forward commodity contracts - cash flow hedged	**-**	2,187
	-	2,187

(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 delivered. 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

	2017 $'000	2016 $'000
(Loss)/profit before income tax includes the following specific expenses:		
Cost of goods sold:		
Cost of production		
Mining activities	**147,473**	161,880
	147,473	161,880
Depreciation		
Plant and equipment	**7,718**	6,678
Plant and equipment under finance leases	**8,604**	4,245
	16,322	10,923
Amortisation		
Mine properties	**8,543**	22,056
Total Cost of goods sold	**172,338**	194,859
Exploration expense:		
Exploration expenditure	**369**	387
Administration and support:		
Corporate	**6,966**	6,588
Corporate depreciation	**12**	50
	6,978	6,638
Gain on restructure:		
Gain on debt restructure	**-**	(45,438)
	-	(45,438)
Other expenses/(income):		
Loss/(gain) on fair value of listed securities held for trading	**447**	(3,687)
Loss on sale of tenement	**276**	-
Realised gain on sale of listed securities held for trading	**-**	(126)
	723	(3,813)
Finance costs - net:		
Interest and finance charges paid / payable	**14,129**	5,613
Unwinding of discounts on provisions	**467**	-
Revaluation of price participation provision	**(694)**	(4,103)
Amortised borrowing costs	**2,798**	2,279
	16,700	3,789
Included within the above functions are the following:		
Employee benefit expense	**40,799**	40,861
Superannuation expense	**3,541**	3,548
	44,340	44,409

6 Income tax expense

(a) Income tax expense

	2017 $'000	2016 $'000
Deferred tax expense	**6,317**	5,655
Current tax expense	**-**	-
	6,317	5,655
Deferred income tax expense included in income tax comprises:		
Decrease in deferred tax assets (note 8(d)(i))	**6,786**	3,883
(Decrease)/increase in deferred tax liabilities (note 8(d)(ii))	**(469)**	1,772
	6,317	5,655

(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)

	2017 $'000	2016 $'000
(Loss)/profit from continuing operations before income tax expense	**(26,982)**	27,912
Tax at the Australian tax rate of 30.0%	**(8,095)**	8,374
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses - continuing operations	**3,458**	(11,839)
Current tax losses not recognised	**10,185**	10,909
Adjustments for prior period unrecognised temporary differences	**617**	-
Temporary differences not recognised	**-**	(1,952)
Share based payments	**200**	146
(Benefits)/losses of foreign operations not recognised	**(48)**	17
Income tax expense	**6,317**	5,655

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

	2017 $'000	2016 $'000
Cash flow hedges (note 9(c))	**-**	656

(e) Tax losses

	2017 $'000	2016 $'000
Unused tax losses	**288,736**	250,992
Potential tax benefit @ 30.0%	**86,621**	75,298

Prior period 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.

6 Income tax expense (continued)

(f) Recognition and measurement

The income tax expense or benefit for the period is the tax payable on the current period'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 income statement, 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

	2017 $'000	2016 $'000
Bank balances	**9,698**	11,300
	9,698	11,300

(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 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.

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables

	2017 Current $'000	2017 Non-current $'000	2017 Total $'000	2016 Current $'000	2016 Non-current $'000	2016 Total $'000
Trade receivables	**4,219**	**-**	**4,219**	8,005	-	8,005
Other debtors*	**1,411**	**-**	**1,411**	1,463	-	1,463
Restricted cash**	**-**	**4,902**	**4,902**	-	4,991	4,991
Prepayments	**1,026**	**-**	**1,026**	1,551	-	1,551
	6,656	**4,902**	**11,558**	11,019	4,991	16,010

* *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) Provision for impairment of receivables

The trade receivables and other debtors within receivables do not contain impaired assets and are not past due. Based on the credit history of these other debtors, it is expected that these amounts will be received when due.

The carrying amount of trade and other receivables approximate their fair values.

(ii) Fair value risk

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

(iii) Fair values

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

	2017 Carrying amount $'000	2017 Fair value $'000	2016 Carrying amount $'000	2016 Fair value $'000
Restricted cash	**4,902**	**4,902**	4,991	4,991

(iv) Foreign currency risk

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

	2017 $'000	2016 $'000
Australian Dollar	**6,451**	7,248
US Dollar	**5,107**	8,762
	11,558	16,010
Current receivables	**6,656**	11,019
Non-current receivables	**4,902**	4,991
	11,558	16,010

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.

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(vii) Recognition and measurement

Trade receivables are recognised initially at fair value based on estimated amounts due and subsequently at amortised cost less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised within other expenses in the consolidated statement of comprehensive income.

When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

(c) Other financial assets

	2017 $'000	2016 $'000
Current assets		
Australian listed equity held for trading	**5,211**	5,657
	5,211	5,657

Changes in fair values of financial assets are recorded in other income or other expenses in the consolidated statement of comprehensive income.

(i) Risk exposure and fair value measurements

All other financial assets at fair value through the profit or loss are denominated in the Australian currency. For an analysis of the sensitivity to equity price risk, refer to note 12 and fair value measurements refer to note 9.

