



Quarterly Activities Report For the period ended 30 September 2018

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 FY2018, Aeris' Tritton Copper Operations produced 26,686 tonnes of copper and in FY2019 is targeting production of 24,500 tonnes of copper.

The Company also has an exciting portfolio of highly prospective exploration projects creating a pipeline for future growth, including advanced projects at its Tritton Copper Operations and the Torrens Project in South Australia.

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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SEPTEMBER QUARTER HIGHLIGHTS

OPERATIONS:

- **Sept Qtr Copper production above plan at 6,753 tonnes**
- **C1 cash costs of A\$2.77/lb**
- **FY2019 copper production guidance of 24,500 tonnes at a C1 cash cost of between A\$2.75/lb and A\$2.90/lb**

EXPLORATION:

- **Kurrajong continues to deliver:**
 - Phase 1 (6 drill holes) completed. Mineralisation extended over 800m down plunge
 - Phase 2 to commence (up to 12 drill holes) in December 2018 quarter
- **Torrens Stage 1 drilling program:**
 - Preparations underway
 - Drilling to commence before end of 2018

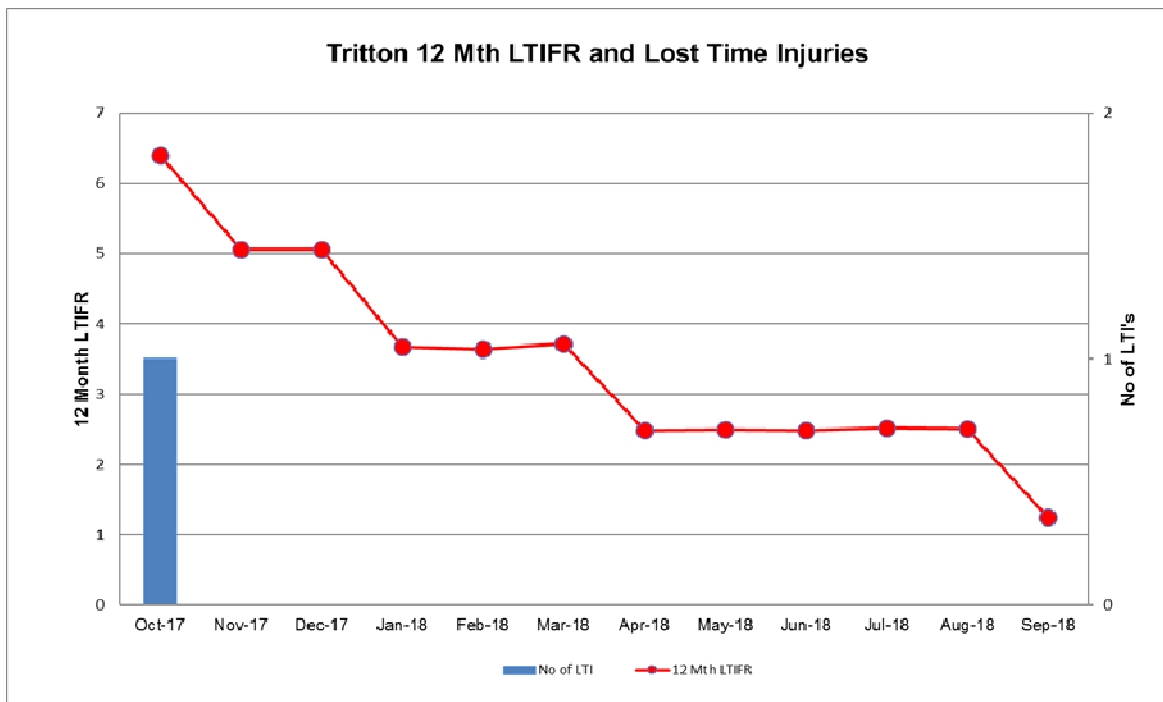
CORPORATE:

- **Cash and receivables of \$25.8M at end of quarter**
- **A\$35.1M equity raise successfully completed**
- **US\$20M debt repayment on 4 October 2018**
- **Restructure of Contingent Instrument Facility**

Q1 FY2019 Quarterly Activities Report

Safety, Environment and Community

There were no lost time injuries or reportable environmental incidents during the quarter.



Investigations into the cause of the Truck fire incident in June 2018 at Tritton Underground mine are ongoing, in consultation with the manufacturer, regulators and fire experts.

