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ASX/MEDIA RELEASE

AERIS RESOURCES LIMITED (ASX: AIS)

**Restructuring transaction unlocks value and
delivers pathway to growth for Aeris**

3 value enhancing events in 1 transaction
(~\$107 million* excluding price participation)

- ✓ **Senior Debt reduced by 53%**
 - from US\$63.3 million to US\$30 million
(includes US\$5 million Arranger Fee)
- ✓ **Share Capital reduced by 50% (for \$1)**
 - 467 million (80%) of Convertible Redeemable Preference Shares held by Standard Chartered Bank (SCB) to be redeemed for \$1 and then cancelled
- ✓ **Copper Price Participation Agreement with SCB cancelled for \$1**
 - Aeris retains full benefit of copper prices above A\$8,000/t

*\$107M calculated as follows:

- US\$33m debt reduction @ AUD/US exchange rate of \$0.78 = A\$42 million; and
- 467 million CRPS cancelled multiplied by closing price of AIS ordinary shares on 27 February 2018 (14 cents) = \$65 million

Established Australian copper producer, Aeris Resources Limited (ASX: AIS) (**Aeris** or the **Company**), is pleased to announce a significant restructuring transaction that will materially improve its balance sheet, and represents a key step in unlocking Aeris' potential to deliver its future growth strategy.

Commenting on the restructuring transaction, Aeris' Executive Chairman, Andre Labuschagne, said:

"This is the best position the Company has been in for the last five years. With debt reduced, potential shareholder dilution reversed, and the capital structure simplified, the Company is now positioned to attract renewed interest from quality investors and trade on a normalised basis, reflective of the fundamental value and growth prospects of the Company."

"From an Aeris shareholder perspective, the debt restructure agreement is a significant and value-accretive event. As well as a 53% reduction in the Senior Debt level, the cancellation of the preference shares effectively halves the fully diluted shares on issue."

"Together, these measures which comprise the restructuring transaction are expected to create material value for Aeris shareholders and position the Company to take advantage of future organic and M&A opportunities. We will continue our focus on taking advantage of the favourable copper price environment and pursuing our growth strategy to create shareholder value."

"Once SPOV converts its preference equity shares into ordinary shares it will become our major shareholder with a 50% stake, which was approved by shareholders in December 2015. PAG has been supportive of our business since becoming involved in 2015 and has been instrumental in facilitating this restructure transaction. Agreeing to become our largest shareholder as part of this transaction is a further sign of support for Aeris and its vision for growth."

Transaction Overview

The restructuring transaction involves the sale of the senior term debt (**Senior Debt** provided under the **SCB Facility**) provided to Aeris by Standard Chartered Bank (**SCB**) to Special Portfolio Opportunity V Limited (**SPOV**), a subsidiary of a fund managed by PAG. SPOV is the provider of Aeris' existing Working Capital facility.

To facilitate the overall restructuring, SPOV and Aeris have entered into an agreement (**Restructuring Agreement**) to reduce the Senior Debt from US\$63.3 million (including accrued interest) to US\$30 million (including a US\$5 million Arranger Fee). The new Senior Debt facility has a term of 2 years and an interest rate of 12.5% per annum. However, if Aeris has not reduced the Senior Debt by a minimum of US\$20 million within the first 6 months, the interest rate increases by an additional 3.0% per annum on the balance of the facility above US\$10 million.

The Restructuring Agreement is conditional on the execution of key underlying new facility documentation and security variations and other Conditions Precedent usual for this type of transaction. Preparation of these documents is in process and it is expected that the restructure will be completed without delay. Shareholder approval is not required for this restructure transaction.

For its role in arranging the restructure, including bridging the SCB Facility whilst the restructure is being completed, Aeris has agreed to pay SPOV an Arranger Fee of US\$5 million, which can be settled either in shares or by an increase in the Senior Debt facility, at Aeris' election¹.

