



## Quarterly Activities Report For the period ended September 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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### SEPTEMBER QUARTER HIGHLIGHTS

#### OPERATIONS:

- September quarter copper production of 6,380 tonnes
- Tritton Deeps development approved by Aeris Board
- Ventilation Shaft at Tritton underground mine commenced
- Ramp-up of Greenfields exploration activities on Tritton tenement package with \$7.5M targeted over next two years

#### CORPORATE:

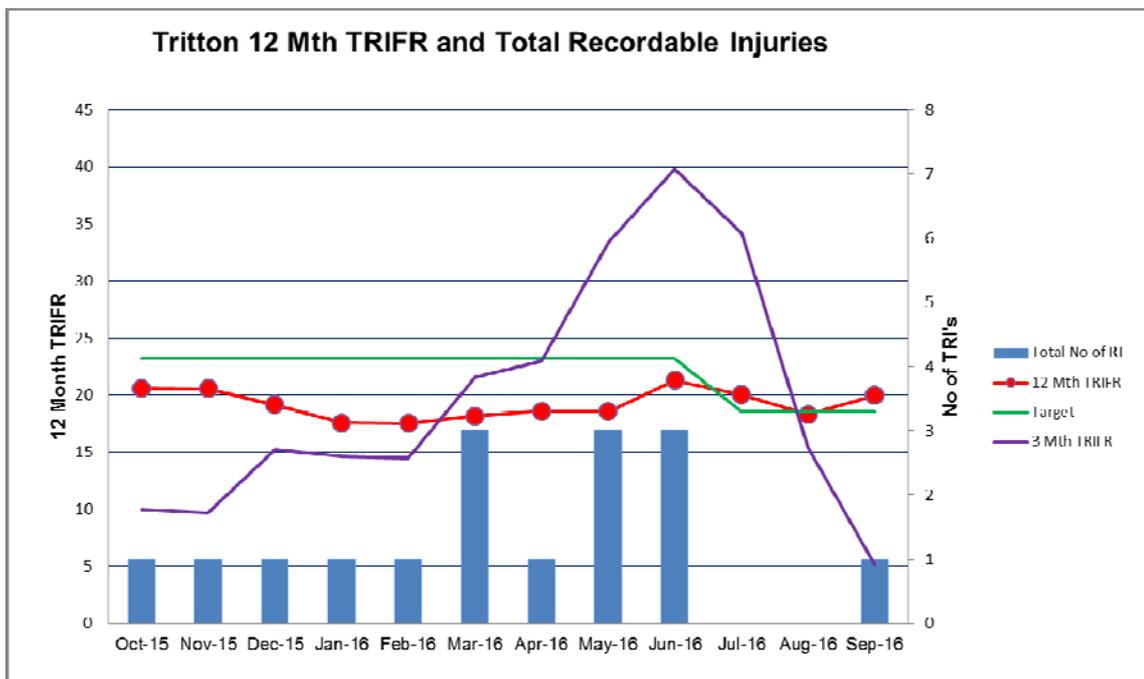
- Cash and receivables of \$7.8M at the end of the quarter
- Access to Tranche 2 (US\$10M) of Working Capital Facility triggered by approval of Tritton Deeps

## Q1 FY2017 Quarterly Activities Report

### Safety, Environment and Community

There were no lost time injuries during the quarter.

The total recordable injury frequency rate (TRIFR) is 19.97 as at 30 September 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.



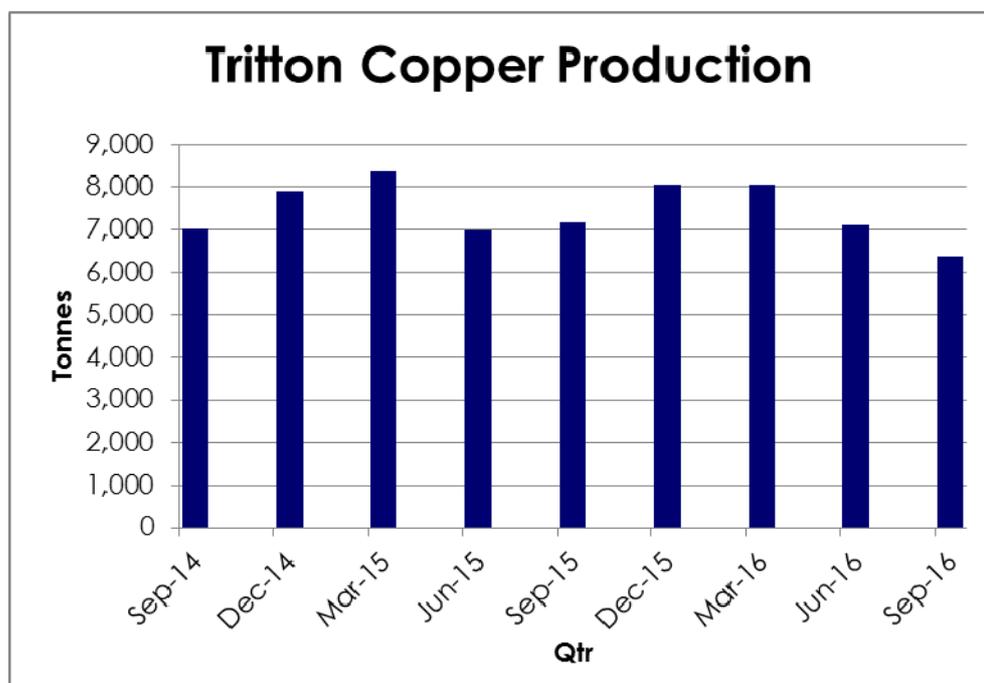
There were no reportable environmental incidents during the quarter.

