



Quarterly Activities Report For the period ended 31 March 2018

About Aeris Resources

Aeris Resources Limited (ASX: AIS) is an established copper producer and developer with multiple mines and a 1.8 Mtpa copper processing plant at its Tritton Copper Operations in New South Wales, Australia.

In FY2017, Aeris' Tritton Copper Operations produced 23,404 tonnes of copper and in FY2018 is targeting production of 27,000 tonnes of copper.

The Company also has an exciting portfolio of highly prospective exploration projects creating a pipeline for future growth, including advanced projects at its Tritton Copper Operations.

Aeris' Board and Management team is experienced in all aspects of mining and corporate development.

Aeris has a clear vision to become a mid-tier, multi-operation company – delivering shareholder value through an unwavering focus on operational excellence.

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MARCH QUARTER HIGHLIGHTS

OPERATIONS:

- Copper production of 6,867 tonnes – up 402 tonnes on previous quarter
 - Higher copper grade and recoveries

EXPLORATION:

- Final approval received for Torrens Project – now drill ready
- Airborne gravity survey over Torrens Anomaly commenced
- Preparations finalised to drill Marlin and Galaxy anomalies and Kurrajong prospect at Tritton

CORPORATE:

- Major Debt and Capital Restructure completed:
 - Senior debt reduced by 53%
 - Share capital reduced by 50%
 - Copper Price Participation Agreement with SCB cancelled for \$1
 - Copper hedge program entered into - 12,000 tonnes of copper over 12 months
- Cash and receivables at the end of the quarter increase by \$6.8M to \$24.7M

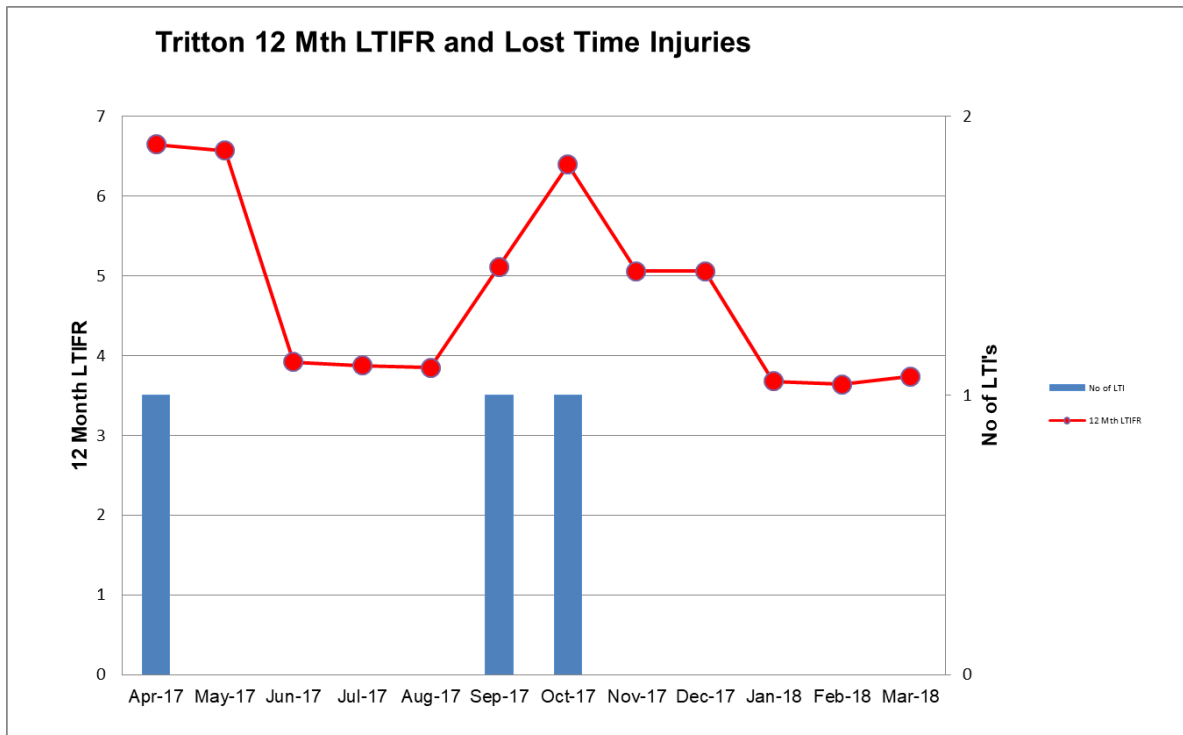
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Safety, Environment and Community

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

Safety improvement is focused on critical control management system implementation. NSW regulator inspections, known as Targeted Assessment Programs, have been positive.

