



## Quarterly Activities Report For the period ended 30 June 2016

### About Aeris Resources

**Aeris Resources Limited** (ASX: AIS) is an established copper producer and developer with multiple mines and a 1.8 Mtpa copper processing plant at its Tritton Copper Operations in New South Wales, Australia.

In FY2016 Aeris' Tritton Operations achieved record production of 30,425 copper tonnes of copper metal exceeding the previously upgraded guidance for FY2016 of 29,500 copper tonnes. Forecast copper metal production in FY2017 is 28,000 copper tonnes.

The Company also has an exciting portfolio of highly prospective exploration projects creating a pipeline for future growth, including advanced projects at its Tritton Operations.

Aeris' Board and Management team is experienced in all aspects of mining and corporate development.

Aeris has a clear vision to become a mid-tier, multi-operation company – delivering shareholder value through an unwavering focus on operational excellence.

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### JUNE QUARTER HIGHLIGHTS

#### OPERATIONS:

- Record Production of 30,425 tonnes of Copper, exceeding previously upgraded production guidance of 29,500 tonnes
- New underground mine at Murrawombie on track
- FY2017 copper production targeted at 28,000 tonnes

#### CORPORATE:

- Cash and receivables of \$19.1M at the end of the quarter

#### POST 30 JUNE 2016 DEVELOPMENTS:

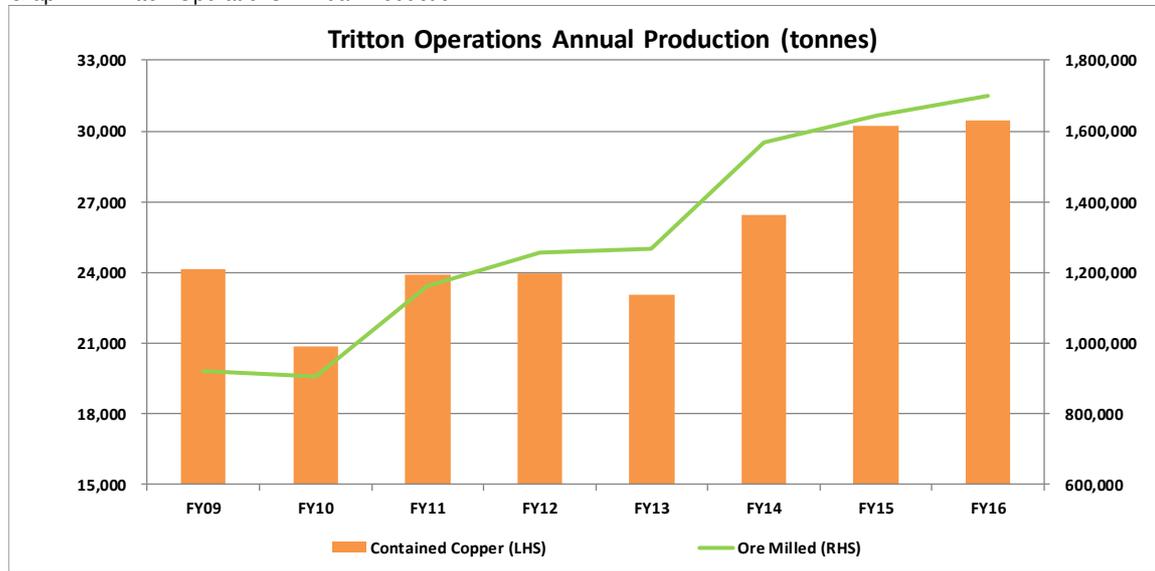
- Tritton Deeps development approved by Aeris Board
- New \$11M Ventilation Shaft at Tritton commenced
- Ramp-up of Greenfields exploration activities at Tritton with \$7.5M targeted over next two years
- Access to Tranche 2 (US\$10M) of Working Capital Facility triggered by approval of Tritton Deeps

## Managing Director’s Commentary on FY2016

It gives me great pleasure to recap on what has proven to be a watershed year for the Company.