Tritton Copper Operations (NSW)

Production and Cost Summary

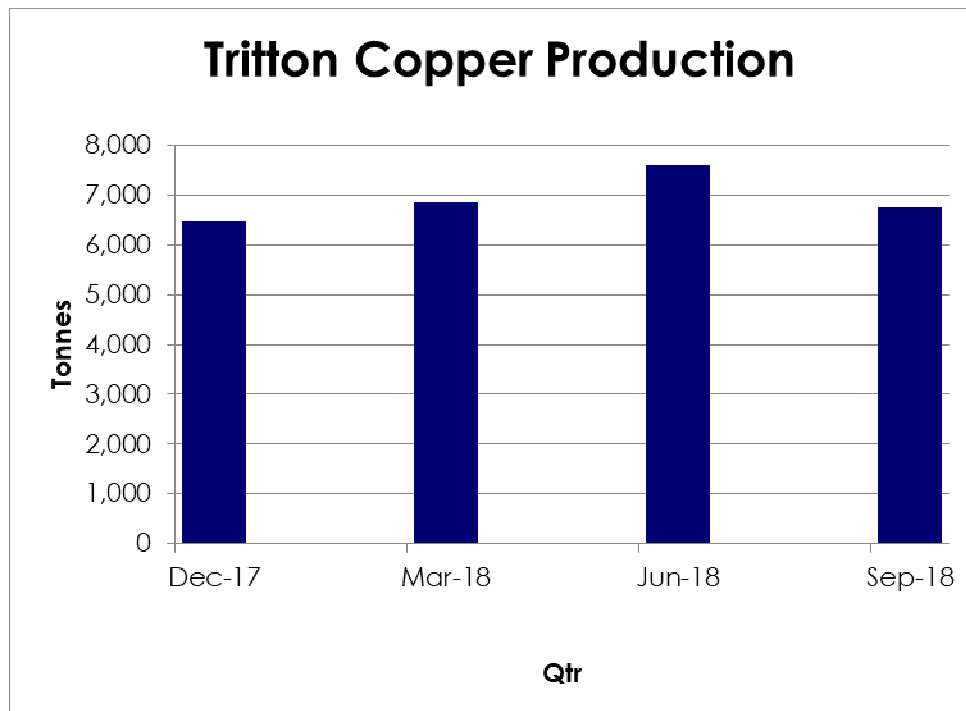
		DEC 2017 QTR	MAR 2018 QTR	JUN 2018 QTR	SEP 2018 QTR
PRODUCTION					
ORE MINED	TONNES	385,425	397,066	424,579	425,755
GRADE	Cu (%)	1.70%	1.87%	1.93%	1.60%
ORE MILLED	TONNES	403,144	382,281	418,154	432,802
GRADE MILLED	Cu (%)	1.68%	1.88%	1.89%	1.64%
RECOVERY	Cu (%)	94.80%	95.24%	95.88%	94.73%
COPPER CONCENTRATE PRODUCED	TONNES	28,136	30,017	35,676	30,202
COPPER CONCENTRATE GRADE	Cu (%)	22.82%	22.80%	21.25%	22.30%
CONTAINED COPPER IN CONCENTRATE	TONNES	6,421	6,844	7,580	6,736
COPPER CEMENT PRODUCED	TONNES	44	23	12	17
TOTAL COPPER PRODUCED	TONNES	6,465	6,867	7,592	6,753
OPERATING COSTS (A\$/lb Copper Produced)					
MINING	A\$/lb	1.43	1.52	1.39	1.73
PROCESSING	A\$/lb	0.47	0.46	0.40	0.44
SITE G&A	A\$/lb	0.31	0.29	0.28	0.29
TC/RC'S & PRODUCT HANDLING	A\$/lb	0.55	0.63	0.52	0.60
INVENTORY MOVEMENTS	A\$/lb	(0.09)	0.25	(0.22)	(0.04)
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	A\$/lb	(0.17)	(0.27)	(0.27)	(0.25)
C1 CASH COSTS	A\$/lb	2.50	2.88	2.10	2.77
ROYALTIES	A\$/lb	0.11	0.11	0.11	0.11
CORPORATE G&A*	A\$/lb	0.08	0.12	0.06	0.09
NON-CASH INVENTORY ADJ	A\$/lb	-	-	-	-
CAPITAL DEVELOPMENT	A\$/lb	0.28	0.24	0.27	0.13
SUSTAINING CAPITAL**	A\$/lb	0.32	0.22	0.25	0.31
SUSTAINING EXPLORATION	A\$/lb	-	-	-	-
ALL-IN SUSTAINING COSTS (AISC)	A\$/lb	3.29	3.57	2.79	3.41

*Includes Share Based Payments

**Includes financing payments (Principal and Interest) on Leased assets

PRODUCTION

Copper production for the September quarter was 6,753 tonnes as a result of high throughput rates in the processing plant supported by good ore production from both the Tritton and Murrawombie mines.



