



# Quarterly Activities Report

## For the period ended 31 December 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 25,000 – 26,000 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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## DECEMBER QUARTER HIGHLIGHTS

### OPERATIONS:

- December quarter copper production of 6,024 tonnes
- Electromagnetic survey program over Tritton and Kurrabung corridors commenced in December
- Change to mining sequence at Tritton underground mine resulted in lower copper grades for quarter
- Slower than expected ramp-up of production at the new Murrawombie underground mine to impact FY17 copper production
- FY17 Copper production guidance revised down to 25,000 – 26,000 tonnes

### CORPORATE:

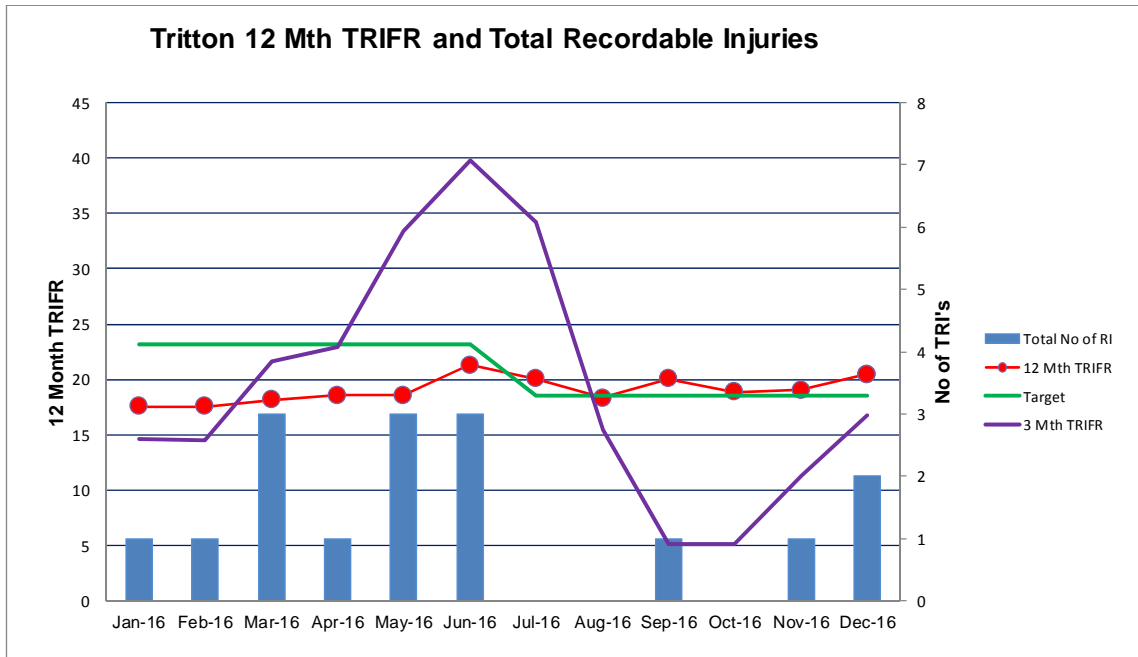
- Cash and receivables of \$11.3M at the end of the quarter

## Q2 FY2017 Quarterly Activities Report

### Safety, Environment and Community

There was one lost time injury during the quarter. A contractor injured his thumb between a rod and gripper whilst doing maintenance on a drill rig.

The total recordable injury frequency rate (TRIFR) is 20.49 as at 31 December 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.