The incidence rate for low severity injuries, such as sprains and minor abrasions, is being addressed by specialist human factor training in manual task execution.



Tritton Copper Operations (NSW)

Production and Cost Summary

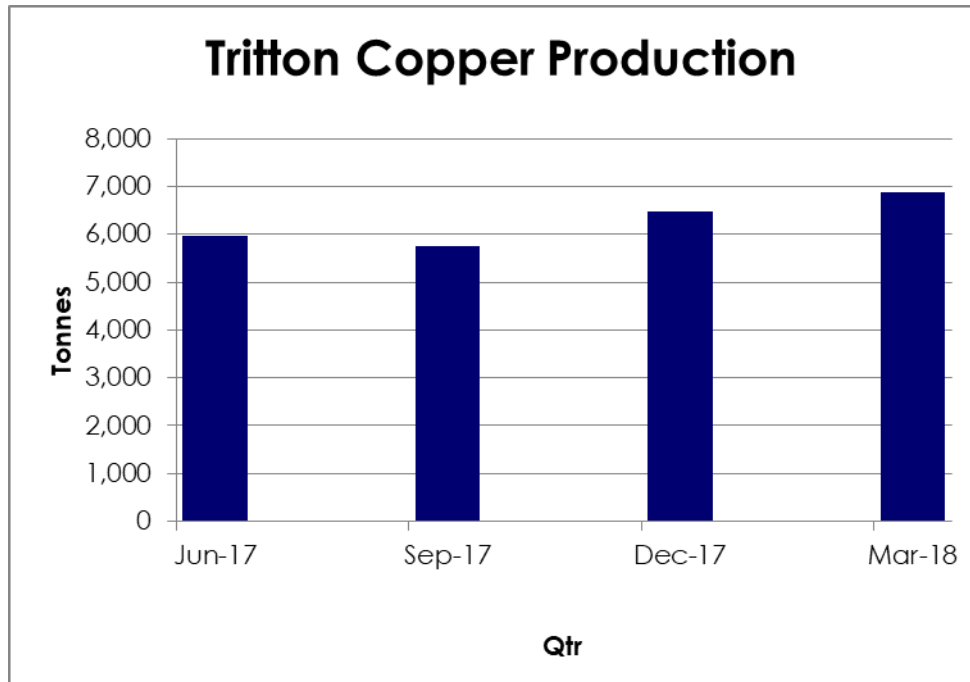
		JUN 2017 QTR	SEP 2017 QTR	DEC 2017 QTR	MAR 2018 QTR
PRODUCTION					
ORE MINED	TONNES	350,754	408,785	385,425	397,066
GRADE	Cu (%)	1.74%	1.55%	1.70%	1.87%
ORE MILLED	TONNES	351,312	388,586	403,144	382,281
GRADE MILLED	Cu (%)	1.77%	1.55%	1.68%	1.88%
RECOVERY	Cu (%)	95.09%	94.88%	94.80%	95.24%
COPPER CONCENTRATE PRODUCED	TONNES	24,300	24,537	28,136	30,017
COPPER CONCENTRATE GRADE	Cu (%)	24.33%	23.36%	22.82%	22.80%
CONTAINED COPPER IN CONCENTRATE	TONNES	5,913	5,731	6,421	6,844
COPPER CEMENT PRODUCED	TONNES	39	31	44	23
TOTAL COPPER PRODUCED	TONNES	5,952	5,762	6,465	6,867
OPERATING COSTS (A\$/lb Copper Produced)					
MINING	A\$/lb	1.65	1.78	1.43	1.52
PROCESSING	A\$/lb	0.34	0.55	0.47	0.46
SITE G&A	A\$/lb	0.33	0.33	0.31	0.29
TC/RC'S & PRODUCT HANDLING	A\$/lb	0.64	0.59	0.55	0.63
INVENTORY MOVEMENTS	A\$/lb	0.61	0.05	(0.09)	0.25
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	A\$/lb	(0.28)	(0.24)	(0.17)	(0.27)
C1 CASH COSTS	A\$/lb	3.29	3.06	2.50	2.88
ROYALTIES	A\$/lb	0.08	0.10	0.11	0.11
CORPORATE G&A*	A\$/lb	0.09	0.10	0.08	0.12
NON-CASH INVENTORY ADJ	A\$/lb	(0.10)	(0.03)	-	-
CAPITAL DEVELOPMENT	A\$/lb	0.27	0.22	0.28	0.24
SUSTAINING CAPITAL**	A\$/lb	0.47	0.29	0.32	0.22
SUSTAINING EXPLORATION	A\$/lb	-	-	-	-
ALL-IN SUSTAINING COSTS (AISC)	A\$/lb	4.10	3.74	3.29	3.57