(d) Trade and other payables

	2017 $'000	2016 $'000
Current liabilities		
Trade payables	**24,675**	20,130
Other payables	**60**	33
	24,735	20,163

(i) Foreign currency risk

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

	2017 $'000	2016 $'000
Australian Dollar	**24,444**	20,094
US Dollar	**291**	49
Other currencies	**-**	20
	24,735	20,163

(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.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities

	Notes	2017 Current $'000	2017 Non-current $'000	2017 Total $'000	2016 Current $'000 Restated	2016 Non-current $'000 Restated	2016 Total $'000
Secured							
Bank loans	7(e)(i)	**80**	**105,344**	**105,424**	66	79,971	80,037
Lease liabilities		**5,064**	**8,690**	**13,754**	4,492	10,201	14,693
Total secured borrowings	7(e)(i)	**5,144**	**114,034**	**119,178**	4,558	90,172	94,730

Comparatives have been restated to ensure more appropriate comparison, in particular, $6.400 million of the PAG SPV facility has been reclassed from current to non-current liabilities.

Interest bearing liabilities in denominated currency.

	2017 USD $'000	2017 AUD $'000	2016 USD $'000	2016 AUD $'000
Secured				
Bank loans	**80,340**	**596**	59,159	646
Lease liabilities	**632**	**12,932**	976	13,385
Total secured borrowing	**80,972**	**13,528**	60,135	14,031
Total borrowings	**80,972**	**13,528**	60,135	14,031

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

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

	2017 $'000	2016 $'000
Bank loans	**105,424**	80,037
Lease liabilities	**13,754**	14,693
Total secured liabilities	**119,178**	94,730

SCB Loan

At an Extraordinary General Meeting (EGM) held on 15 December 2015, Aeris Resources Limited's shareholders approved the SCB debt restructure. This restructure was completed on 31 December 2015.

The completed debt restructure reduced the Company's SCB Loan to US$50.000 million (55% reduction). SCB were also issued with fully paid Convertible Redeemable Preference Shares (CRPS) and are also entitled to a Copper Price Participation payment.

The SCB Loan is subject to a seven year term and the Company is required to make a bullet payment of all outstanding monies occurring at the end of the term. The SCB Loan accrues cash interest at a rate of 5% per annum (following a cash interest holiday of two years), which is 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 cannot be made by the Company, the amount owing will be capitalised. PIK (payment in kind) interest accrues 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.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

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

PAG SPV Facility
The restructure included the issuance of loan notes (PAG SPV Facility US$25.000 million) by the company to PAG SPV. The working capital facility is intended to fund the company's working capital and growth projects at its Tritton Copper Operations. PAG SPV have been issued Cumulative Non-Redeemable Preference Shares (CNRPS).

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).

At 30 June 2017, the Company had drawn down US$15.500 million from the PAG SPV Facility.

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.

(iii) Financing arrangements

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

	2017 $'000	2016 $'000
Floating rate		
Bank finance loan facilities and residential housing loans	**596**	646
Used at balance date		
Bank finance loan facilities and residential housing loans	**85,783**	73,732
Unused at balance date		
Bank finance loan facilities and residential housing loans	**12,355**	27,491

Credit stand-by arrangements

The Group has a $4,902,000 (2016: $4,990,741) bank guarantee facility primarily in respect of its rehabilitation obligations. These guarantees are secured by $4,902,000 (2016: $4,990,741) in restricted cash.

Bank residential housing loans

The residential housing loans totalling $596,160 (2016: $646,467) (original principal $900,000) are repayable over 25 years at a current interest rate of 4.95% (2016: 4.65%).

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(iv) Interest rate risk exposure

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

		Fixed interest rate				
	Floating interest rate $'000	**1 year or less $'000**	**Over 1 to 5 years $'000**	**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**

		Fixed interest rate				
	Floating interest rate $'000	**1 year or less $'000 Restated**	**Over 1 to 5 years $'000 Restated**	**Over 5 years $'000**	**Non interest bearing $'000**	**Total $'000**
2016						
Bank loans	646	-	10,060	69,331	-	80,037
Trade and other creditors	-	-	-	-	20,163	20,163
Lease and hire purchase	-	4,492	10,201	-	-	14,693
Total	**646**	**4,492**	**20,261**	**69,331**	**20,163**	**114,893**

(v) Fair value

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

	2017		2016	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**105,423**	**105,423**	80,037	80,037
Lease liabilities	**13,755**	**13,755**	14,693	14,693
	119,178	**119,178**	94,730	94,730

On-balance sheet

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.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(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:

	2017			2016		
	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	**104,827**	**596**	**105,423**	79,391	646	80,037
Lease and hire purchase liabilities	**822**	**12,933**	**13,755**	1,308	13,385	14,693
Total	**105,649**	**13,529**	**119,178**	80,699	14,031	94,730

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 assets and liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016:

30 June 2017	**Level 1 $'000**
Financial assets	
Financial assets at fair value through profit or loss	
Australian listed equity securities	**5,211**
Total financial assets	**5,211**

30 June 2016	Level 1 $'000
Financial assets	
Financial assets at fair value through profit or loss	
Australian listed equity securities	5,657
Total financial assets	5,657

The Company does not have any Level 2 or Level 3 financial assets.