Tritton Underground Mine (Tritton)

Tritton mine ore production at 291kt, was an improvement on the previous quarter (276kt). The stope mining sequence in the lower levels of the mine continued to stabilize. Mine grade for the quarter at 1.64% has declined in comparison to the previous quarter (1.97%), as the mining sequence moves as planned out of the higher grade stopes mined in the previous quarter.

To improve loading and hauling efficiency from the lower level stopes there were several initiatives implemented during the quarter:

- An up-grade of the tele-remote loader system to allow operation from the surface control room (increases time available for stope loading through shift change and blast clearances); and
- Use of ore passes and truck loading loops to improve haulage productivity.

At Tritton, the shallow ore body dip has historically made application of ore passes difficult, however on the lower levels of the mine the geometry and high tonnage to be loaded from each sublevel makes them viable. These innovations assist with maintaining haulage fleet productivity despite a deeper operation.

Murrawombie Underground Mine (Murrawombie)

Murrawombie ore production at 135kt was lower compared to the previous quarter (149kt), however ahead of plan. Copper grades, at 1.52%, also decreased from the previous quarter (1.87%) due to sequencing of the mine plan.

Placement of cemented waste rock as a stope backfill continued during the quarter. Cemented backfill is part of the new mine design that is targeting more selective mining methods in order to mine areas of higher copper grades.

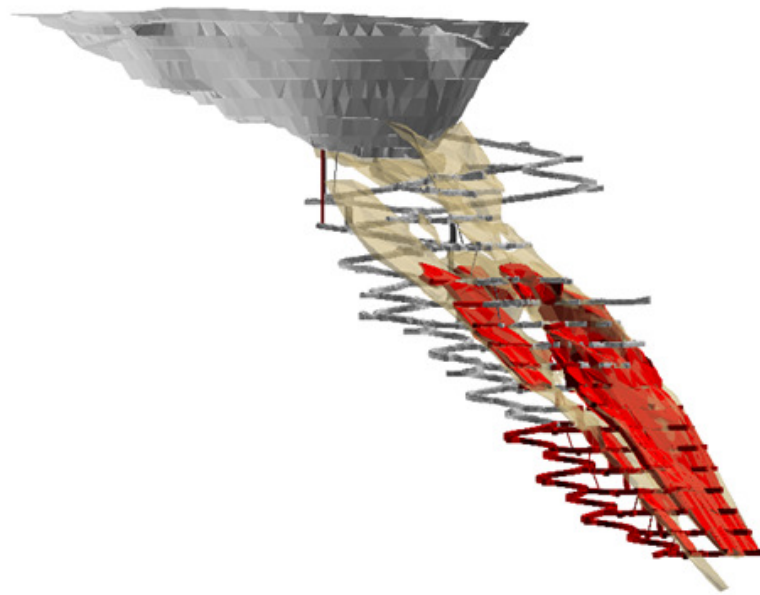


Figure 1: Murrawombie Mine Section View

Ore Processing

Ore processed during the quarter was 432kt, an increase compared to the previous quarter (418kt), reflecting the increased ore production from both the Tritton and Murrawombie mines.

Consistent milling operations enabled good metallurgical performance to continue. Copper recovery of 94.7%, decreased compared to the previous quarter (95.9%) with an offsetting increase in Cu concentrate grade improving to 22.3%, from 21.25% in previous quarter.

COSTS

C1 cash costs for the quarter, at A\$2.77/lb were in-line with guidance, however increased from the previous quarter (A\$2.10) primarily due to lower copper tonnes produced.

All-In Sustaining Costs (AISC) at A\$3.41/lb also increased from the previous quarter (A\$2.79/lb) due to the impact of the higher C1 unit cash costs and higher corporate costs, partially offset by decreased capital development.

Capital expenditure for the quarter was \$7.9 million, including \$1.3 million on exploration.

