

Aeris Resources Limited ABN 30 147 131 977
Preliminary Final Report - 30 June 2017

Lodged with the ASX under Listing Rule 4.3A

Appendix 4E – Aeris Resources Limited

For the year ended 30 June 2017

Results for Announcement to the Market

				\$'000
Revenue from continuing operations	Decrease	13%	to	168,098
Gross loss	Increase	80%	to	(4,240)
Loss before income tax from continuing operations	Increase	197%	to	(26,982)
Net loss for the year attributable to members	Increase	250%	to	(33,299)

Dividends / Distributions

The directors did not declare a dividend in either of the years ending 30 June 2017 or 30 June 2016.

Key Ratios	30 June 2017	30 June 2016
Basic earnings per share (cents)	(23.8)	17.1
Diluted earnings per share (cents)	(3.6)	2.4
Net tangible assets per share (cents) (Fully diluted)	0.1	3.6

Financial and Other Information

AUDIT

This report is based on the consolidated annual financial report which has been audited.

FINANCIAL REPORT

The attached annual financial report meets the disclosure requirements not specifically identified in this document. The terms used in listing rule 4.3A reconcile to the financial report as follows:

Required	Presented
Statement of financial performance	Consolidated statement of comprehensive income
Statement of financial position	Consolidated balance sheet
Statement of cash flows	Consolidated statement of cash flows
Statement of retained earnings	Consolidated statement of changes in equity

ACQUISITIONS AND DISPOSALS

There were no acquisitions or disposals in the Group during the financial year ending 30 June 2017, other than that mentioned below:

Disposal of non-core assets

The Company announced on 19 May 2017 that it 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). The Blayney Exploration Project fell outside the Tritton Copper Operations' tenement package.

REVIEW OF OPERATIONS AND ACTIVITIES

TRITTON COPPER OPERATIONS

Aeris Resources Limited's (Aeris or the Company) Tritton Copper Operations commenced three major capital projects during the financial year ended 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 2 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 RL4000m, 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 installed and are targeted to be operational by the end of the September 2017 quarter. The 864 metres deep, 5 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.

Key production statistics for the year are recorded below:

PRODUCTION	UNIT	FY2017	FY2016
ORE MINED	TONNES	1,457,406	1,693,951
GRADE	Cu (%)	1.66%	1.86%
ORE MILLED	TONNES	1,467,244	1,700,860
GRADE MILLED	Cu (%)	1.67%	1.88%
RECOVERY	Cu (%)	94.84%	94.31%
COPPER CONCENTRATE	TONNES	99,567	125,469
COPPER CONCENTRATE GRADE	Cu (%)	23.35%	24.01%
CONTAINED COPPER IN	TONNES	23,253	30,122
COPPER CEMENT PRODUCED	TONNES	151	303
TOTAL COPPER PRODUCED	TONNES	23,404	30,425

Aeris' Tritton Copper Operations produced 23,404 tonnes for the year ending 30 June 2017 (FY2016: 30,425), a 23% reduction on the previous financial year. The result was impacted by lower ore production at both the Tritton and Murrawombie underground mines.

Production at the Tritton Underground Mine 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. 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, allowing catch up on the backlog of stope voids. Backfilling of the empty voids was back on plan by the end of the 2017 financial year, with production rates expected to be back to normal levels by the end of the first Quarter FY2018.

Development of the Murrawombie Underground Mine commenced during the financial year. Difficult ground conditions were encountered in the upper levels of the mine, 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. 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.

Revenue from the Tritton Copper Operations for the year was \$168.098 million, 13% reduction compared to the prior financial year. The lower revenue was due to the lower copper tonnes produced, as outlined above, and sold during the year, partially offset by a higher average copper price in Australian Dollar terms compared to the previous financial year (\$A7,683 per tonne compared to \$A6,296).

C1 Unit cash costs for the financial year averaged A\$2.60/lb (FY2016 A\$2.53/lb). The increase compared to the previous financial year is due to the lower copper production.

OUTLOOK

Aeris is targeting production of 27,000 tonnes of copper at its Tritton Copper Operations for the 2018 financial year.

The two year \$7.5 million greenfields exploration program on the Company's highly prospective 1,800km² tenement holding around the Tritton Copper Operations, which commenced during the 2017 financial year, will continue into the coming year as we seek to discover Tritton-scale (plus 10 million tonnes) orebodies.

ADDITIONAL 4E DISCLOSURES

Additional disclosure requirements can be found in the consolidated financial report attached to this report.