At an operational level the Tritton Operations has once again bettered its initial and then upgraded guidance by producing 30,425t of copper. This is the third consecutive year of record copper production at Tritton and is a testament to not only the technical ability of the team but also the strong spirit of teamwork and innovation that exists as we continually seek ways to improve productivity and reduce costs.

Graph 1 – Tritton Operations Annual Production



During the year we replaced the ageing haulage truck fleet at Tritton with new, higher capacity trucks, resulting in significant improvements in both maintenance costs and haulage productivity.

In March 2016, the Aeris Board approved the development of the Murrawombie underground mine, which is expected to reach full production capacity in the second half of FY2017. Murrawombie will replace the North East/Larsens mine which ceases operations in early FY2017. The Murrawombie deposit is the largest known concentration of copper metal on Aeris’ tenements outside of the Tritton deposit and was therefore the logical option to supplement the Tritton Mine. The mine has a seven year life at production rates up to 650,000 tonnes per annum.

At the beginning of FY2016 we commenced an exploration drilling programme at the Tritton Mine seeking to confirm continuity of copper mineralization from 4,200mRL to 4,000mRL (Tritton Deeps), which is below current workings. The Company recently announced (see ASX Announcement dated 28 July 2016) that development of Tritton Deeps had been approved by the Aeris Board. Development of Tritton Deeps will help to underpin an extension of the mine life at the Tritton Operations until 2023.

As we continue to mine deeper at the Tritton mine the ventilation circuit will require upgrading. Work has recently commenced on a new \$11.25M ventilation shaft. This shaft will be 880m deep and 5m in diameter and is expected to be completed by the end of the first quarter of calendar 2017.

Whilst significant funds will be invested this coming financial year in extending the mine life through developing the Murrawombie mine and the ventilation shaft at Tritton we are also cognisant of the need to continuing to explore. The Company holds 1,800km<sup>2</sup> of tenements around the Tritton Operations in what we consider to be a highly prospective region for discovering more copper orebodies. Over the next two years we are planning to spend \$7.5M as we reinvigorate our greenfields exploration activities at Tritton, seeking to find more "Tritton" sized (+10Mt) orebodies (see ASX Announcement dated 28 July 2016).

On the corporate front, it was also a year of significant achievements. In August 2015 the Company (then Straits Resources Limited) announced that it had signed binding agreements with its current financier (Standard Chartered Bank (SCB)) and a new financier (Special Portfolio Opportunity V Limited (PAG SPV)) to restructure and substantially reduce the SCB debt and for PAG SPV to provide the Company with a US\$25M Working Capital Facility. This was an important step for the Company as it resulted in the SCB debt being reduced by 55% to US\$50M (to be repaid in 7 years) whilst also providing financial flexibility through the Working Capital Facility. The debt restructure was approved by shareholders on 15 December 2015.

The debt restructure also resulted in SCB and PAG SPV taking substantial equity stakes (60% and 15% respectively on a fully diluted basis) in the Company through the issue of Convertible Preference Shares. In addition, we were also able to redeem / convert the US\$7M in Convertible Notes held by Credit Suisse at a substantial discount.

With the completion of the debt restructure being the last major milestone in the turnaround of the Company that started in 2013, we felt it was an appropriate time to focus on the future and with that re-launch the Company with a new name, Aeris Resources Limited (Aeris).