Tritton Capital Expenditure (A\$ Million)

	DEC 2017 QTR	MAR 2018 QTR	JUN 2018 QTR	SEP 2018 QTR
SUSTAINING CAPITAL				
PROPERTY, PLANT AND EQUIPMENT	2.7	1.7	1.8	2.4
MINING DEVELOPMENT	4.0	3.6	4.5	2.0
LEASED ASSETS*	1.8	1.7	2.3	2.2
EXPLORATION	-	-	-	-
GROWTH				
EXPLORATION	0.6	0.5	1.8	1.3
TOTAL	9.1	7.5	10.4	7.9

*Represents the finance lease payments (principal and interest) incurred in the quarter

OUTLOOK

The copper production guidance for FY2019 is 24,500 tonnes at a C1 cash cost of between A\$2.75 and A\$2.90 per pound.

Exploration and Project Development

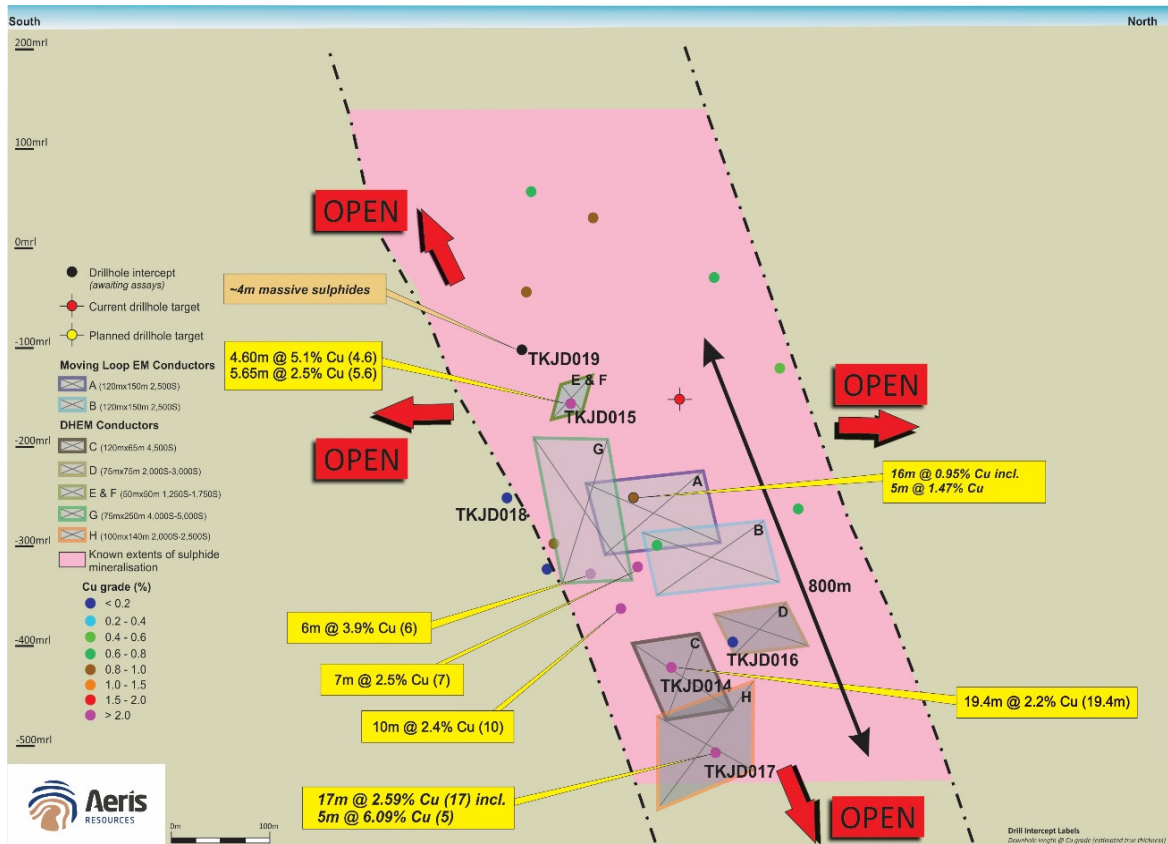
GREENFIELDS EXPLORATION – TRITON TENEMENT PACKAGE

Kurrajong Prospect

The Kurrajong prospect continues to develop into an exciting project. Drilling has now identified a massive sulphide lode with a length of over 800 metres down plunge within a lower grade copper sulphide envelope. The drilling results suggest a thickening of the mineralisation with depth and continuity between holes.