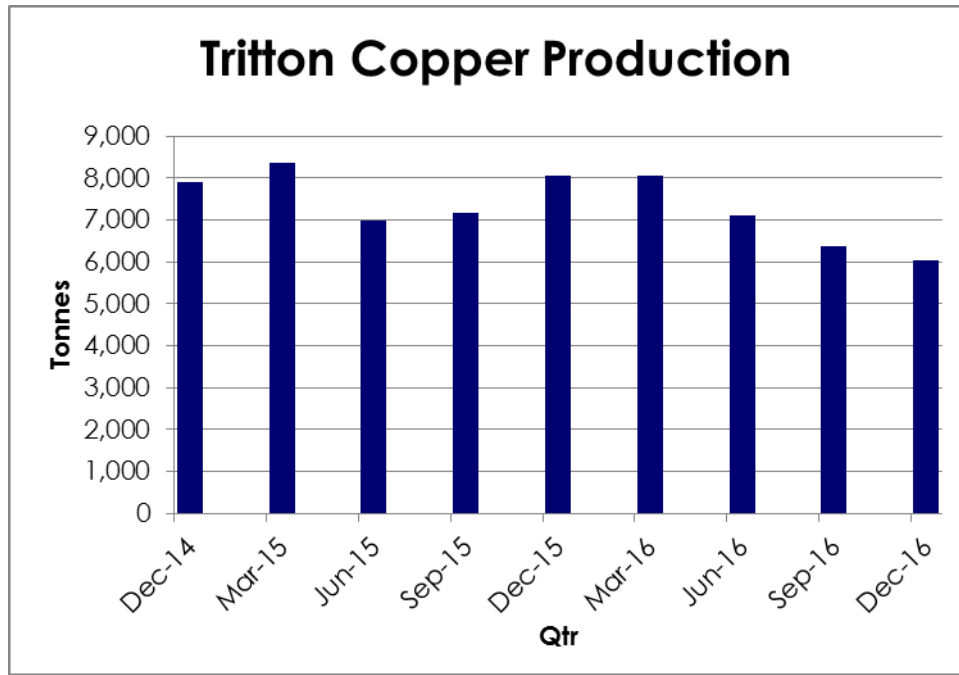
There was a single reportable environmental incident during the quarter. A leak in a breather valve on the water pipeline between Murrawombie pit and Larsen pit resulted in release of water to the local environment. NSW authorities were notified and have inspected the location. Tritton has responded to their requests for further investigations, engagement of an independent consulting expert, and additional sampling. Final response from the authorities is pending at this time.

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## Tritton Copper Operations (NSW)

### PRODUCTION

Copper production for the December quarter was 6,024 tonnes and lower than the previous quarter, predominantly due to delays in the start of stoping at the new Murrawombie underground mine.



### Murrawombie Underground Mine

Production from Murrawombie for the quarter was lower than planned and was impacted by:

- Geotechnical conditions in the upper level 101 lode ore body were found to be worse than expected. A change from top down stope extraction with pillars to bottom up stoping with backfill support, (dry rock fill) was required. This has delayed the start of stope production, with production from first stopes not expected until the March 2017 quarter; and
- Delay in grade control drilling due to lack of sufficient electrical power, before mains power was connected, exacerbated by the change to bottom up extraction. Final stope design has been delayed whilst waiting for detailed geology information.

Development of the Murrawombie mine capital infrastructure advanced as planned, except for a three week delay whilst water, from good winter rains, in Murrawombie pit was pumped over to the Larsen pit. Ground water inflow to Murrawombie pit is small and most water accumulated is rainwater into the pit or drained from the adjacent heap leach pads for environmental reasons.

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Ventilation, communications, electrical and other infrastructure was installed as planned during the quarter.

With the change to bottom up mining, development of the main decline is scheduled as a priority to get as low as possible as quickly as possible to access the main 102 lode ore body. Ore development on the top sub-level in the 102 lode commenced at the end of the quarter.

Mine plans for extraction of the 102 lode have been modified in response to updates of the geology models and from experience with poor quality rock mass conditions encountered around the 101 lode. The design now includes conventional low height open stopes to mine the high grade portions of the 102 orebody with conservative stope dimensions. There are no indications that rock mass conditions in the 102 lode will be more difficult than expected, however the more conservative design protects the high grade ore and provides opportunity to mine some stopes top down and may provide the opportunity to access some of these higher grade stopes in FY18, which is earlier than originally planned.