Valuation Methodology

Investments classified as held for trading are fair valued by comparing to the published price quotation in an active market and are considered a level 1 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

	2017 $'000	2016 $'000
Current assets		
Mining inventories		
Production supplies - at cost	**6,099**	6,920
Work in progress - at cost	**8,696**	7,038
	14,795	13,958

(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 2015					
Cost	1,324	7,077	45,690	17,674	71,765
Accumulated depreciation	-	(1,156)	(16,000)	(13,556)	(30,712)
Net book amount	1,324	5,921	29,690	4,118	41,053
Year ended 30 June 2016					
Opening net book amount	1,324	5,921	29,690	4,118	41,053
Additions	-	2	7,278	12,947	20,227
Transfers	-	58	(435)	377	-
Depreciation charge	-	(341)	(6,357)	(4,275)	(10,973)
Transfer to mine properties in use	-	-	(32)	-	(32)
Net disposals	-	-	(1,535)	(275)	(1,810)
Closing net book amount	1,324	5,640	28,609	12,892	48,465
At 30 June 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	-	-	(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

(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:

	2017 $'000	2016 $'000
Plant and equipment	**16,908**	3,540

(ii) Non-current assets pledged as security

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

(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.

8 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment (continued)

(iii) Recognition and measurement (continued)

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 2017 $'000	30 June 2016 $'000
Opening net book amount	**16,279**	19,521
Expenditure incurred during the year	**1,744**	2,001
Transfer to mine properties in use	**-**	(2,743)
Net disposals	**(3,250)**	(2,500)
Loss on sale of tenement	**(276)**	-
Closing balance	**14,497**	16,279

Disposal of non-core assets

On 19 May 2017, the Company announced that it completed the sale agreement of the Blayney Exploration Project (EL5922) in New South Wales to LFB Resources NL, a wholly owned subsidiary of Regis Resources Limited (ASX: RRL) for $3.250 million.

In the prior year, the Company disposed of its interest in Temora and Currumburrama exploration projects in NSW to Sandfire Resources NL (ASX:SFR) (Sandfire) for A$2.500 million (payable in Sandfire shares). The sale was finalised on 4 January 2016.

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.

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

8 Non-financial assets and liabilities (continued)

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

(ii) Mine properties in use

	30 June 2017 $'000	30 June 2016 $'000
Opening net book amount	**39,058**	43,286
Expenditure incurred during the year	**14,503**	15,053
Transfer from exploration and evaluation	**-**	2,743
Amortisation for the year	**(8,543)**	(22,056)
Transfer from property, plant and equipment	**70**	32
Closing balance	**45,088**	39,058
Balance at reporting date		
Cost	**126,089**	111,516
Accumulated amortisation	**(81,001)**	(72,458)
Net book value	**45,088**	39,058

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.

(d) Deferred tax balances

(i) Deferred tax assets

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**1,138**	-
Fixed assets, exploration and mine properties	**9,834**	17,539
Transaction/issuance costs	**838**	1,216
Provisions and accruals	**5,591**	5,499
Other	**67**	-
Total deferred tax assets	**17,468**	24,254
Set-off of deferred tax liabilities pursuant to set-off provisions	**(7,263)**	(7,732)
Net deferred tax assets	**10,205**	16,522
Deferred tax assets expected to be recovered within 12 months	**5,003**	7,455
Deferred tax assets expected to be recovered after 12 months	**5,202**	9,067
	10,205	16,522

8 Non-financial assets and liabilities (continued)

(d) Deferred tax balances (continued)

(i) Deferred tax assets (continued)

Movements - Consolidated	Tax losses $'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 2015	**-**	**18,135**	**4,862**	**5,140**	**-**	**(6,616)**	**21,521**
Debited/(credited) - to consolidated statement of comprehensive income	**-**	**(596)**	**(3,646)**	**359**	**-**	**(1,772)**	**(5,655)**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**-**	**-**	**656**	**656**
At 30 June 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**

Net deferred tax assets amounting to $10,205,000 (2016: $16,522,000) have been recognised, recovery of this amount is based on the Group's probable future taxable income.

(ii) Deferred tax liabilities

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Inventories	**1,860**	2,076
Exploration and evaluation	**5,172**	5,656
Other	**231**	-
	7,263	7,732
Set-off of deferred tax liabilities pursuant to set-off provisions	**(7,263)**	(7,732)
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 2015	**1,945**	**4,015**	**656**	**-**	**(6,616)**	**-**
Charged/(credited) - to the consolidated statement of comprehensive income	**131**	**1,641**	**-**	**-**	**(1,772)**	**-**
- directly to equity	**-**	**-**	**(656)**	**-**	**656**	**-**
At 30 June 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)**	**-**

8 Non-financial assets and liabilities (continued)

(e) Provisions

	2017			2016		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**6,443**	**707**	**7,150**	5,429	961	6,390
Price participation	**-**	**1,308**	**1,308**	-	2,002	2,002
Provision for rehabilitation and dismantling	**-**	**11,002**	**11,002**	-	10,535	10,535
Other provisions	**123**	**-**	**123**	310	-	310
	6,566	**13,017**	**19,583**	5,739	13,498	19,237

(i) Information about individual provisions and significant estimates

Price participation

The copper price participation provision is an estimated provision for the Copper Price Participation Payment payable under the new debt restructure agreement with SCB over the Life of Mine and based on current market consensus Copper Price and AUD/USD forecasts. The Group is 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 is estimated at A$1.308 million using external forecast forward prices for copper as at 30 June 2017 and the AUD:USD forward exchange rates, over the current planned Life of Mine and using a discount rate of 12.30%.