A single drilling rig was employed to complete drill holes TKJD017 through to TKJD022 during the quarter. The ASX release dated 21 August 2018 discussed the results for TKJD016, through to TKJD019. Information for drill holes TKJD020 to TKJD022 are still pending receipt of assay results, although visual estimates indicate no significant copper grades intercepted.

Figure 2: Long section view of the interpreted Kurrajong mineralised envelope showing the location and copper grade from drillhole intersections through the sulphide deposit.



Copper mineralisation at Kurrajong is interpreted to have formed along a structural corridor, similar to other deposits within the Tritton tenement area. The opportunity for thickening and increased strike length and repeats of the high-grade lense is significant, as observed in other Tritton deposits.

Some of the drilling through the quarter was designed to test the mineralisation extent at shallow depths where it was expected to be weakening, (drill holes TKJD019 to TKJD022). Hole TKJD019 returned a 4.5 metre intersection of massive sulphide (assays pending). Drill holes TKJD021 and TKJD022 intersected no visibly significant copper grades (assay results pending) - these two drill holes intersected to the side of what is now modelled as the main high-grade lens. Drill hole TKJD019 shows that mineralisation exists at depths of 300 metres below surface and 150 metres up-plunge from the previous shallow intersection in TKJD015.

The drill hole TKJD017 was designed to test the down plunge extension of the deposit. It is the deepest drilling to date and returned 17.0 metres at 2.59% copper. This high-grade Cu intersection is significant for several reasons. High grade Cu mineralisation has been extended a further 150 metres down plunge, and the intersection thickness is significantly greater compared with previous intersections up-dip. Both features provide confidence the mineralised system is potentially increasing in strength at depth.

A downhole electromagnetic (DEHM) survey was conducted in TKJD017 and detected a strong conductive response in-line with the interpreted position of the massive sulphide shoot giving confidence in the orientation and continuity of the high-grade copper mineralised system.

MLTEM and Aerial EM Surveys

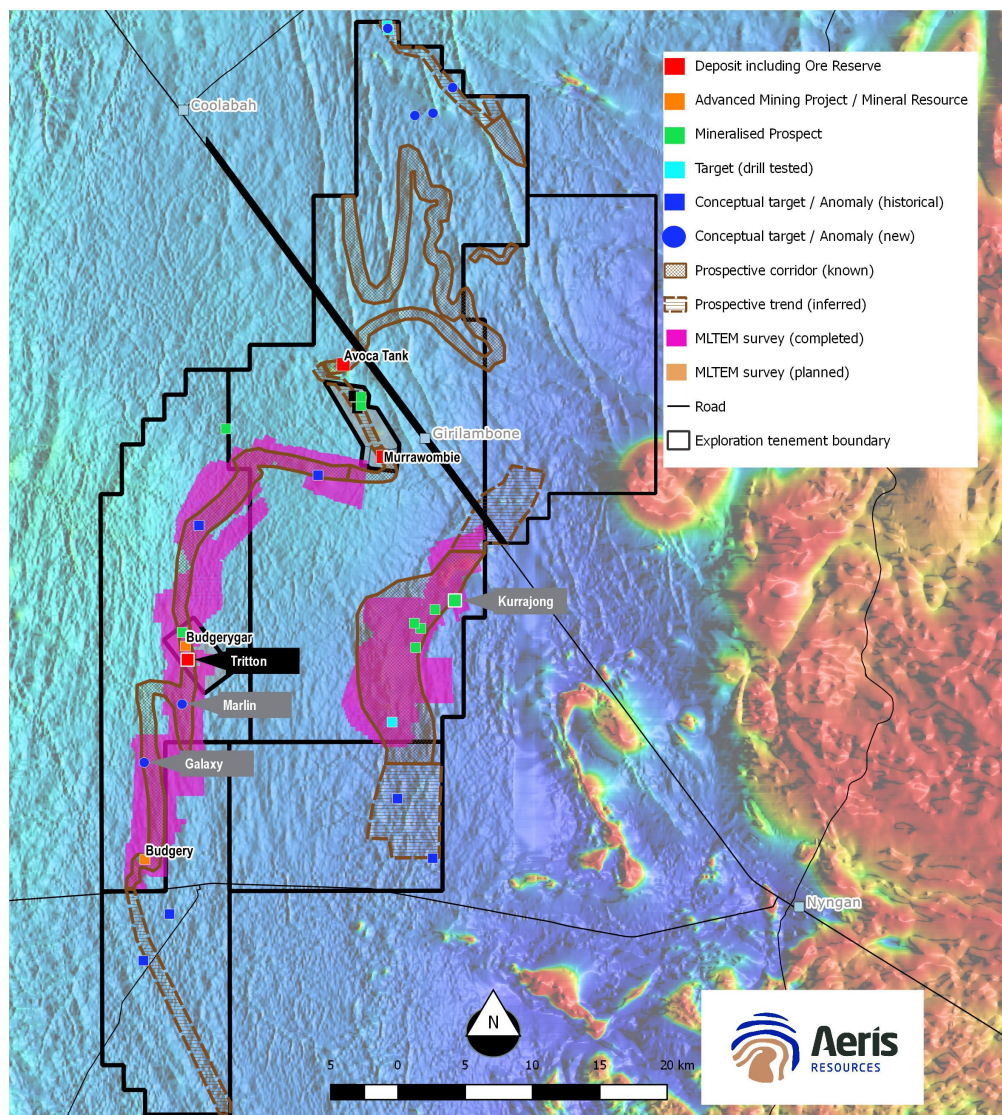
On other areas of the Tritton tenement package, general exploration activity included a review of the data from the ground based MLTEM geophysical survey completed in the fourth quarter of FY2018. Detailed analysis of the data to identify and rank the subtler anomalies is progressing in cooperation with specialist consultants.