*Includes Share Based Payments

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

PRODUCTION

Copper production for the March quarter was 6,867 tonnes, an increase of 402 tonnes compared to the previous quarter. The increased copper production was due to a combination of improved copper recoveries and higher copper grades.



Tritton Underground Mine (Tritton)

Tritton mine ore production, at 264kt, was slightly down from the previous quarter (285kt). Ore production has been impacted by stope availability at the bottom of the mine and equipment availability as the truck fleet moves through its first rebuild cycle. During the quarter, production moved into higher grade stopes, achieving improved mine grades of 1.98% compared to 1.80% in the previous quarter.

Mine development at the Tritton mine is in line with plan. Stoping at the bottom of the mine is transitioning into larger north-south aligned stopes, which results in fewer stopes open at any one time and therefore less flexibility in ore production.

The mine's truck fleet has now reached their first planned major maintenance life and a rebuild program is underway. This rebuild program, combined with a delay in sourcing a short term rental truck to supplement the fleet during this period, impacted on truck availability during the quarter.

Murrawombie Underground Mine (Murrawombie)

Murrawombie ore production of 133kt improved from the previous quarter (101kt) and was above plan. Copper grades of 1.65% increased from the previous quarter (1.41%).

A revision of the geology model was completed and includes updated grade control drilling information and mapping of development drives inside the orebody. Flexibility in mine planning has been necessary as detailed stope designs were modified to match the changes in geology models.

Placement of cemented waste rock as a stope backfill commenced late in the quarter. Cemented backfill is part of the new mine design that is targeting more selective mining methods in order to mine areas of higher copper grades. A project is underway to construct a paste fill plant and piped reticulation system, similar to that used at Tritton. The paste fill plant will enable production rates to be increased at Murrawombie whilst continuing to target the higher grade areas of the orebody.