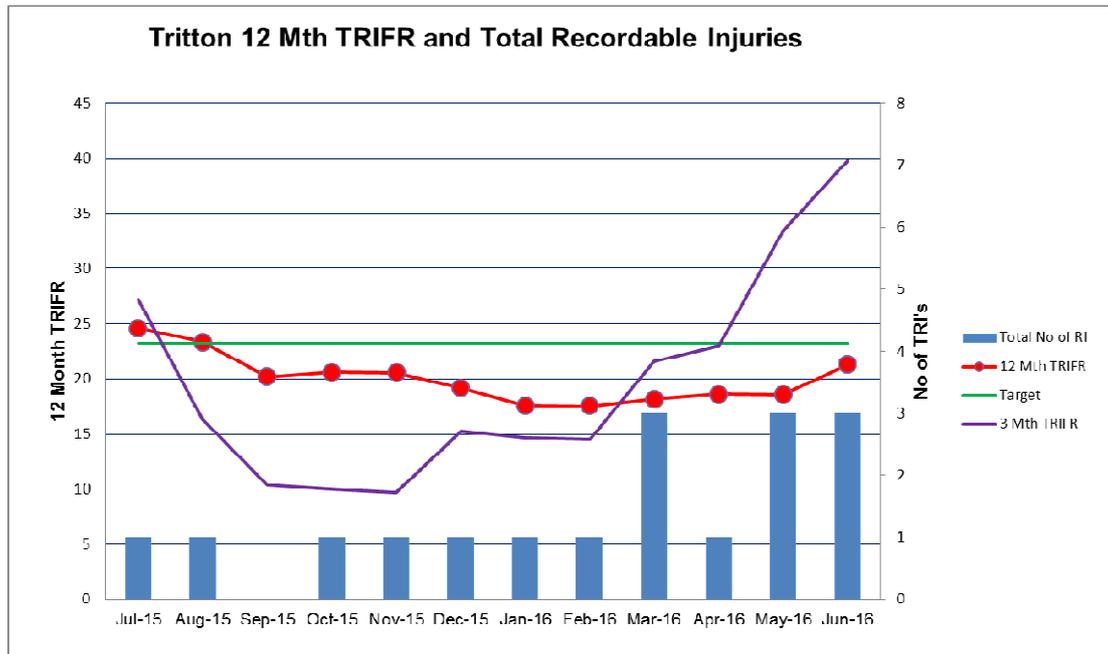
Having established a sound production and financial footing, the next step for Aeris is to seek opportunities to grow, both organically and through M&A.

## Q4 FY2016 Quarterly Activities Report

### Safety, Environment and Community

There were two lost time injuries during the quarter. An employee was involved in a serious motor vehicle accident in an attempt to avoid a kangaroo and an operator suffered a finger injury while trying to clear a blockage at the primary crusher.

The total recordable injury frequency rate (TRIFR) is 23.2 as at 30 June 2016. Aeris continues to prioritise the safety of its work force and aims to sustain this rate of improvement through a focus on improving safe behaviours.



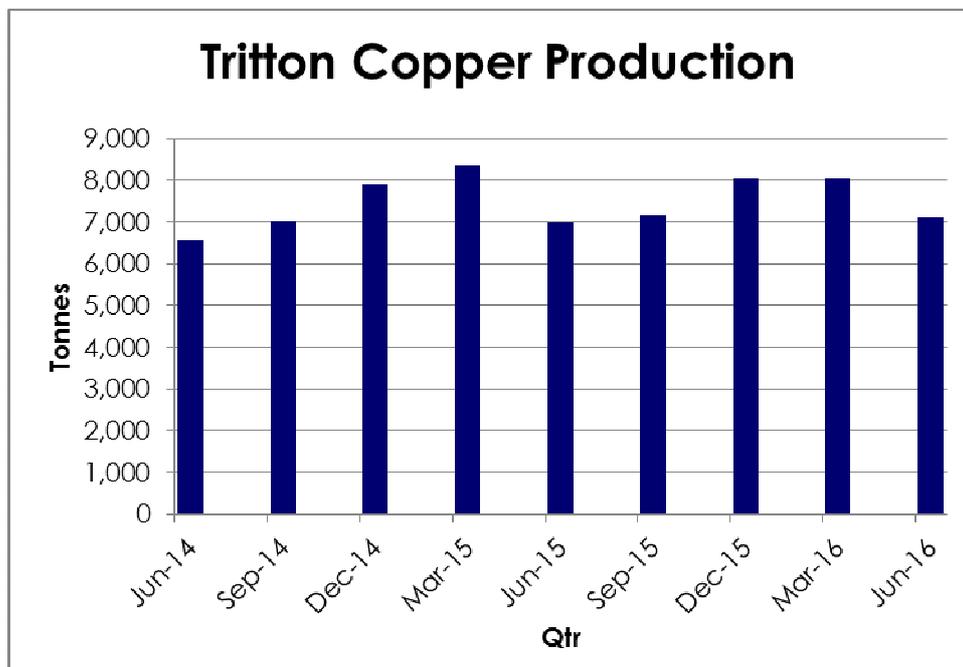
There were no reportable environmental incidents during the quarter.