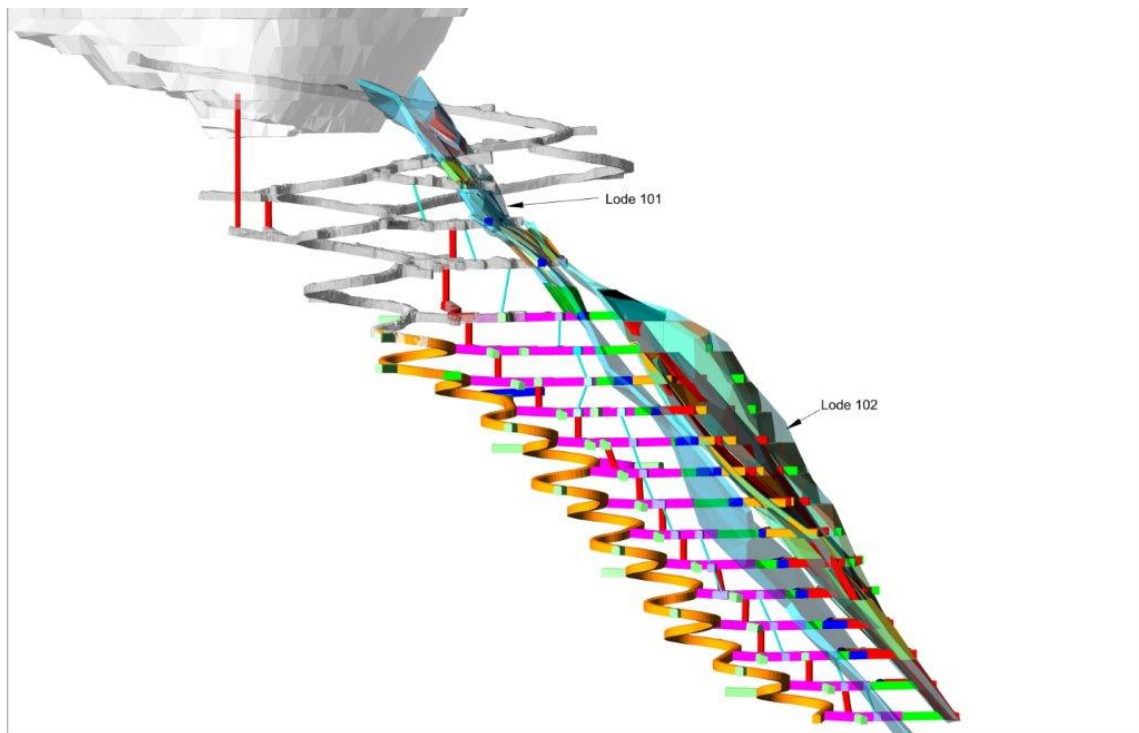


Figure 1 - Updated Murrawombie Mine Design

**Tritton Underground Mine**

Tritton mine production averaged 115kt ore per month for the quarter, slightly higher than the actual average monthly production over the past eighteen months. Blasting and extraction of the new design multi-level stopes was completed without any significant issues. A review of detailed drill and blast designs completed in response to oversize rocks and dilution problems

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encountered in Q1 FY2017 recommended some changes to practices that have helped improve results.

Copper grades at Tritton during the quarter were lower than planned due to changes in the stope extraction sequence. The changes in sequencing occurred in response to a backlog in paste backfill volumes. Some of the higher grade stopes have been delayed and production replaced with ore from lower grade stopes on the lower levels.

The backlog of paste backfill volumes has resulted from a number of blockages in the paste lines over recent months. The blockages have now been cleared and it is expected that the backlog will be cleared during the March quarter. An external review of the paste fill system and operating practices has been initiated.