## Tritton Copper Mine (NSW)

### PRODUCTION

Copper production for the September quarter was 6,380 tonnes. During the quarter, the Tritton underground mine (Tritton) transitioned to multi-lift stopes. Mining production and grade at Tritton were negatively impacted by oversize rocks in stopes, which slowed down extraction of broken ore and impacted on dilution. The North East mine closed during the quarter as the last ore was extracted in September. The Murrawombie underground mine development continued in the quarter with production expected to ramp-up during FY2017.

Ore processing performance was higher than previous quarter at 408,828 dmt milled with copper recovery at 94.32%.



The processing plant was shut down for three days in July for crusher maintenance, and for two days in September, as a result of SAG mill maintenance brought forward. The processing plant was also impacted by power outages at the start of the quarter.

#### Tritton Production Statistics

		SEP 2015 QTR	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR	SEP 2016 QTR
MINED	TONNES	430,244	424,445	417,244	422,018	400,627
GRADE	Cu (%)	1.88%	1.86%	1.94%	1.75%	1.67%
ORE MILLED	TONNES	397,798	454,404	441,630	407,027	408,828
GRADE MILLED	Cu (%)	1.91%	1.86%	1.90%	1.84%	1.65%
RECOVERY	Cu (%)	93.97%	94.23%	95.18%	93.76%	94.32%
COPPER CONCENTRATE PRODUCED	TONNES	30,210	33,241	33,004	29,014	27,363
COPPER CONCENTRATE GRADE	Cu (%)	23.58%	24.02%	24.18%	24.24%	23.19%
CONTAINED COPPER IN CONCENTRATE	TONNES	7,123	7,985	7,981	7,033	6,345
COPPER CEMENT PRODUCED	TONNES	60	86	92	65	36
TOTAL COPPER PRODUCED	TONNES	7,183	8,071	8,073	7,098	6,380

## PROJECTS

### Ventilation shaft

During the previous quarter, Aeris commenced construction of a new ventilation shaft at the Tritton mine to support operations as they progress deeper, following the orebody. When completed, the shaft will extend from surface to the existing RL4385m exploration drive, a total of 880 metres, representing a total capital investment of more than \$11 million. The vent shaft is targeted to be operational at the end of the March quarter in 2017. 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.

The project is progressing well although with some technical issues. Electrical power outages have disrupted progress and a backup diesel power pack was mobilised to site. The pilot hole encountered an open fault at 800m depth that stopped drilling progress due to loss of water returns. Pressure grouting of the fault from the mine was nearly completed by end of the quarter and breakthrough of pilot hole to the mine is expected in October.

### Murrawombie

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

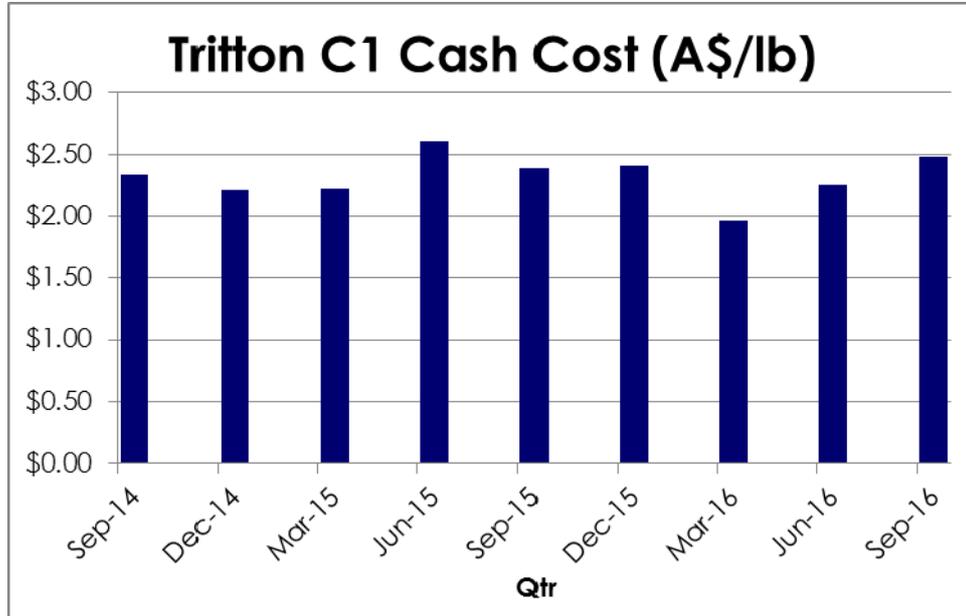
Mine development was well advanced by the end of the quarter. Electrical power, main ventilation and pumping infrastructure were all installed and operating during the quarter. Stope mining of the minor lodes in the upper part of the mine had commenced to provide ore production while the decline is advanced down to the main ore body, (102 lode mineralisation).