Table 1 - Pro Forma Debt Structure

Item	31 Dec 2017 (US\$m)	Pro Forma (US\$m)	Movement (US\$m)
Senior Debt Facility [#]	63.3	25.0	-38.3
Arranger Fee*	0.0	5.0	5.0
Total Senior Debt	63.3	30.0	-33.3
Working Capital Facility [#]	19.5	17.9 ^{##}	-1.6
Other Debt [#]	1.3	1.3	0.0
Total Debt	84.1	49.2	-34.9

[#] Includes capitalised interest ^{##} US\$1.6 million repaid on 26 February 2018

* Aeris can elect to repay the US\$5 million Arranger Fee through the issuance of new shares within 6 months of completion of the restructure, at the lower of the 30 day VWAP prior to the date of signing the Restructuring Agreement or the 30 day VWAP prior to the election to convert (For example, if 30 day VWAP was \$0.13 per share and A\$/US\$ exchange rate was 0.7850, 48,995,590 shares would be issued in lieu of paying the US\$5 million Arranger Fee).

In relation to its existing facilities, the Company has secured an extension on the maturity of its Working Capital facility so that it coincides with the maturity of the new Senior Debt facility (circa quarter 1 2020). SPOV have also agreed to guarantee the environmental bond facility provided by SCB for 3 years.

Associated with the restructure is an agreement by SCB to cancel 467 million of its 560 million convertible redeemable preference shares, reducing the number on issue to 93 million. Following the cancellation of these preference shares, the total number of shares on issue, on a fully diluted basis, reduces by 50% from 934 million to 467 million shares (see Table 2).

SPOV has also agreed to convert its existing holding of 140 million convertible preference shares to ordinary shares. Upon conversion SPOV will become Aeris' major shareholder with a shareholding of 50% (issued ordinary equity), which was previously approved by Aeris shareholders.

¹ Any election to settle the payment of the Arranger Fee via the issuance of new shares would be subject to any required Aeris' shareholder approvals, including to approve a further increase in SPOV's voting power in Aeris.

Table 2 - Pro Forma Issued Capital (fully diluted)

Item	Current (m)	Pro Forma** (m)	Movement (m)
Ordinary Shares	140.1	280.2	140.1
Preference Shares	700.6	93.4	-607.2
Management Options	93.4	93.4	0.0
Fully Diluted Shares on Issue	934.1	467.0	-467.1

**excludes any additional shares to be issued if Aeris elects to repay the US\$5 million Arranger Fee through the issuance of new shares (For example, if 30-day VWAP was \$0.13 per share and A\$/US\$ exchange rate was 0.7850, 48,995,590 shares would be issued in lieu of paying the US\$5 million Arranger Fee).

Furthermore, the Price Participation Agreement held by SCB as part of the 2015 debt restructure, will be cancelled for \$1, which now provides Aeris with 100% exposure to increases in the copper price above A\$8,000/t.

As part of the restructure Aeris proposes to enter into a copper hedging program for 1,000t of copper per month over 12 months and has secured the necessary consents from its financiers to do so.

Further details of the restructuring transaction are shown in Appendix 1.

Operational Update

Aeris continues to target production of 27,000 tonnes of copper in FY2018 following production of 23,404 tonnes in FY2017. Copper production improved in the December 2017 quarter to 6,465 tonnes due to a combination of higher mill throughput and better copper grades. C1 unit cash costs and All-In Sustaining Costs for the quarter, at A\$2.50/lb and A\$3.29/lb, improved by 18% and 12% respectively from the previous quarter and the site team continues to focus on cost management and operational excellence.

Growth Strategy

Since June 2013 the Company has restructured and negotiated its Senior Debt position down from US\$136 million to US\$30 million². In recent years, the Company's high debt levels and complex capital structure impacted its growth plans, largely due to the constraints on raising capital and difficulty by the market to "see through" the complexities of the capital structure to the underlying value of the Company.

Under a simplified and manageable capital structure, the Company is confident that it now has the balance sheet strength to invest in growth initiatives such as the exciting Torrens Project in South Australia (70%), brownfield and greenfield exploration programs at Tritton (100%), and potential M&A opportunities in the base metal and gold sectors.