### Ore Processing

Ore processed during the quarter was 399,648 dmt and was slightly above tonnes mined as stockpiled ore at the end of the previous quarter was also processed. Consistent milling operations enabled good metallurgical performance with copper recovery of 95.11%. The processing plant was shut down for three days in November for routine planned maintenance and a mill reline.

### Tritton Production Statistics:

		DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR	SEP 2016 QTR	DEC 2016 QTR
MINED	TONNES	424,445	417,244	422,018	400,627	388,716
GRADE	Cu (%)	1.86%	1.94%	1.75%	1.67%	1.52%
ORE MILLED	TONNES	454,404	441,630	407,027	408,828	399,648
GRADE MILLED	Cu (%)	1.86%	1.90%	1.84%	1.65%	1.58%
RECOVERY	Cu (%)	94.23%	95.18%	93.76%	94.32%	95.11%
COPPER CONCENTRATE PRODUCED	TONNES	33,241	33,004	29,014	27,363	25,428
COPPER CONCENTRATE GRADE	Cu (%)	24.02%	24.18%	24.24%	23.19%	23.55%
CONTAINED COPPER IN CONCENTRATE	TONNES	7,985	7,981	7,033	6,345	5,988
COPPER CEMENT PRODUCED	TONNES	86	92	65	36	36
TOTAL COPPER PRODUCED	TONNES	8,071	8,073	7,098	6,380	6,024

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## PROJECTS

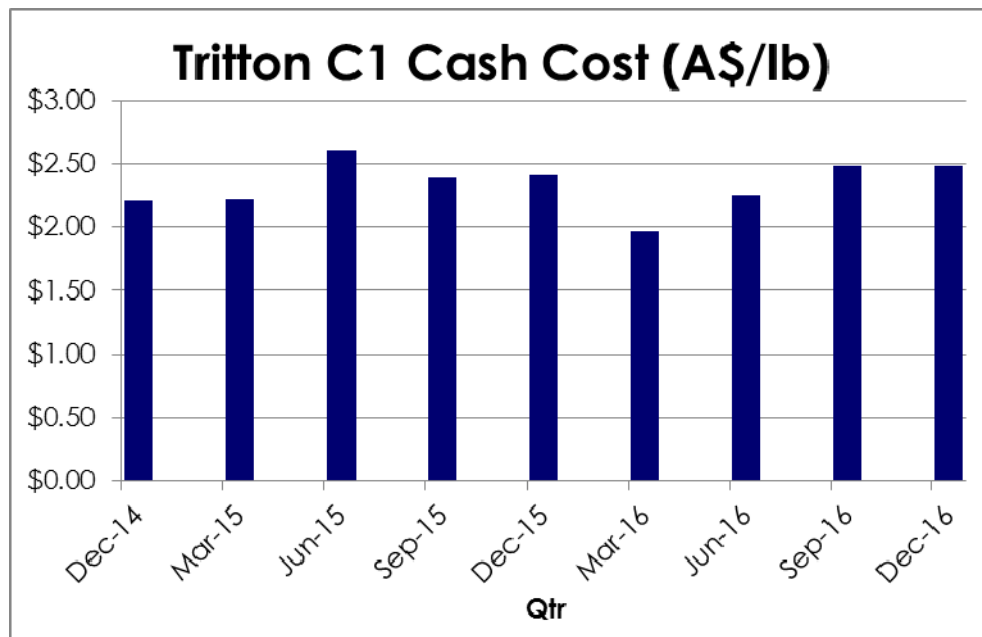
### Tritton Ventilation shaft

Construction of the new ventilation shaft at the Tritton mine continued. 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 June quarter in 2017. This significant investment will enable Tritton mine to be extended to at least RL4000m at production rates of 1mtpa or better.

The project is progressing well following the technical issues in the September quarter. Back reaming of the shaft is now underway and progressing in line with expectations.

The new ventilation fans that are to be installed on the shaft have been fabricated. Manufacture of the electrical and control systems is progressing on schedule.