## Tritton Copper Mine (NSW)

### PRODUCTION

The Tritton Operations has achieved another record year of copper production in FY16, producing 30,425 tonnes and exceeding the previously upgraded guidance of 29,500 tonnes. This result marks the third consecutive year that the Tritton operations have achieved record annual production.

Copper production for the June quarter was 7,098 tonnes. This was below the previous quarter due to lower ore grades, as a consequence of normal mine sequencing. Stoping moved into lower grade areas of the ore bodies at both the Tritton and North East mines.



Ore processing performance was lower than previous quarter at 422,018t. Ore milled and recovery was negatively impacted by the unexpected loss of a verti mill gearbox for 6 weeks during the quarter.

The Murrawombie Underground development commenced in the quarter with production expected to ramp-up during FY2017. Please refer to the Project Development section for further information.

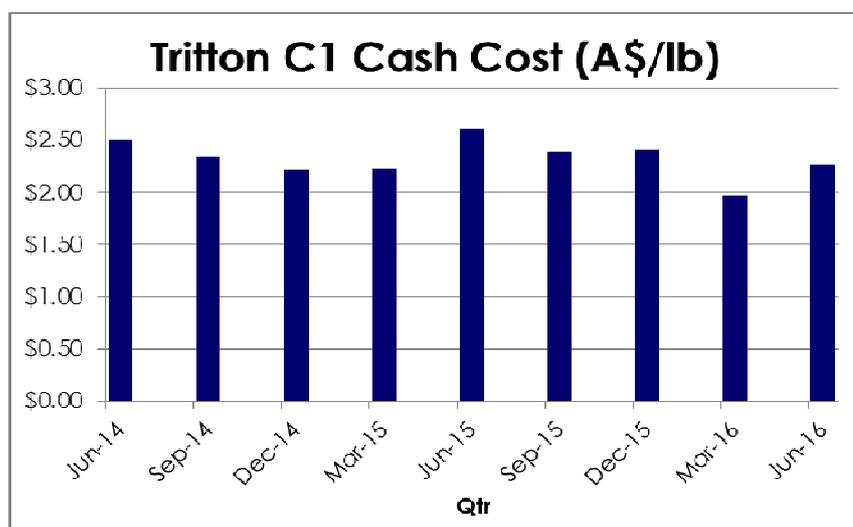
During the quarter, Aeris commenced construction of a new ventilation shaft at the Tritton mine to support operations as we progress deeper, following the orebody. When completed, the shaft will extend from surface to the existing RL4385m exploration drive, a total of 880 metres. The total capital investment for the project is more than \$11M and will take up to eight months to complete. This significant investment will enable the recently announced Tritton Deeps project to be developed below the RL4385m exploration drive and prolong the Tritton mine life.

Improving reliability of the mine equipment fleet, through strategic equipment replacement and improved maintenance practices, has continued to be a high focus. During the quarter, three new 63 tonne underground trucks were added to the fleet, following on from four previously delivered, as well as adding a CAT Loader to the fleet. One more truck is on order and scheduled for delivery in early FY17. A new drill rig was also acquired during the March quarter.