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.

(ii) Movements in provisions

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

2017	**Provision for rehabilitation and dismantling $'000**	**Price Participation $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	10,535	2,002	310	12,847
Additional provisions recognised during the year	467	-	306	773
Amounts used during the year	-	-	(493)	(493)
Reversal	-	(694)	-	(694)
Carrying amount at end of year	11,002	1,308	123	12,433

(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.

8 Non-financial assets and liabilities (continued)

(e) Provisions (continued)

(iii) Recognition and measurement (continued)

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) Contributed equity

(i) Share capital

	2017 Shares	2016 Shares	**2017 $'000**	2016 $'000
Ordinary shares				
Ordinary shares - fully paid	**140,116,703**	140,116,703	**360,828**	360,828
	140,116,703	140,116,703	**360,828**	360,828

(ii) Movements in ordinary share capital

Details	**Notes**	**Number of shares**	**$'000**
Opening balance 1 July 2015		1,217,730,293	353,300
Share consolidation	9(a)(iv)	(1,095,956,474)	-
Share buy back	9(a)(v)	(6,157,116)	(97)
Convertible notes converted	9(a)(vi)	24,500,000	7,625
Balance 30 June 2016		140,116,703	360,828
Movement		-	-
Balance 30 June 2017		140,116,703	360,828

(iii) 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).

(iv) Share consolidation

At the Extraordinary General Meeting (EGM) held on 15 December 2015, Straits Resources Limited (now Aeris Resources Limited) shareholders approved all resolutions put forward, including a 1 for 10 consolidation of capital (ordinary shares) and the restructure of the debt with SCB.

(v) Share buy back

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 (Management options) to Mr Andre Labuschagne and other key management personnel. The issue of Management options was conditional on all Employee Share Acquisition Plan (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.

The buy back price per ESAP share was $0.0105, as determined by the Board with reference to an independent valuation. In accordance with the ESAP rules, the sale proceeds of the Buy-Back was applied first towards the repayment of the non-recourse loans which were made to each participant to fund the acquisition of the ESAP Shares to which the participant was entitled. The total consideration paid after deduction of non-recourse loans was $96,337. There are currently no shares issued under the ESAP to key executive employees.

(vi) Convertible Notes converted

The Credit Suisse International Convertible Notes (CSICVN) with an aggregate face value of US$7.200 million was partially redeemed (at face value) for a cash payment of US$1.047 million following the completion of the restructure with the balance of the CSICVN converted into 24,500,000 shares.

9 Equity (continued)

(b) Preference equity

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

Details	**Number of shares**	**$'000**
Opening balance	700,579,566	31,560
Movement	-	-
Balance 30 June 2017	700,579,566	31,560

Following the approvals obtained at the EGM held on 15 December 2015 Straits Resources Limited (now Aeris Resources Limited (Aeris)) and the completion of the restructure of the debt with SCB, the Company:

- Issued Convertible Redeemable Preference Shares (CRPS) to SCB equivalent to 60% of the issued ordinary capital of Aeris on a post-refinancing fully diluted basis; and
- Issued Convertible Non-Redeemable Preference Shares (CNRPS) to PAG SPV equivalent to 15% of the issued ordinary capital of Aeris on a post-refinancing fully diluted basis.

The CRPS are fully paid convertible Redeemable Preference shares in the ordinary capital of the Company and have been issued with an aggregate face value of US$40.000 million. The CRPS accrue a unfranked dividend at 5% per annum. The deferred amount and interest will cease to accrue and be written off if the CRPS's are converted or will cease to accrue and be paid in cash if the CRPS are redeemed. The CRPS have been independently valued and is accounted for at its fair value of A$25.248 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.

The CNRPS mirror the CRPS in as far as possible in respect to dividends, voting rights and general rights. The CNRPS have no redemption option by the company. The CNRPS has been issued with an aggregate face value of US$1 and, notional value of US$10.000 million.The CNRPS have been independently valued and is accounted for at its fair value of A$6.312 million.

At 30 June 2017, the above did not have a cash impact and is considered a non-cash transaction.

(c) Reserves

	2017 $'000	2016 $'000
Share-based payments	**1,605**	938
Acquisition revaluation reserve	**(9,443)**	(9,443)
	(7,838)	(8,505)
Movements:		
Cash flow hedges		
Opening balance	**-**	1,531
Transfer to net profit or loss from continuing operations - gross	**-**	(2,187)
Reclassification adjustments - Deferred tax	**-**	656
Balance 30 June	**-**	-
Share-based payments		
Opening balance	**938**	453
Employee share based payment expense	**667**	485
Balance 30 June	**1,605**	938
Acquisition Revaluation Reserve		
Opening balance	**(9,443)**	(9,443)
Balance 30 June	**(9,443)**	(9,443)

Nature and purpose of other reserves

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 the associated hedged transaction affects the Consolidated Statement of Comprehensive Income. There was no impact in current year.