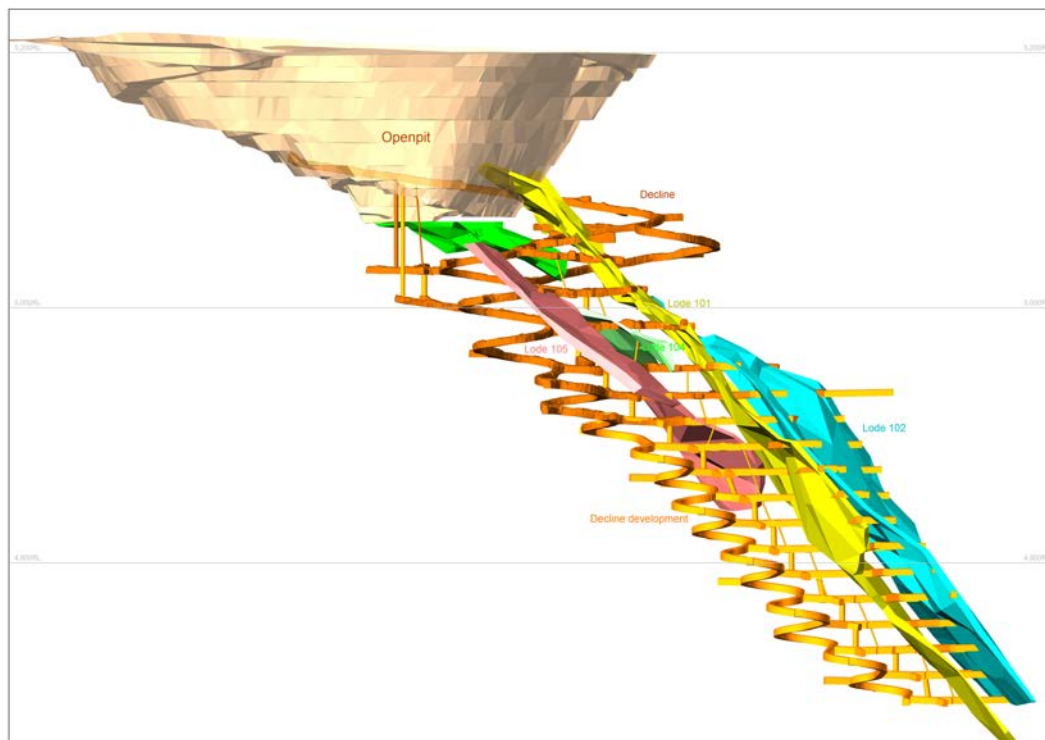


Figure 1: Murrawombie Mine Section View

Ore Processing

Ore processed during the quarter was 382kt, a decrease compared to the previous quarter (403kt). Tonnes of ore milled for the quarter were less than tonnes mined and impacted by several unplanned shutdowns in the mill and transitioning of contractors hauling ore from Murrawombie. Post the end of the quarter, the additional ore stockpiled at Murrawombie was transported to the mill at Tritton by the new haulage contractor.

Copper ore feed grade of 1.88%, was an improvement on the previous quarter (1.68%). Copper recovery, at 95.24%, was above plan.

COSTS

C1 unit cash costs for the quarter, at A\$2.88/lb, increased compared to the previous quarter (A\$2.50) primarily due to higher mining costs (higher maintenance costs), increased TC/RC and product handling costs (higher copper tonnes sold than produced in quarter and weaker FX) and negative inventory movements due to timing of shipments. The increased costs were partially offset by increased by-product credits.

All-In Sustaining Costs (AISC) at A\$3.57/lb was higher than the previous quarter (A\$3.29/lb) due to the impact of the higher C1 unit cash costs.

Capital expenditure for the quarter was \$7.5 million, including \$0.5 million on exploration.

Tritton Capital Expenditure (A\$ Million)

	JUN 2017 QTR	SEP 2017 QTR	DEC 2017 QTR	MAR 2018 QTR
SUSTAINING CAPITAL				
PROPERTY, PLANT AND EQUIPMENT	4.8	2.0	2.7	1.7
MINING DEVELOPMENT	3.5	2.8	4.0	3.6
LEASED ASSETS*	1.4	1.7	1.8	1.7
EXPLORATION	-	-	-	-
GROWTH				
EXPLORATION	0.6	0.7	0.6	0.5
TOTAL	10.3	7.2	9.1	7.5

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

OUTLOOK

The copper production guidance for FY2018 is 27,000 tonnes.

Exploration and Project Development

GREENFIELDS EXPLORATION – TRITTON TENEMENT PACKAGE

During the quarter the ground based MLTEM geophysical survey continued over the Tritton prospective corridor, with approximately 90% of the planned survey area completed by quarter end (refer to Figure 2).

Follow-up fixed loop EM (FLEM) surveys, completed over several MLTEM anomalies within the December 2017 quarter, verified the conductive responses are associated with a bedrock source and more accurately constrained the spatial location and dimensions.

FLEM surveying over the Marlin EM anomaly confirmed the presence of a weakly conductive bedrock anomaly (100S – 200S). The FLEM anomaly is modelled from 60m to 90m below surface with dimensions in the order of 400m (strike) x 200m+ (dip length). The anomaly is located within a favourable geological setting, located along strike and within a similar stratigraphic package hosting the Tritton deposit (approximately 3.5km north).

FLEM surveying over the Galaxy EM anomaly confirmed the presence of a conductive source. Modelling efforts were not able to fully resolve the signal and there is uncertainty as to whether the response is associated with a conductive bedrock source. The anomaly is located within the prospective stratigraphic corridor hosting Tritton, Budgerygar and Budgery and warrants further work.

During the quarter planning and preparations for a surface drilling program to test the Marlin and Galaxy EM targets were completed. By quarter end drill equipment was mobilised and drilling will commence in April.