### Tritton Production Statistics

		JUN 2015 QTR	SEP 2015 QTR	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR
MINED	TONNES	413,039	430,244	424,445	417,244	422,018
GRADE	Cu (%)	1.82%	1.88%	1.86%	1.94%	1.75%
ORE MILLED	TONNES	407,909	397,798	454,404	441,630	407,027
GRADE MILLED	Cu (%)	1.81%	1.91%	1.86%	1.90%	1.84%
RECOVERY	Cu (%)	94.22%	93.97%	94.23%	95.18%	93.76%
COPPER CONCENTRATE PRODUCED	TONNES	28,005	30,210	33,241	33,004	29,014
COPPER CONCENTRATE GRADE	Cu (%)	24.77%	23.58%	24.02%	24.18%	24.24%
CONTAINED COPPER IN CONCENTRATE	TONNES	6,938	7,123	7,985	7,981	7,033
COPPER CEMENT PRODUCED	TONNES	39	60	86	92	65
TOTAL COPPER PRODUCED	TONNES	6,977	7,183	8,071	8,073	7,098

## COSTS



C1 unit cash costs for the quarter were A\$2.27/lb, an increase over the previous quarter as a result of lower head grade and hence, reduced copper production. TC/RC's and product handling costs increased as a result of a lower exchange rate and reduced copper producer.

### Tritton Unit Cost Statistics (A\$/lb)

	JUN 2015 QTR	SEP 2015 QTR	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR
TOTAL MINING COSTS	1.39	1.23	1.15	0.98	1.12
TOTAL SITE PROCESSING COSTS	0.37	0.41	0.37	0.32	0.33
TC/RC'S & PRODUCT HANDLING	0.63	0.54	0.70	0.53	0.63
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.06)	(0.04)	(0.05)	(0.07)	(0.10)
OTHER DIRECT CASH COSTS	0.28	0.28	0.24	0.22	0.29
<b>TOTAL C1 COSTS</b>	<b>2.61</b>	<b>2.39</b>	<b>2.41</b>	<b>1.98</b>	<b>2.27</b>
ROYALTIES	0.09	0.06	0.06	0.07	0.06
CONCENTRATE INVENTORY MOVEMENT	0.17	(0.70)	0.46	(0.08)	0.27
TOTAL CASH COSTS	2.87	1.76	2.93	1.97	2.60
DEPRECIATION & AMORTISATION	0.54	0.48	0.47	0.46	0.53
TOTAL PRODUCTION COSTS	3.41	2.24	3.40	2.43	3.13

Total production unit costs increased compared to the previous quarter mainly due to increased C1 costs, increased amortisation and depreciation, as a result of increased tonnes mined, and increased stock adjustments.

Capital expenditure at Tritton in the quarter was \$7.3M.

**Tritton Capital Expenditure (A\$M)**

	JUN 2015 QTR	SEP 2015 QTR	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR
PROPERTY, PLANT AND EQUIPMENT	5.5	0.8	1.8	1.2	3.4
MINING DEVELOPMENT	2.9	3.9	3.9	3.1	3.7
EXPLORATION	1.1	1.2	0.3	0.3	0.2
TOTAL	9.5	5.9	6.0	4.6	7.3

**OUTLOOK**

Copper production guidance for FY2017 is 28,000t.

**Exploration and Project Development**

**EXPLORATION - TRITTON MINES AND SURROUNDING TENEMENTS**

Aeris currently holds 184,600 hectares in the prospective Tritton VMS district (see Figure 1). This is made up of six exploration and three mining leases. Six major mafic complexes have been identified within a sequence of sedimentary rocks with a combined strike length of greater than 100km. Numerous anomalies have been identified and remain untested in the Tritton region.

An exploration strategy has been steadily evolving for the region and has been extremely effective in both identifying and testing for VMS sulphide systems as demonstrated by Aeris' exploration success at Avoca Tank, Kurradjong, Carters and Budgery.