9 Equity (continued)

(c) Reserves (continued)

Nature and purpose of other reserves (continued)

Share-based payments

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

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:

	2017 $'000	2016 $'000
Balance at the beginning of the year	**(350,764)**	(373,021)
Net (loss)/profit for the year	**(33,299)**	22,257
Balance 30 June	**(384,063)**	(350,764)

10 Cash flow information

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

	2017 $'000	2016 $'000
(Loss)/profit for the year from continuing operations	**(33,299)**	22,257
Accrued finance costs	**13,316**	6,308
Loss on held-for-trading financial assets	**-**	(126)
Unrealised exchange and foreign exchange hedging losses	**(2,383)**	6,750
Depreciation and amortisation	**24,877**	33,029
Employee share based payment expense	**667**	485
Profit on sale of fixed assets	**604**	1,810
Loss on sale of exploration tenements	**285**	-
Gain on debt restructure	**-**	(45,438)
Restructure costs	**-**	(3,178)
Revaluation of price participation provision	**(694)**	-
Movements in commodity hedging	**-**	(1,531)
Decrease) / (increase) in trade and other receivables	**4,135**	(1,544)
(Increase) / decrease in inventories	**(837)**	(885)
Increase / (decrease) in trade and other payables	**4,595**	(6,960)
Decrease) /(increase) in other financial assets	**446**	(3,531)
Increase / (decrease) in provisions	**1,040**	(3,388)
Decrease in deferred tax assets	**6,317**	4,999
Net cash inflow from operating activities	**19,069**	9,057

(b) Non-cash investing and financing activities

	2017 $'000	2016 $'000
Acquisition of plant and equipment by means of finance leases	**4,704**	13,808

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 period to period, and as additional geological data is generated during the course of operations, estimates of Ore Reserves may change from period to period. 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.

(iii) Impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties

The Group reviews for impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties in accordance with the accounting policy stated in note 24(f). With the exception of deferred exploration, the recoverable amount of these assets has been determined based on the lower of the assets' fair value less costs of disposal and value in use. Recoverable amount assessments are principally based on discounted cashflow analysis. 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 Group has regard to external forecasts of key assumptions where available (e.g. commodity price and exchange rates).The recoverable amount is particularly sensitive to fluctuations in the AUD commodity price.

No impairment to operating mines occurred for the year ended 30 June 2017.

(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 uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, commodity price risks and ageing analysis for credit risk.

During financial year ended 30 June 2017, the Group has not undertaken any hedging activities and as such remains exposed to fluctuations in the above mentioned risks.

(a) 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.

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.

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 2017, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's loss from continuing operations for the year would have been $6.974 million lower/higher (2016: profit would have been $4.835 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 2017, if interest rates had changed by -/+ 50 basis points from the weighted average year end rates with all other variables held constant, loss from continuing operations for the year would have been $0.366 million higher/lower (2016: $0.275 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:

	2017 $'000	2016 $'000
0 - 12 months	**5,144**	4,558
1 - 5 years	**49,006**	20,841
Over 5 years	**65,028**	69,331
	119,178	94,730

(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.

There are no commodity price derivatives as at 30 June 2017.

12 Financial risk management (continued)

(a) Market risk (continued)

(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.

	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								
2017	**(6,974)**	**-**	**6,974**	**-**	**366**	**-**	**(366)**	**-**
2016	**(4,835)**	**-**	**4,835**	**-**	**275**	**-**	**(275)**	**-**

(b) 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, and deposits with banks and financial institutions, as well as credit exposures to trade customers, including outstanding receivables and committed transactions.

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 is exposed to one large customer who has the offtake agreement for 100% of the Tritton copper concentrate. The credit risk is considered low as the customer is perceived as reliable and currently all payments are received within the contractual payment terms. Cash transactions are limited to high credit quality financial institutions with external credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) 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.

12 Financial risk management (continued)

(c) Liquidity risk (continued)

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**
Group at 30 June 2016			
Non-derivatives			
Non- interest bearing trade and other payables	19,715	-	-
Variable interest rate instruments	121	318	733
Lease and hire purchase liabilities	5,240	11,011	-
Other fixed interest loans	-	26,635	132,183
Total non-derivatives	25,076	37,964	132,916

(d) 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. Refer to note 24(h)(i).

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 $0.365 million (2016: $0.396 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:

	2017 $'000	2016 $'000
Total interest bearing liabilities	**119,178**	94,730
Less: cash and cash equivalents	**(9,698)**	(11,300)
Net debt	**109,480**	83,430
Total equity	**487**	33,119
Total capital	**109,967**	116,549
Gearing ratio	**99.6%**	71.6%

(b) Dividends

The Directors did not declare a dividend in either of the years ended 30 June 2017 and 30 June 2016.

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 2017 %	2016 %
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

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.

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 2017	% interest Held during the year 2016
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 provides guarantees in the amount of $10.328 million in favour of the NSW government for rehabilitation obligations on the Tritton tenements. The facility is guaranteed by a restricted cash balance of $0.936 million held by SCB. The Group has no other contingencies at 30 June 2017.

16 Commitments

(a) Lease commitments

Exploration and mining leases

	2017 **$'000**	2016 $'000
Within one year	**1,552**	4,563
Later than one year but not later than five years	**5,338**	11,937
Later than five years	**7,991**	18,869
	14,881	35,369

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

Operating leases

	2017 **$'000**	2016 $'000
Within one year	**168**	161
Later than one year but not later than five years	**422**	589
	590	750

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 (formerly Straits 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 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 $244,696 (2016: $1,251,734) 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

	2017 **$'000**	2016 $'000
Short term employee benefits	**2,433**	2,451
Share-based payments	**668**	485
Post-employee benefits	**128**	129
	3,229	3,065

Detailed remuneration disclosures are provided in the remuneration report.