AERIS RESOURCES LIMITED

A.C.N. 147 131 977

**ANNUAL FINANCIAL
REPORT
30 JUNE 2017**

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	<p>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.</p> <p>Other current directorships (ASX listed entities): Magontec Limited</p> <p>Former directorships in the past 3 years (ASX listed entities): None</p>	<p>Executive Chairman of the Company</p> <p>Member of Nomination Committee</p>	<p><i>Appointed</i> 20-Dec-2012</p>	Executive
Alastair Morrison	<p>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.</p> <p>Other current directorships (ASX listed entities): none</p> <p>Former directorships in the past 3 years (ASX listed entities): None</p>	<p>Non-executive Director</p> <p>Member of Audit Committee and Remuneration Committee</p>	<p><i>Appointed</i> 10-Dec-2010</p>	Independent
Michele Muscillo	<p>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, takeovers and acquisitions. Mr Muscillo has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal.</p> <p>Other current directorships (ASX listed entities): Xanadu Mines Limited</p> <p>Former directorships in the past 3 years (ASX listed entities): Orbis Gold Limited</p>	<p>Non-executive Director</p> <p>Chairman of the Audit Committee, Remuneration Committee and Nomination Committee</p>	<p><i>Appointed</i> 2-May-2013</p>	Independent

Director	Experience	Special Responsibilities	Appointed / Resigned	Classification
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.	Non-executive Director	<i>Appointed</i> 18-April-2016	Not Independent
	Other current directorships (ASX listed entities): None			
	Former directorships in the past 3 years (ASX listed entities): None			

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 3 to 4, 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:

- o Construction of a Ventilation Shaft at the Tritton Underground Mine;
- o Commissioning of the Murrawombie Underground Mine; and
- o A strategic 2 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 RL4000m, 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, 5 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 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 1,800km² 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 17.

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 2 to 3.

The Key Management Personnel of the Company during the year ended 30 June 2017 are set out on pages 11 to 13.

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				Sub-total	Termination payments	Share based payments	TOTAL
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Superannuation				
	(A)	(B)	(C)	(D)			(E)	
	\$	\$	\$	\$	\$	\$	\$	\$
DIRECTORS								
<u>Non-executive</u>								
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
<u>Executive</u>								
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				Sub-total	Termination payments	Share based payments	TOTAL
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Superannuation				
	(A)	(B)	(C)	(D)				
	\$	\$	\$	\$	\$	\$	\$	\$
DIRECTORS								
<u>Non-executive</u>								
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
<u>Executive</u>								
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:

Name	Fixed Remuneration		At Risk – Short Term Incentive		At Risk – Equity	
	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.

A handwritten signature in black ink, appearing to read 'D. G. Smith'.

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
28 August 2017

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

Contents

	Page
Financial statements	
Consolidated Statement of Comprehensive Income	19
Consolidated Balance Sheet	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Consolidated Financial Statements	23
Directors' Declaration	67
Independent auditor's report to the members of Aeris Resources Limited	68

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

Aeris Resources Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

	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.

Aeris Resources Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Attributable to owners of Aeris Resources Limited				Total Equity \$'000
	Contributed Equity \$'000	Convertible Preference Shares \$'000	Other Reserves \$'000	Accumulated Losses \$'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.

Aeris Resources Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	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

		Page
1	About the report	24
2	Significant changes in the current reporting period	24
	How numbers are calculated	25
3	Segment information	25
4	Revenue	27
5	Expenses	28
6	Income tax expense	29
7	Financial assets and financial liabilities	30
8	Non-financial assets and liabilities	37
9	Equity	43
10	Cash flow information	45
	Risk	46
11	Critical accounting estimates and judgements	46
12	Financial risk management	47
13	Capital management	49
	Group structure	50
14	Interest in other entities	50
	Unrecognised items	51
15	Contingencies	51
16	Commitments	51
17	Events occurring after the reporting period	51
	Other information	52
18	Related party transactions	52
19	Share-based payments	53
20	Remuneration of auditors	54
21	Earnings per share	55
22	Carrying amounts of assets pledged as security	56
23	Parent entity financial information	57
24	Summary of significant accounting policies	58

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		
<i>Sales revenue</i>		
Mining activities	168,043	191,567
<i>Other revenue</i>		
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
	172,338	194,859
Total Cost of goods sold		
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	2016
	\$'000	\$'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	2016
	\$'000	\$'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	2016
	\$'000	\$'000
Cash flow hedges (note 9(c))	-	656

(e) Tax losses

	2017	2016
	\$'000	\$'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

	Current \$'000	2017 Non- current \$'000	Total \$'000	Current \$'000	2016 Non- current \$'000	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	Fair value \$'000	2016 Carrying amount \$'000	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			2016		Total \$'000
		Current \$'000	Non- current \$'000	Total \$'000	Current \$'000 Restated	Non- current \$'000 Restated	
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 reclassified from current to non-current liabilities.

Interest bearing liabilities in denominated currency.

	2017		2016	
	USD \$'000	AUD \$'000	USD \$'000	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.