The quality of the remaining targets in the Tritton region and the potential for further discoveries in this large VMS copper district remains excellent. Aeris' previous success and the knowledge that Besshi VMS systems like Tritton are characterised by repeats along strike, multiple horizons and lenses and significant depth potential gives the company great confidence for the discovery of additional deposits along the multiple prospective horizons within the Tritton region.

On 28 July 2016, Aeris announced that it was ramping-up greenfields exploration on its Tritton tenement package and is planning to spend \$7.5M over the next two years (See ASX Announcement dated 28 July 2016 for more information).

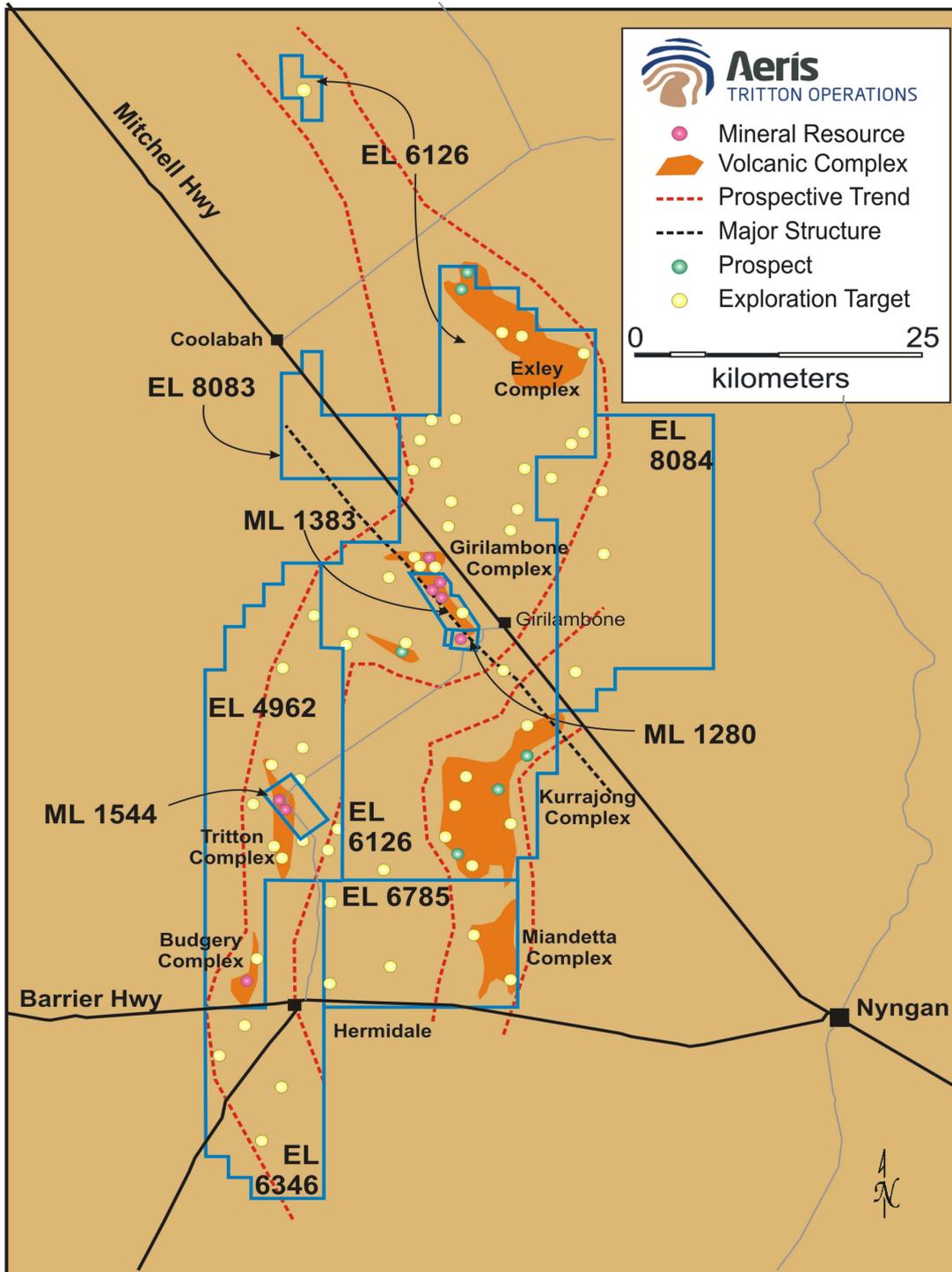


Figure 1: Tritton Region showing known basement complexes prospective for VMS systems and current operations

## PROJECT DEVELOPMENT - MURRAWOMBIE UNDERGROUND MINE

On 21 March 2016, the Company announced that the Aeris Resources Limited Board had approved the development of the Murrawombie Underground mine.

The deposit is located in the southern area of the Girilambone Complex close to the current North East and Larsens mines and approximately 20 kilometres from the Tritton Processing Plant (see Figure 1). The deposit is the largest known 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. However, the sulphide portion was not mined at that time due to its unsuitability for heap leaching.

Mineralisation below the open pit is defined by multiple sulphide lodes that dip at 50° to the East. The dominant copper mineral, chalcopyrite, is typically associated with massive pyrite, with lesser disseminated pyrite. The massive sulphide lodes are continuous over 200m in length and extend at least 400m down dip.

The deposit remains open at depth. Historical drilling has intersected copper mineralisation 600m below surface (4,600mRL).

The Murrawombie Underground mine was originally accessed in 2007, with a portal and 600 metres of decline. The mine was then put into care and maintenance during the Global Financial Crisis in 2008, before any significant volumes of ore was mined.

As at 30 June 2015 the Ore Reserve was estimated at 3.3 million tonnes at 1.3% copper.

The Murrawombie Underground mine is expected to have a mine life of 7 years producing up to 650,000 tonnes of ore per annum (see Figure 2).

Capital expenditure to develop the initial Stage 1 lens, over a period of 18 months, is projected to be \$6.4M for infrastructure and equipment and \$8.5M for capital development.

Preliminary site works have commenced and will leverage off infrastructure that already exists. First ore was delivered to the Tritton Processing Plant during the June quarter with commercial production levels on track for early FY2017.