19 Share-based payments

(a) Employee Options

Executive management options issued was 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.

As part of the Restructuring approved on 15 December 2015, the relevant managers in aggregate can earn a total of up to 10% of the Company's post Restructuring and post Consolidation fully diluted capital.

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 completion 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 3.5 years.

Subject to the option holder remaining an employee of the Company 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)

(b) Employee Share Acquisition Plan (ESAP)

The ESAP plan was approved by Aeris' shareholders at the Annual General Meeting on 27 November 2013. 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 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 period.

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.

19 Share-based payments (continued)

(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:

	2017 **$**	2016 $
Options issued	**667,977**	456,057
Employee Share Acquisition Plan	**-**	29,000
	667,977	485,057

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

Audit and other assurance services

	2017 **$**	**2016** **$**
Audit and other assurance services		
Audit and review of financial statements	**272,500**	267,000
Total remuneration for audit and other assurance services	**272,500**	267,000
Other services		
Tax compliance and advisory services	**428,572**	683,238
Total remuneration of PwC Australia	**701,072**	950,238

(b) Network firms of PwC Australia

Audit and other assurance services

Audit and other assurance services		
Audit and review of financial reports and other audit work	**24,728**	33,733
Total remuneration for audit and other assurance services	**24,728**	33,733
Total remuneration of network firms of PwC Australia	**24,728**	33,733
Total auditors' remuneration	**725,800**	983,971

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

	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(23.8)**	17.1
Total basic earnings per share attributable to the ordinary equity holders of the company	**(23.8)**	17.1

(b) Diluted earnings per share

	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(3.6)**	2.4
Total diluted earnings per share attributable to the ordinary equity holders of the company	**(3.6)**	2.4

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

	2017 $'000	2016 $'000
Basic earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	**(33,299)**	22,257
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(33,299)**	22,257

(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.

21 Earnings per share (continued)

(e) Weighted average number of shares used as denominator

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**140,116,703**	130,090,461
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	**700,579,566**	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	**934,106,878**	924,080,636

22 Carrying amounts of assets pledged as security

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

	2017 $'000	2016 $'000
Non-current		
First mortgage		
Freehold land and buildings	**1,324**	1,324
Plant and equipment	**20,463**	25,039
Mine properties	**44,965**	35,868
Exploration and evaluation assets	**14,497**	15,496
	81,249	77,727
Finance lease		
Plant and equipment	**8,992**	12,892
Total non-current assets pledged as security	**90,241**	90,619
Total assets pledged as security	**90,241**	90,619

23 Parent entity financial information

(a) Summary financial information

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

	2017 $'000	Restated 2016 $'000
Balance sheet		
Current assets	**3,378**	1,706
Non-current assets	**144,828**	155,957
Total assets	**148,206**	157,663
Current liabilities	**1,271**	1,162
Total liabilities	**1,271**	1,162
Shareholders' equity		
Contributed equity	**360,827**	360,827
Convertible preference shares (Redeemable and Non-Redeemable)	**31,560**	31,560
Reserves	**1,605**	938
Accumulated losses	**(247,057)**	(236,823)
	146,935	156,502
Loss for the year	**(10,234)**	(14,751)
Total comprehensive loss	**(10,234)**	(14,751)

(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 $3,795,900 with other cash backed financial guarantees of $113,931 which totalled $3,909,831. Total guarantees for the prior period were $3,818,620.

In addition the parent entity also provided a parent company guarantee in relation to the SCB and PAG SPV 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 2017 or 30 June 2016. 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 2017 or 30 June 2016.

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 standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting years 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	**Nature of change**	**Impact**	**Mandatory application date/ Date of adoption by group**
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018: The majority of the Group financial assets are in the form of cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and liabilities, its hedging arrangements or its results on adoption of the new impairment model.	Must be applied for financial years commencing on or after 1 January 2018. The Group is currently assessing whether it should adopt AASB 9 before its mandatory date.

24 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Title of standard	**Nature of change**	**Impact**	**Mandatory application date/ Date of adoption by group**
AASB 15 *Revenue from Contracts with Customers*	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.	Management is currently assessing the effects of applying the new standard on the group's financial statements. At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption Expected date of adoption by the group: 1 July 2018.
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, 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 for lessors will not significantly change.	The standard will affect primarily the accounting for the Group's operating leases. Information on the undiscounted amount of the Group's operating lease commitments at 30 June 2017 under AASB 117 is disclosed in note 7(e). The Group has not yet determined to what extent its operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitment may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB16.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its operative date.

24 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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.

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time the financial year beginning 1 July 2016 materially affect the amounts recognised in the current period or any prior period and are not likely to affect future periods. The Group has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective in the current year.

(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.

(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 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 2017 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

24 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iii) Joint ventures (continued)

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.

(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 period 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. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through the income statement are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(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 period.

(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 period. 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.