Production from the minor lodes in the upper part of the mine is expected to be variable due to the partially oxidized rock mass near surface. Hence priority is given to advance of the capital access decline to allow future bottom up mining of these lodes, with stabilizing backfill.

### Equipment fleet replacement

Improving reliability of the mine equipment fleet, through strategic equipment replacement and improved maintenance practices, has continued to be a high focus. In FY16, seven new 63 tonne underground trucks, a CAT Loader and a drill rig were added to the fleet. The final truck was delivered and another loader was also added to the fleet during the September quarter.

**COSTS**



C1 unit cash costs for the quarter were A\$2.48/lb, an increase over the previous quarter as a result of increased mining unit costs mainly due to lower copper production and increased processing costs due a shutdown being brought forward into September quarter. TC/RC's decreased as a result of timing of shipments.

Total production unit costs declined compared to the previous quarter mainly due to the positive concentrate inventory movement, due to timing of a shipment at the end of the quarter.

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

	SEP 2015 QTR	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR	SEP 2016 QTR
TOTAL MINING COSTS	1.23	1.15	0.98	1.12	1.37
TOTAL SITE PROCESSING COSTS	0.41	0.37	0.32	0.33	0.44
TC/RC'S & PRODUCT HANDLING	0.54	0.70	0.53	0.63	0.48
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.04)	(0.05)	(0.07)	(0.10)	(0.10)
OTHER DIRECT CASH COSTS	0.28	0.24	0.22	0.29	0.29
<b>TOTAL C1 COSTS</b>	<b>2.39</b>	<b>2.41</b>	<b>1.98</b>	<b>2.27</b>	<b>2.48</b>
ROYALTIES	0.06	0.06	0.07	0.06	0.06
CONCENTRATE INVENTORY MOVEMENT	(0.70)	0.46	(0.08)	0.27	(0.52)
TOTAL CASH COSTS	1.76	2.93	1.97	2.60	2.02
DEPRECIATION & AMORTISATION	0.48	0.47	0.46	0.53	0.47
TOTAL PRODUCTION COSTS	2.24	3.40	2.43	3.13	2.49

Capital expenditure at Tritton in the quarter was \$4.0 million.

**Tritton capital expenditure (A\$ Million)**

	SEP 2015 QTR	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR	SEP 2016 QTR
PROPERTY, PLANT AND EQUIPMENT	0.8	1.8	1.2	3.4	0.6
MINING DEVELOPMENT	3.9	3.9	3.1	3.7	3.2
EXPLORATION	1.2	0.3	0.3	0.2	0.2
TOTAL	5.9	6.0	4.6	7.3	4.0

**OUTLOOK**

Copper production guidance for FY2017 is 28,000tpa.

## 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).

During the quarter preparation for a high power electromagnetic geophysical survey over the Tritton and Kurradjong corridors were finalised. The electromagnetic survey will commence in the December quarter and is expected to continue through to June 2017. Extensive electromagnetic surveys completed within the tenement package during the mid-1990s led to the discovery of the Tritton deposit. Advances in technology since this period enables such surveys to penetrate deeper and application of this new technology is expected to be instrumental in the exploration campaign to detect new Tritton sized deposits, of plus ten million tonnes, to depths in excess of 500m below surface. Trial test work completed over the Kurradjong prospect successfully detected the known mineralised system from 400m below surface.