² including US\$5M Arranger Fee – Aeris can also elect to pay Arranger Fee by issue of shares.

Exploration and Development Projects

Significant exploration and development potential exists across Aeris' asset portfolio, with multiple brownfield and greenfield exploration programs currently underway.

In the Tritton area, potential extensions to mineralisation have been identified at both **Tritton Deeps** and **Murrawombie Deeps**, offering potential for low capital-cost extensions to mine life. Regionally, ongoing electromagnetic (EM) surveys over the Tritton and Kurrajong corridors continues to improve the geological understanding of the region, where a number of new anomalies have already been identified, with drilling to commence in the March quarter 2018.

In South Australia, Aeris has a 70% interest in the Torrens JV. The **Torrens Anomaly** is an exciting IOCG target, with a geophysical footprint larger than that seen at Olympic Dam. All three approvals required to permit on-ground exploration activities to commence have now been received. An airborne gravity survey will commence in the March quarter and planning is underway to enable drilling to commence in the September quarter.

ENDS

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See also ASX Announcement "Debt Restructure Presentation" dated 28 February 2018.



About Aeris

Aeris Resources Limited (ASX: AIS) is an established, top 10 independent Australian copper producer and explorer.

The Company's core asset is its Tritton Copper operations in New South Wales, which currently produces approximately 25,000-30,000 tonnes of copper annually. The existing operations incorporate multiple mines and a 1.8 million tonne per annum processing plant.

An exciting portfolio of highly prospective near mine and regional exploration projects present a pipeline for future growth, and a clear opportunity to leverage the Company's established infrastructure at Tritton.

Aeris also has a majority interest (70%) in the exciting Torrens Project in South Australia - a joint venture with Argonaut Resources NL (ASX: ARE) exploring for iron-oxide copper-gold systems in the highly prospective Gawler Craton, which hosts BHP's Olympic Dam operation.

Aeris has a highly experienced Board and management team and is actively reviewing suitable merger and acquisition opportunities.

Appendix 1 – Key Terms

The details of the debt restructure are as follows:

Senior Debt	<ul style="list-style-type: none"> • SCB has sold its US\$63.3 million Senior Debt (including accrued interest) to Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG) • US\$5 million Arranger Fee payable to SPOV, either in cash (via an addition to the Senior Debt facility) or Aeris shares (at Aeris’ election, but subject to any required shareholder approvals) based on the lesser of the 30-day VWAP for the period prior to the execution of the restructure agreements or the 30-day VWAP prior to the election to convert • SPOV and Aeris have agreed to restructure this debt to a new US\$30 million facility (including the US\$5 million Arranger Fee) • The new facility has a term of 2 years and an interest rate of 12.5% per annum • If Aeris has not reduced the Senior Debt by a minimum of US\$20 million within the first 6 months, the interest rate increases by an additional 3.0% per annum on the balance of the facility above US\$10 million
Convertible Preference Shares	<ul style="list-style-type: none"> • 560 million convertible redeemable preference shares held by SCB reduced to 93 million (467 million redeemed for \$1 and cancelled) • 140 million convertible preference shares held by SPOV to be converted to ordinary shares
Working Capital Facility	<ul style="list-style-type: none"> • Working Capital facility size maintained at US\$25 million (US\$15.5 million (excluding capitalised interest) drawn as at 28 February 2018) • Facility maturity date extended to match that of new Senior Debt facility (ca quarter 1 2020)
Environmental Bonding Facility	<ul style="list-style-type: none"> • Existing environmental bond facility provided by SCB to remain in place and be guaranteed by SPOV for 3 years • Aeris to cashback bond over 3 years
Price Participation Mechanism	<ul style="list-style-type: none"> • SCB agrees to cancel the existing Copper Price Participation Agreement for \$1
Conditions Precedent to Restructure	<p>Restructuring transaction conditional on the following (amongst others):</p> <ul style="list-style-type: none"> • Any required regulatory approvals • Execution of a new Facility Agreement between Aeris and SPOV, as well the necessary variations to the existing security and inter creditor agreements being entered into • No Aeris material adverse change or breach of warranties