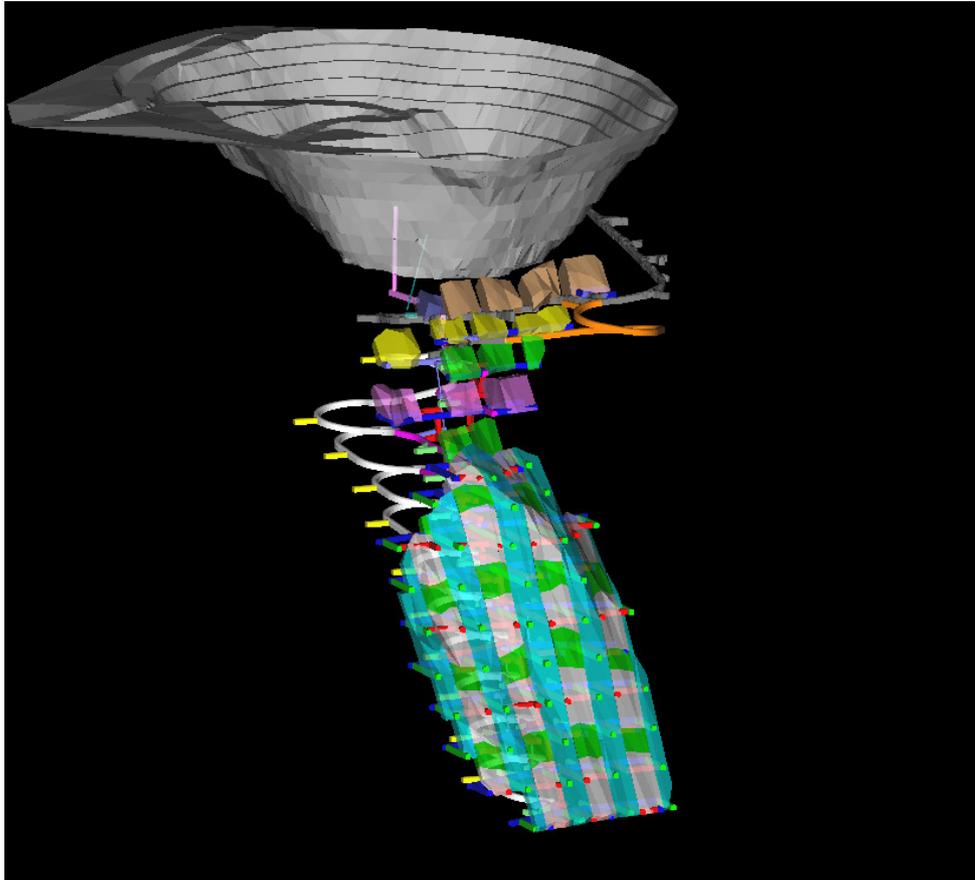


Figure 2: Schematic of Murrawombie Underground mine plan

### PROJECT DEVELOPMENT – TRITTON DEEPS AND TRITTON VENTILATION SHAFT

On 28 July 2016 it was announced that the Aeris Board had approved the development of Tritton Deeps at the Tritton Mine. Tritton Deeps will extend mining operations at the Tritton Orebody 175m below the current workings and extend the life of the Tritton Operations until 2023, with potential for further extensions.

In support of the planned deeper mining operations at the Tritton orebody (Tritton), the Company has commenced the development of a new \$11.25M ventilation shaft, which is expected to be operational by the end of the March quarter in 2017. The ventilation shaft will extend from surface down to the RL4385m exploration drive. The drilling of the 880m deep, 5m diameter shaft will take up to eight months to complete, while the ventilation system supporting it will include twin centrifugal exhaust fans, each powered by a 1.3MW motor, which together are capable of displacing 400m<sup>3</sup> per second.

For further information, see ASX Announcement dated 28 July 2016.

## Corporate

### CASH

At the end of the June quarter, Aeris had useable cash and receivables of \$19.1M, an increase of \$3.8M on the previous quarter.

\$M	JUN 2016 QTR	MAR 2016 QTR
Useable Cash - Aeris Corporate and Tritton	11.3	7.2
Tritton - Copper concentrate receivables	7.8	8.1
<b>Aeris/Tritton - Useable Cash and Receivables</b>	<b>19.1</b>	<b>15.3</b>
Investments	5.7	3.4

During the quarter, Aeris did not undertake any drawdowns from the Working Capital Facility with Special Portfolio Opportunity V Limited (PAG SPV) (March Quarter drawdowns – US\$4.5M). After the end of the quarter the Company announced that development of the Tritton Deeps project had been approved by the Aeris Board, thereby triggering access to Tranche 2 (US\$10M) of the PAG SPV Working Capital Facility (See ASX Announcement dated 28 July 2016).

Corporate capital expenditure for the quarter was nil.

Under the Restructuring Deed Aeris entered into with Standard Chartered Bank (SCB) and Special Portfolio Opportunity V Limited (PAG SPV) in August 2015 and approved by Aeris shareholders on 15 December 2015, SCB and PAG SPV each have a separate entitlement to appoint one director to the Aeris Board. During the quarter, SCB elected to take up this right and nominated Mr Marcus Derwin, who joined the Aeris Board on 18 April 2016.

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or go to our website at [www.aerisresources.com.au](http://www.aerisresources.com.au)

References in this report to “Aeris Resources Limited”, “Aeris” and “Company” include, where applicable, its subsidiaries.