Planning is in progress for an extension of the MLTEM survey to cover further along strike between the Murrawombie and Avoca Tank deposits and into the northern parts of the tenement package. This ground survey in the northern parts of the tenement package will be preceded by an aerial EM program.

The northern tenement area is barely explored. Significant effort to build a basic geology map of the area, identifying the most prospective stratigraphic corridor has been an important component of the overall exploration program running since 2017. With a base geology map now developed, the timing is optimal to apply the combination of aerial and ground-based EM survey to identify drill targets.

In early 2017, a small aerial EM survey flown as a test over the very northern end of the tenements, around the Exley region, was successful in identifying four (4) anomalies. To follow on from this success, an aerial survey of the whole of the northern area of the tenement is to be conducted using the latest available technology. Suppliers are now offering technology that can penetrate more effectively through conductive cover and to a greater depth. We plan to cover most of the northern area of the tenement package with the most suitable and latest aerial EM survey method. We have been in discussion with our specialist geophysical consultants and suppliers to identify the most suitable system. A ground based detailed MLTEM survey will follow up on any anomalies from the aerial work, including over the four, yet to be tested anomalies in the Exley region.

Figure 3: Tritton region showing Aeris Resources Tritton tenement package and prospective corridors for copper mineralised systems. The completed MLTEM geophysical survey coverage is highlighted by shaded magenta regions.



At the South Wing, drilling has defined multiple sulphide (pyrite-chalcopyrite) lenses over a 250 metres vertical extent from 4,500mRL to 4,250mRL. During the September quarter there were an additional five (5) holes drilled to better define the mineralisation. Assay results are still pending from the laboratory. Detailed geology logging and structural modelling is in progress to understand the stratigraphic relationship between South Wing and the main Tritton deposit. This will be used to assist in preparation for a resource estimate.

The North Wing sulphide occurrence is defined by three historical drillholes which intersected a pyrite-chalcopyrite sulphide horizon along strike (north) and possibly in the hanging wall of the Tritton deposit. Geological understanding of the North Wing remains limited. Six holes drilled into the mineralisation in the June quarter has been very helpful to structural geology interpretation and understanding the location of the lode with respect to the main Tritton ore body. Work on this opportunity during the quarter has been focused on basic geology interpretation and preparation of a structural model to describe why the mineralisation is located where it is and how it relates to the main ore body and the South Wing.

The results from the South and North Wings are highly encouraging and indicate the Tritton – Budgerygar mineralised corridor is highly prospective with significant potential to define new mineralised horizons with the 2 kilometre corridor.

At the Tritton main deposit there was no further drilling into the depth extension as the drill platform was used for production grade control drilling.

TORRENS PROJECT, SOUTH AUSTRALIA

The Torrens Project (EL5614), a joint venture between Aeris Resources (70% interest) and Kelaray Pty Ltd (a wholly owned subsidiary of Argonaut Resources NL), is exploring for iron-oxide copper-gold (IOCG) systems in the highly prospective Stuart Shelf region of South Australia. The Torrens Project is located on Lake Torrens, near the eastern margin of South Australia's Gawler Craton and lies within 50 kilometres of Oz Minerals' Carrapateena deposit and 75 kilometres from BHP's Olympic Dam mine.