## COSTS



C1 unit cash costs for the quarter were in line with the previous quarter at A\$2.48/lb, despite the lower volumes of copper produced and reflects the high focus on cost management by the operations team on site.

Total production unit costs increased compared to the previous quarter mainly due to the increased concentrate inventory movement and lower production impacting on the timing of a shipment at the end of the quarter.

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

	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR	SEP 2016 QTR	DEC 2016 QTR
TOTAL MINING COSTS	1.15	0.98	1.12	1.37	1.22
TOTAL SITE PROCESSING COSTS	0.37	0.32	0.33	0.44	0.44
TC/RC'S & PRODUCT HANDLING	0.70	0.53	0.63	0.48	0.62
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.05)	(0.07)	(0.10)	(0.10)	(0.14)
OTHER DIRECT CASH COSTS	0.24	0.22	0.29	0.29	0.34
<b>TOTAL C1 COSTS</b>	<b>2.41</b>	<b>1.98</b>	<b>2.27</b>	<b>2.48</b>	<b>2.48</b>
ROYALTIES	0.06	0.07	0.06	0.06	0.07
CONCENTRATE INVENTORY MOVEMENT	0.46	(0.08)	0.27	(0.52)	0.29
TOTAL CASH COSTS	2.93	1.97	2.60	2.02	2.84
DEPRECIATION & AMORTISATION	0.47	0.46	0.53	0.47	0.44
TOTAL PRODUCTION COSTS	3.40	2.43	3.13	2.49	3.28

Capital expenditure at Tritton in the quarter was \$9.3 million.

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

	DEC 2015 QTR	MAR 2016 QTR	JUN 2016 QTR	SEP 2016 QTR	DEC 2016 QTR
PROPERTY, PLANT AND EQUIPMENT	1.8	1.2	3.4	3.6*	4.7
MINING DEVELOPMENT	3.9	3.1	3.7	3.2	4.4
EXPLORATION	0.3	0.3	0.2	0.2	0.2
TOTAL	6.0	4.6	7.3	7.0	9.3

\*Capital Expenditure – Property Plant and Equipment was incorrectly reflected as \$0.6 million in the September Quarterly Report and is therefore corrected to \$3.6 million in the above table.

**OUTLOOK**

As a result of the slower than planned ramp-up of production at the Murrawombie Underground Mine the copper production guidance for FY2017 has been revised down to 25,000 – 26,000 tonnes.

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## Exploration and Project Development

### EXPLORATION - TRITTON MINES AND SURROUNDING TENEMENTS

Aeris currently holds 184,600 hectares in the prospective Tritton VMS district (see Figure 2). 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 effective in both identifying and testing for VMS sulphide systems as demonstrated by Aeris' exploration success at Avoca Tank, Kurrajong, 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, preparations for a high power electromagnetic geophysical survey over the Tritton and Kurrajong corridors were finalised. The electromagnetic survey commenced in December 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 (to depths in excess of 500m below surface) as we seek to detect new Tritton sized deposits, of plus ten million tonnes. Trial test work completed over the Kurrajong prospect successfully detected the known mineralised system from 400m below surface.