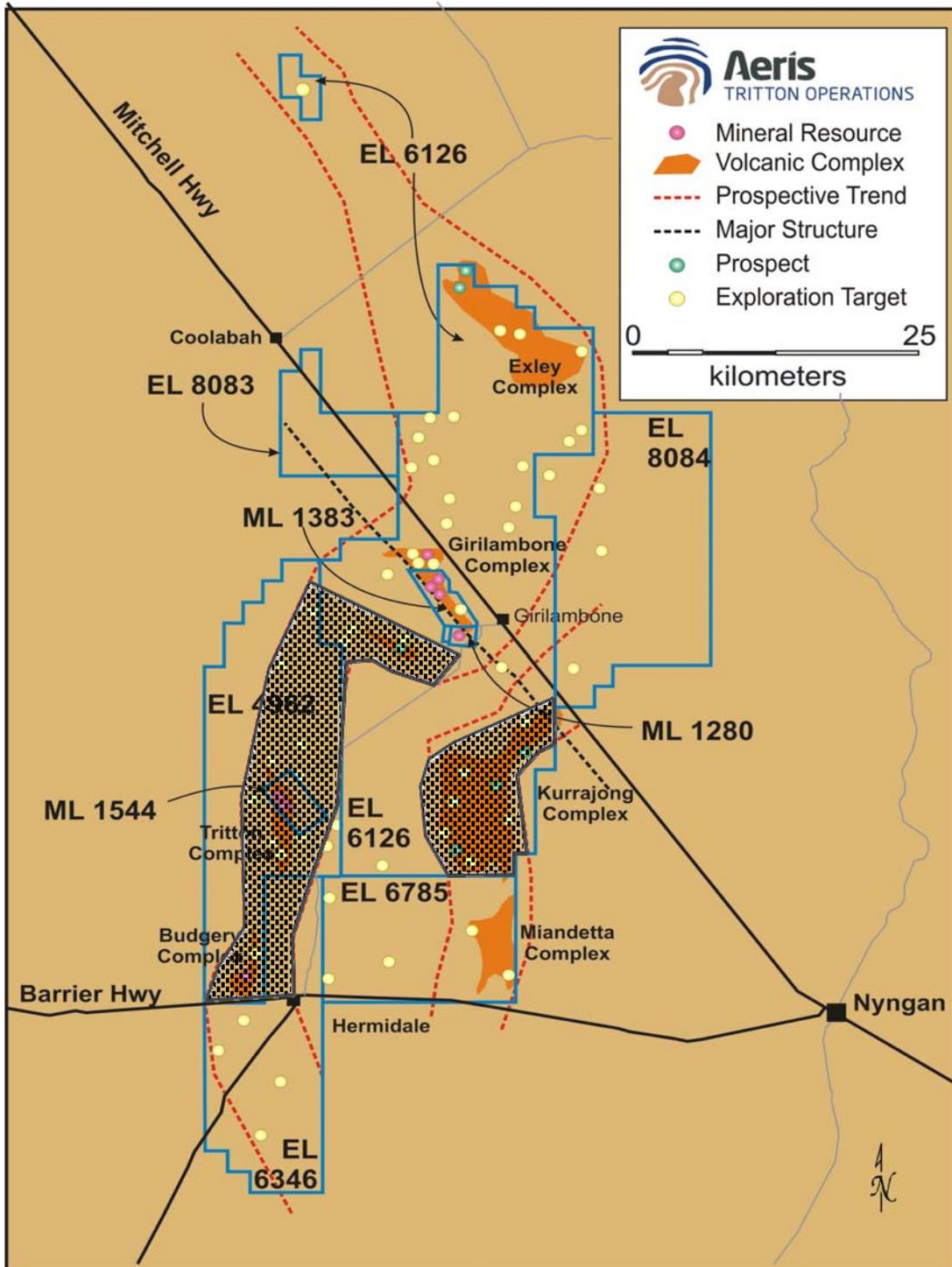


Figure 1: Tritton Region showing known basement complexes prospective for VMS systems and current operations. The planned electromagnetic geophysical survey is highlighted by dashed regions.

## Corporate

### CASH

At the end of the September quarter, Aeris had useable cash and receivables of \$7.8 million, a decrease of \$11.3 million on the previous quarter, due to the timing impacts of a concentrate shipment (ca. 10,482 wmt) which was loaded onto the vessel at the end of September but not recognized as a sale until early October (with an invoice value of approximately US\$7.8 million).

\$million	SEP 2016 QTR	JUN 2016 QTR
Useable Cash - Aeris Corporate and Tritton	5.2	11.3
Tritton - Copper concentrate receivables	2.6	7.8
<b>Aeris/Tritton - Useable Cash and Receivables</b>	<b>7.8</b>	<b>19.1</b>

During the quarter, Aeris drew down US\$4.0 million from the Working Capital Facility with Special Portfolio Opportunity V Limited (PAG SPV) (FY16 – US\$4.5 million). During 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\$10 million) of the PAG SPV Working Capital Facility.

Corporate capital expenditure for the quarter was nil.

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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.