	Floating interest rate \$'000	Fixed interest rate			Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'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

	Floating interest rate \$'000	Fixed interest rate			Non interest bearing \$'000	Total \$'000
		1 year or less \$'000 Restated	Over 1 to 5 years \$'000 Restated	Over 5 years \$'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				
<i>Non-traded financial liabilities</i>				
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:

	Level 1 \$'000
30 June 2017	
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	-
	<u>7,263</u>	<u>7,732</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,263)	(7,732)
Net deferred tax liabilities	<u>-</u>	<u>-</u>

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

	Current \$'000	2017 Non- current \$'000	Total \$'000	Current \$'000	2016 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	<u>700,579,566</u>	<u>31,560</u>

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	2016
	\$'000	\$'000
Share-based payments	1,605	938
Acquisition revaluation reserve	(9,443)	(9,443)
	<u>(7,838)</u>	<u>(8,505)</u>
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	<u>-</u>	<u>-</u>
Share-based payments		
Opening balance	938	453
Employee share based payment expense	667	485
Balance 30 June	<u>1,605</u>	<u>938</u>
Acquisition Revaluation Reserve		
Opening balance	(9,443)	(9,443)
Balance 30 June	<u>(9,443)</u>	<u>(9,443)</u>

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	<u>43,584</u>	<u>100,678</u>	<u>71,655</u>

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	<u>25,076</u>	<u>37,964</u>	<u>132,916</u>

(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	<u>(9,698)</u>	<u>(11,300)</u>
Net debt	109,480	83,430
Total equity	<u>487</u>	<u>33,119</u>
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
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	2016
	\$'000	\$'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 \$
<i>Audit and other assurance services</i>		
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

<i>Audit and other assurance services</i>		
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
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Total auditors' remuneration	725,800	983,971
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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	2016
	Cents	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	2016
	Cents	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	2016
	\$'000	\$'000
<i>Basic earnings per share</i>		
(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
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	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
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	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		
<i>First mortgage</i>		
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
<i>Finance lease</i>		
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
<i>Shareholders' equity</i>		
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 Resources 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 <i>Financial Instruments</i>	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.	<p>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:</p> <p>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.</p> <p>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.</p>	<p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>The Group is currently assessing whether it should adopt AASB 9 before its mandatory date.</p>

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 <i>Revenue from Contracts with Customers</i>	<p>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.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>	<p>Management is currently assessing the effects of applying the new standard on the group's financial statements.</p> <p>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.</p>	<p>Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption</p> <p>Expected date of adoption by the group: 1 July 2018.</p>
AASB 16 <i>Leases</i>	<p>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.</p> <p>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.</p>	<p>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).</p> <p>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.</p>	<p>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.</p>

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.

(l) 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 19 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

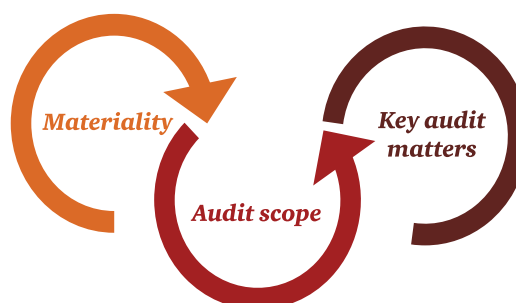
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our 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.

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
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: <ul style="list-style-type: none"> – 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 <i>Key audit matters</i> 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
<p><i>Carrying value of exploration and evaluation assets</i></p> <p><i>Refer to note 8 (c) of the financial report.</i></p> <p>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.</p> <p>Relevant indicators of exploration and evaluation impairment in the mining industry include:</p> <ul style="list-style-type: none"> – unsuccessful exploration activities; – a sustained decline in the mineral prices outlook; and – changes to exploration plans. <p>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.</p>	<p>We evaluated the Group's impairment assessment by performing a number of procedures including the following:</p> <ul style="list-style-type: none"> • 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.
<p><i>Carrying value of Tritton operations assets</i></p> <p><i>Refer to notes 11(iii) and 24 (f) of the financial report.</i></p> <p>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.</p> <p>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.</p>	<p>We evaluated the Group's impairment assessment by performing a number of procedures including the following:</p> <ul style="list-style-type: none"> • 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.
<p><i>Basis of preparation</i></p> <p><i>Refer to note 1 of the financial report</i></p> <p>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</p>	<p>In assessing the appropriateness of the going concern basis of preparation for the financial report, we performed a number of procedures including the following:</p> <ul style="list-style-type: none"> • Evaluating whether the analysis by the Group

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="261 293 821 427">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.</p> <p data-bbox="261 472 821 607">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.</p>	<p data-bbox="900 293 1455 405">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.</p> <ul data-bbox="852 461 1455 1469" style="list-style-type: none"> <li data-bbox="852 461 1455 573">• 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. <li data-bbox="852 607 1455 954">• Evaluating the Group's cash flow forecast for 12 months from the date of signing the auditor's report, including: <ul data-bbox="948 696 1455 954" style="list-style-type: none"> <li data-bbox="948 696 1455 864">○ 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. <li data-bbox="948 875 1455 954">○ comparing the forecast copper prices used in the cash flow forecast to broker forecasts. <li data-bbox="852 987 1455 1077">• Developing an understanding of what forecast expenditure is committed and what could be considered discretionary. <li data-bbox="852 1111 1455 1200">• Reading the terms of the debt facility agreement and considering the amount of the facility available for drawdown. <li data-bbox="852 1223 1455 1335">• Obtaining written representations from management and the board of directors regarding their plans for future action and the feasibility of these plans. <li data-bbox="852 1357 1455 1469">• Evaluating whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about these matters.

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.

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.

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 7 to 16 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



Debbie Smith
Partner

Brisbane
28 August 2017