(h) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through the income statement, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through the statement of comprehensive income

Financial assets at fair value through the income statement are financial assets held for trading. The equity investments classified as held for trading are managed as part of an investment portfolio in accordance with an investment strategy. The performance of the portfolio is evaluated on a fair value basis and information is provided on that basis for assessment by the directors. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

24 Summary of significant accounting policies (continued)

(h) Investments and other financial assets (continued)

Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 the income statement, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the profit and loss are expensed in the Statement of Comprehensive Income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through the income statement are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through the Consolidated Statement of Comprehensive Income category are presented in the Consolidated Statement of Comprehensive Income within other income or other expenses in the period in which they arise.

Details on how the fair value of financial instruments is determined are disclosed in note 12.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its costs is considered an indicator that the assets are impaired.

(I) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income . As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

Impairment testing of trade receivables is described in note 7 (b).

(i) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

24 Summary of significant accounting policies (continued)

(i) Derivatives and hedging activities (continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income within other income or other expense.

Amounts accumulated in equity are reclassified to the Consolidated Statement of Comprehensive Income in the periods when the hedged item affects the Consolidated Statement of Comprehensive Income (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in Consolidated Statement of Comprehensive Income within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the Consolidated Statement of Comprehensive Income within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the Consolidated Statement of Comprehensive Income as 'cost of goods sold' in the case of inventory, or as 'depreciation' or 'impairment' in the case of fixed assets.

Amounts accumulated in equity are reclassified to the Consolidated Statement of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the Consolidated Statement of Comprehensive Income within 'sales'.

(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

(i) Underground operations

Certain mining costs, principally those that relate to levels of development which are expected to be used for shorter periods than the mine life have also been capitalised and included in the balance sheet. These costs are deferred on a cost per development metre basis. These costs are then amortised into the profit and loss on a units of production basis over the relevant Ore Reserves.

(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) 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.

(iii) 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.

(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 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.

24 Summary of significant accounting policies (continued)

(q) Parent entity financial information (continued)

(ii) Tax consolidation legislation (continued)

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 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.

(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.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 18 to 66 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 2017 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 24(a) 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 2017

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 2017 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:

- consolidated balance sheet as at 30 June 2017
- consolidated statement of comprehensive income for the year then ended
- consolidated statement of changes in equity for the year then ended
- 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.

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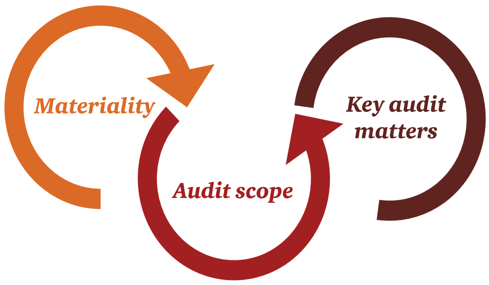
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Aeris Resources Limited is an established mining and exploration company listed on the Australian Securities Exchange (ASX).



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall materiality of \$1.7m, which represents approximately 1% of the Group's total revenue. • 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 revenue as the materiality benchmark rather than profit before tax due to the recent volatility in profit before tax. Revenues are reflective of the Group's operating activities in continued challenging market conditions, are relatively stable when compared to profit before tax and provide 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.	• Our audit focused on where the Group 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.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: – Carrying value of exploration and evaluation assets – Carrying value of Tritton operations assets – Basis of preparation – Recoverability of deferred tax assets. • These are further described in the *Key audit matters* section of our report.

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.

Key audit matter	How our audit addressed the key audit matter
Carrying value of exploration and evaluation assets *Refer to note 8 (c) of the financial report.* The Group's exploration portfolio incorporates exploration licences over the Tritton volcanogenic massive sulphide deposit in New South Wales, as well as other exploration projects across Australia. As required by Australian Accounting Standards, the Group performed an impairment assessment of its exploration and evaluation tenements assets at 30 June 2017 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 projects with exploration and evaluation capitalised expenditure have additional expenditure included in future budgets. • 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.
Carrying value of Tritton operations assets *Refer to notes 11(iii) and 24 (f) of the financial report.* The Group's recognises property, plant and equipment used in Tritton mine operations. As required by the Australian Accounting Standards, the Group performed an impairment assessment of Tritton operations assets as at 30 June 2017 and determined that there were no impairment indicators. The assessment for impairment indicators was considered a key audit matter due to the financial significance of the Tritton operations assets and the judgement required in assessing the assets for impairment.	We evaluated the Group's impairment assessment by performing a number of procedures including the following: • Evaluating whether there were significant adverse changes in the economic environment impacting the Group by considering forward consensus copper prices and exchange rates during the year and subsequent to year end. • Checking net assets of the Group were lower than the Company's market capitalisation. • Considering monthly management accounts of the Group to evaluate if the economic performance of the asset is, or will be, worse than expected by comparing the production volumes during the year against the budgeted volumes and assessing whether the lower production volumes were due to ore reserves being depleted.
Basis of preparation *Refer to note 1 of the financial report* In preparing the financial report, the Group has adopted a going concern basis of preparation, as the directors of the Company believe they have reasonable grounds to expect that they will have	In assessing the appropriateness of the going concern basis of preparation for the financial report, we performed a number of procedures including the following: • Evaluating whether the analysis by the Group

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>sufficient funds to settle the Group's liabilities and meet its debts as and when they fall due. To support this basis of preparation, the Group has prepared a going concern position paper and cash flow forecast model.