The Torrens Project is defined by a regionally significant coincident magnetic and gravity anomalous zone. Limited drilling has previously intersected low-grade copper mineralisation associated with strong magnetite and lesser hematite alteration, typical of an IOCG system. The most significant intersection from the previous drill campaigns is from TD2, which intersected a broad zone of low grade mineralisation including 246m @ 0.1% Cu.

On-ground exploration within EL5614 has been impeded due to native title negotiations and court processes dating back to the early 2000s, culminating in three separate groups claiming native title rights over the Torrens Project (Lake Torrens Overlap Proceeding). On 9 August 2016, the Federal Court dismissed all three native title applications, enabling the Torrens Joint Venture to apply to the South Australia Environment, Resources and Development (ERD) Court for a declaration of native title authority where no registered native title claims or granted native title rights exist.

Official management of the joint venture was passed from Kelaray to Straits Exploration Australia, (the subsidiary of Aeris Resources that hold 70% of the joint venture) at the end of the quarter. The joint venture partners are working closely during the hand over period to ensure the project continues to move forward.

The joint venture partners also approved a \$5m budget (Aeris \$3.5m) for FY19 as part of a staged drilling campaign (20-30 holes 700m to 1500m below surface over an 18-24 month period) with the Stage 1 drill program targeting 8-10 priority targets.

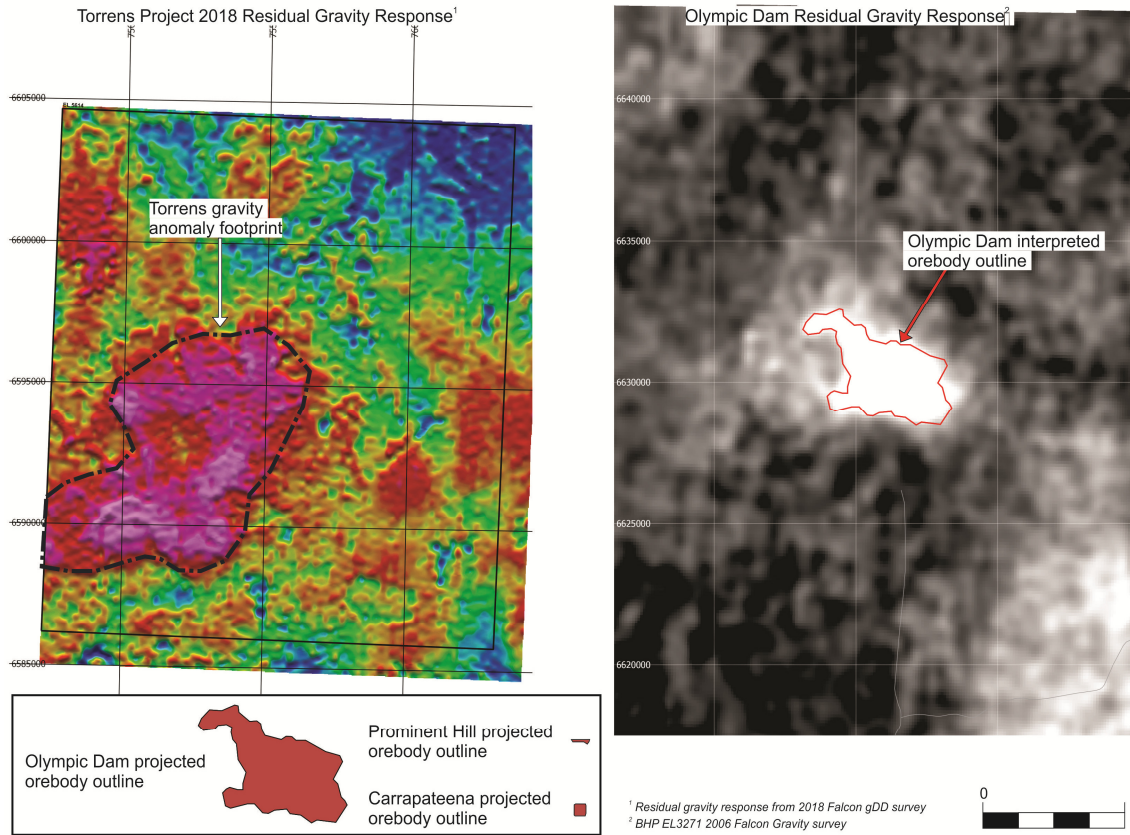
Geology work in the quarter was focused on technical reviews to support drill hole targeting. Detailed analysis of the airborne gravity survey data collected in the prior quarter commenced. The new survey data is being merged with historical information to provide a much-improved geophysical model of the prospect.