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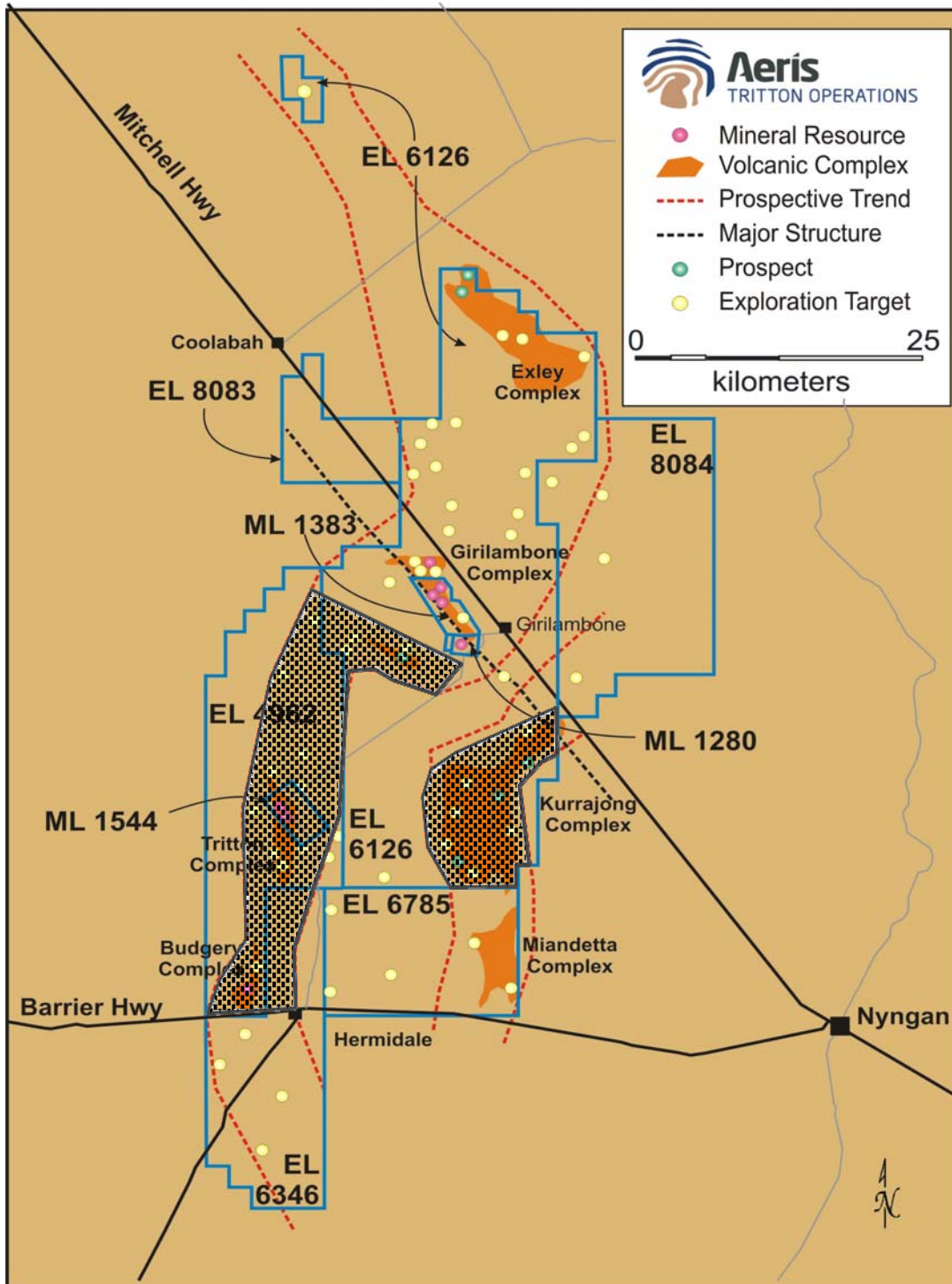


Figure 2: Tritton Region showing known basement complexes prospective for VMS systems and current operations. The planned electromagnetic geophysical survey is highlighted by dashed regions.

## Corporate

### CASH

At the end of the December quarter, Aeris had useable cash and receivables of \$11.3 million, an increase of \$3.5 million on the previous quarter.

\$million	DEC 2016 QTR	SEP 2016 QTR
Useable Cash - Aeris Corporate and Tritton	8.2	5.2
Tritton - Copper concentrate receivables	3.1	2.6
<b>Aeris/Tritton - Useable Cash and Receivables</b>	<b>11.3</b>	<b>7.8</b>

During the quarter, Aeris drew down US\$3.0 million from the Working Capital Facility with Special Portfolio Opportunity V Limited (PAG SPV).

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.

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