Assessing the appropriateness of the Group’s basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing the future funding and operational status.</td><td>covers a period of at least 12 months from the date of the auditor’s report and includes relevant information of which the auditor is aware as a result of the audit.
Interviewing management and directors to develop an understanding of their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
Evaluating the Group’s cash flow forecast for 12 months from the date of signing the auditor’s report, including:
comparing the production and sales volumes used in the cash flow forecast to production and sales forecasts approved by the board of directors and historical production and sales volumes for the Tritton mine.
comparing the forecast copper prices used in the cash flow forecast to broker forecasts.
Developing an understanding of what forecast expenditure is committed and what could be considered discretionary.
Reading the terms of the debt facility agreement and considering the amount of the facility available for drawdown.
Obtaining written representations from management and the board of directors regarding their plans for future action and the feasibility of these plans.
Evaluating whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about these matters.</td></tr>
<tr><td>Recoverability of deferred tax assets
Refer to note 8(d) of the financial report

Temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements totalling $10.2m were recognised as an asset in the balance sheet.

This was a key audit matter due to the judgement and estimation involved in determining whether it is appropriate to recognise a deferred tax asset in relation to temporary differences. An assessment was performed by the Group of the expected future taxable profit against which these deferred tax assets could be utilised to reduce tax payable.</td><td>Our audit approach in respect of recoverability of deferred tax assets comprised a number of procedures including the following:
Evaluating the Group’s rationale for the recognition and measurement of deferred tax assets. We evaluated the Group’s mine plan and financial model used to forecast taxable income to assess the Group’s conclusion that sufficient taxable income would likely be earned in the future to utilise the temporary differences for which deferred tax assets have been recognised.
Evaluating whether the cash flows had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast, to taxable profits. PwC Tax experts assisted in undertaking this evaluation.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Directors' Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes the FY 17 Highlights, Executive Chairman's Statement, Review of Operations and Activities, Exploration, 2017 Resources and Reserves, Health, Safety and Environment, Community, Corporate Directory and Glossary, which is expected to be made available to us after that date.

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 43 to 62 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Aeris Resources Limited for the year ended 30 June 2017 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 2017

Shareholder Information

The shareholder information as set out below was applicable at 29 September 2017.

Issued Capital:

Fully paid ordinary Shares	1,040,116,703
Redeemable cumulative convertible preference shares	560,463,653
Non-redeemable cumulative convertible perference shares	140,115,913
Employee options	93,410,609

Distribution of holders of fully paid ordinary shares:

Range	Units	No. of holders	%
100,001 and Over	126,745,286	128	4.13
10,001 to 100,000	10,838,990	297	9.57
5,001 to 10,000	1,062,393	137	4.42
1,001 to 5,000	971,610	387	12.47
1 to 1,000	498,424	2,154	69.42
Total	140,116,703	3,103	100.00
Unmarketable Parcels	1,749,186	2,589	83.44

Substantial shareholders:

Shareholder	Units	%
BAIN CAPITAL CREDIT	21,466,373	15.32
GLENCORE FINANCE (BERMUDA) LTD	13,151,314	9.39
DGJ KEET INVESTMENTS (SINGAPORE)	13,088,635	9.34

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	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,323,799	20.93
2	BCC LAUNCHPAD IRELAND HOLDINGS DESIGNATED ACTIVITY COMPANY	21,466,373	15.32
3	GLENCORE FINANCE (BERMUDA) LTD	13,151,314	9.39
4	CITICORP NOMINEES PTY LIMITED	8,878,517	6.34
5	NING LAURENSON HOLDINGS PTY LTD	2,803,580	2.00
6	SAM INVESTORS PTY LTD	2,719,147	1.94
7	MR MARK ANDREW BEHNE	2,400,000	1.71
8	M & C COGHLAN PTY LTD	2,210,000	1.58
9	MR MILAN JERKOVIC	1,649,155	1.18
10	MR ANTHONY KENNETH CROSS	1,550,000	1.11
11	MR BASTIAAN SCHEEPERS	1,350,000	0.96
12	MR PANAYIOTIS PAPACHARALAMBOUS	1,304,432	0.93
13	PERSHING AUSTRALIA NOMINEES PTY LTD	1,280,574	0.91
14	MR GLENN RUSSELL STEDMAN & MRS NUTCHARAT STEDMAN	1,200,000	0.86
15	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,035,378	0.74
16	INNER SOUNDS PTY LIMITED	1,000,000	0.71
16	MR GLENN RUSSELL STEDMAN	1,000,000	0.71
16	RAPCORP PTY LTD	1,000,000	0.71
16	GRANBOROUGH PTY LTD	1,000,000	0.71
16	MR LOUIE BORG	1,000,000	0.71
16	FEOH PTY LTD	1,000,000	0.71
17	MR LANCE DAVID GRAHAM	900,000	0.64
18	UBS INVESTMENTS PTY LTD	789,892	0.56
19	MERRICKS CAPITAL PTY LTD	776,007	0.55
20	FENTARIAN PTY LTD	751,000	0.54
Top 20 holders of fully paid ordinary shares		101,539,168	72.47
Total Remaining Holders Balance		38,577,535	27.53

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 2016, 560,463,653 CRPS remain on issue with no CRPS being converted or redeemed in the period since 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 .

At 30 June 2016, 140,115,913 CNRPS remain on issue with no CNRPS being converted or redeemed in the period since issue .

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 2017
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