Several technical workshops were held with experts in IOCG deposits invited to inspect the existing core from previous drilling and review the geophysical data. Structural and lithological interpretation of the geophysical data has commenced with the aim of predicting sites of structural dilation that might host mineralisation. The structural and geophysical models will be used to target the drilling.

Planning for the project logistics, contractor mobilization, and development of health safety and environmental impact management plans continued. The drilling on Lake Torrens is technically challenging, requiring the use of helicopters to move drill crews and materials, so as to minimize environmental impact. Establishing access to the site and logistical support for the drilling program is expected to be well advanced in the December quarter.

Within the current quarter the focus is on establishing access, a camp and logistics base to support the drilling and helicopter contractors. Drilling is expected to commence before the end of the calendar year.

Figure 5: 2018 residual gravity image over the Torrens project and the 2006 residual gravity image over the Olympic Dam deposit.



Corporate

CASH

At the end of the September quarter, Aeris had useable cash and receivables of \$25.8 million, a decrease of \$4 million on the previous quarter.

\$million	SEP 2018 QTR	JUN 2018 QTR
Useable Cash - Aeris Corporate and Tritton	16.3	23.3
Tritton - Copper concentrate receivables	9.5	6.5
Aeris/Tritton - Useable Cash and Receivables	25.8	29.8

Net hedge settlements of \$0.1 million were received during quarter (\$0.6 million paid and \$0.7 million received).

Corporate capital expenditure for the quarter was nil.

EQUITY RAISE

On 21 September 2018 Aeris announced the launch of a fully underwritten A\$35.1 million Placement and 1:2.1 Entitlement Offer with the funds being raised used to:

- Accelerate exploration programs at the 100% owned Tritton Copper Operations and the Torrens Joint Venture (Aeris 70%);
- Strengthen the Company's financial position through the repayment of a significant proportion of outstanding senior debt;
- To pay for the costs associated with the equity raise.

The \$35.1 million Placement and Entitlement Offer, at a price of \$0.20 per share, consisted of:

- A Placement and Accelerated Institutional Entitlement Offer which was completed on 2 October and raised \$28.4 million and resulted in the issue of approximately 142.0 million new shares; and
- A Retail Entitlement Offer which closed on 9 October and raised \$6.7 million with approximately 33.5 million new shares being issued.

In aggregate, approximately 175.5 million new shares will be issued under the Placement and Entitlement Offer.

The issued capital of Aeris will now comprise approximately 455.7 million ordinary shares, 93.4 million unlisted options (exercisable at \$nil each with an expiry date of 31 December 2021) and 93.4 million convertible redeemable preference shares (CRPS) held by Standard Chartered Bank.

DEBT

On 4 October, utilising funds received from the equity raise, Aeris made a US\$20 million repayment on its Tranche B debt facility with Special Portfolio Opportunity V Limited (SPOV), a subsidiary of a fund managed by PAG.

The US\$20 million payment reduced the balance of the Tranche B facility to US\$10 million and avoids a 3% interest rate step-up, which would have been payable from 14 October 2018 on any balance of the Tranche B facility remaining above US\$10 million. Aeris' total debt is now reduced to US\$29 million (Tranche A facility – US\$19 million and Tranche B facility – US\$10 million) and represents a reduction in the Company's debt of more than US\$100 million since the start of 2013.

CONTINGENT INSTRUMENT FACILITY

On 17 September Aeris completed a restructure of its contingent instrument facility, for environmental bonding, in conjunction with major shareholder and key financier, SPOV. The contingent instrument facility was previously provided by Standard Chartered Bank (SCB), with SPOV providing a guarantee to SCB for a three year period ending 14 March 2021. The new contingent instrument facility is provided by ANZ Banking Group (ANZ) with SPOV providing a guarantee to ANZ until 14 March 2021. Pricing of the new facility is in line with the all-up cost of the previous facility and contains similar terms including that Aeris will cash back the bonds over a 3 year period. As a result of the transaction, Aeris no longer has any debt or other facilities with SCB

As part of the Contingent Instrument Facility restructure Aeris provided \$2.0 million up-front towards cash backing the outstanding guarantees.

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or go to our website at www.aerisresources.com.au

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