The Kurrajong prospect (Kurrajong) remains a priority target within the Tritton tenement package's expanding exploration inventory. MLTEM surveys at Kurrajong have detected multiple EM conductors, one of which coincides with high grade copper mineralisation intersected during a previous drilling program. As part of the current surface drill program, one drill hole is planned to test the down dip continuity of copper mineralisation previously intersected from drilling at Kurrajong. The planned drill hole is designed to intersect the mineralised system 150m down plunge from the current known extent of the mineralisation.

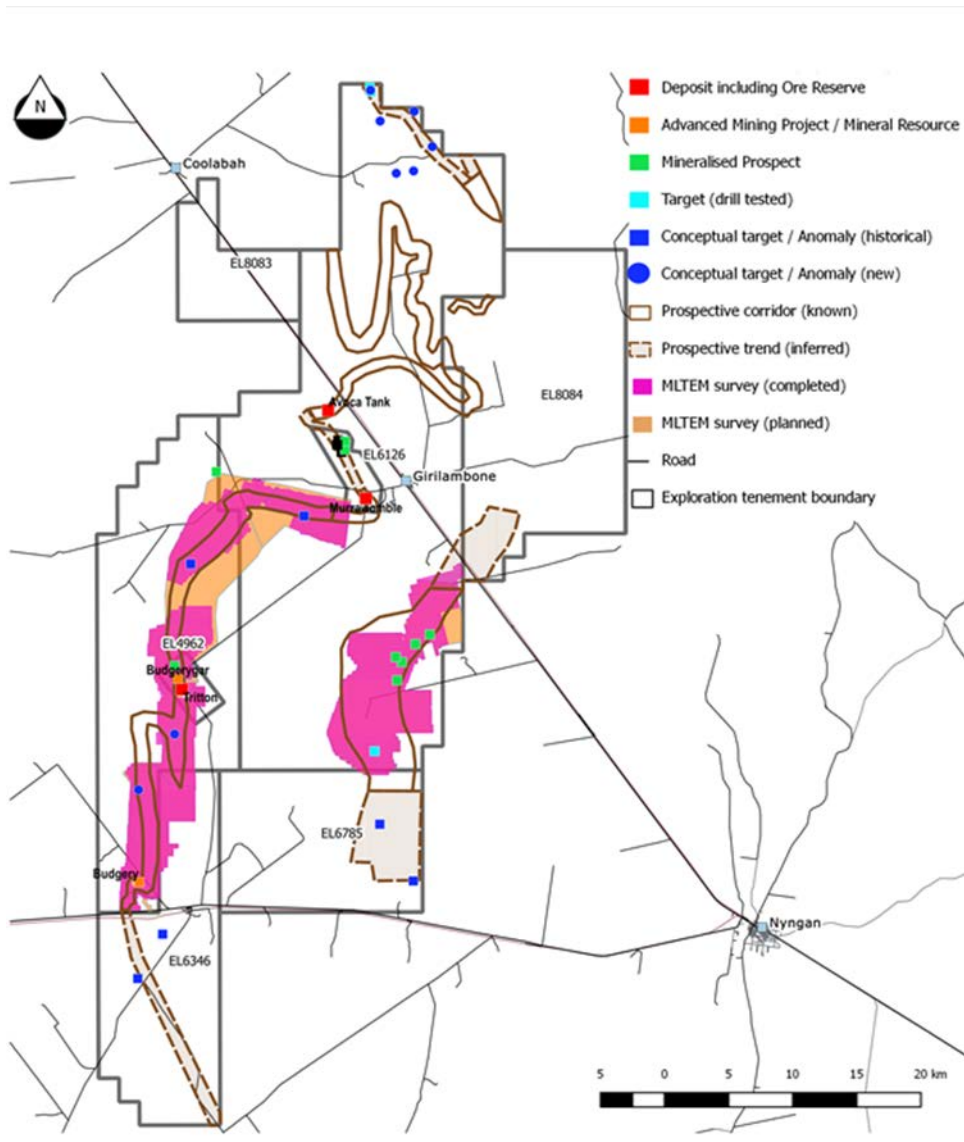


Figure 2: Tritton region showing Aeris Resources Tritton tenement package and prospective corridors for copper mineralised systems. The planned MLTEM geophysical survey coverage is highlighted by shaded orange regions and completed survey areas by shaded magenta regions.

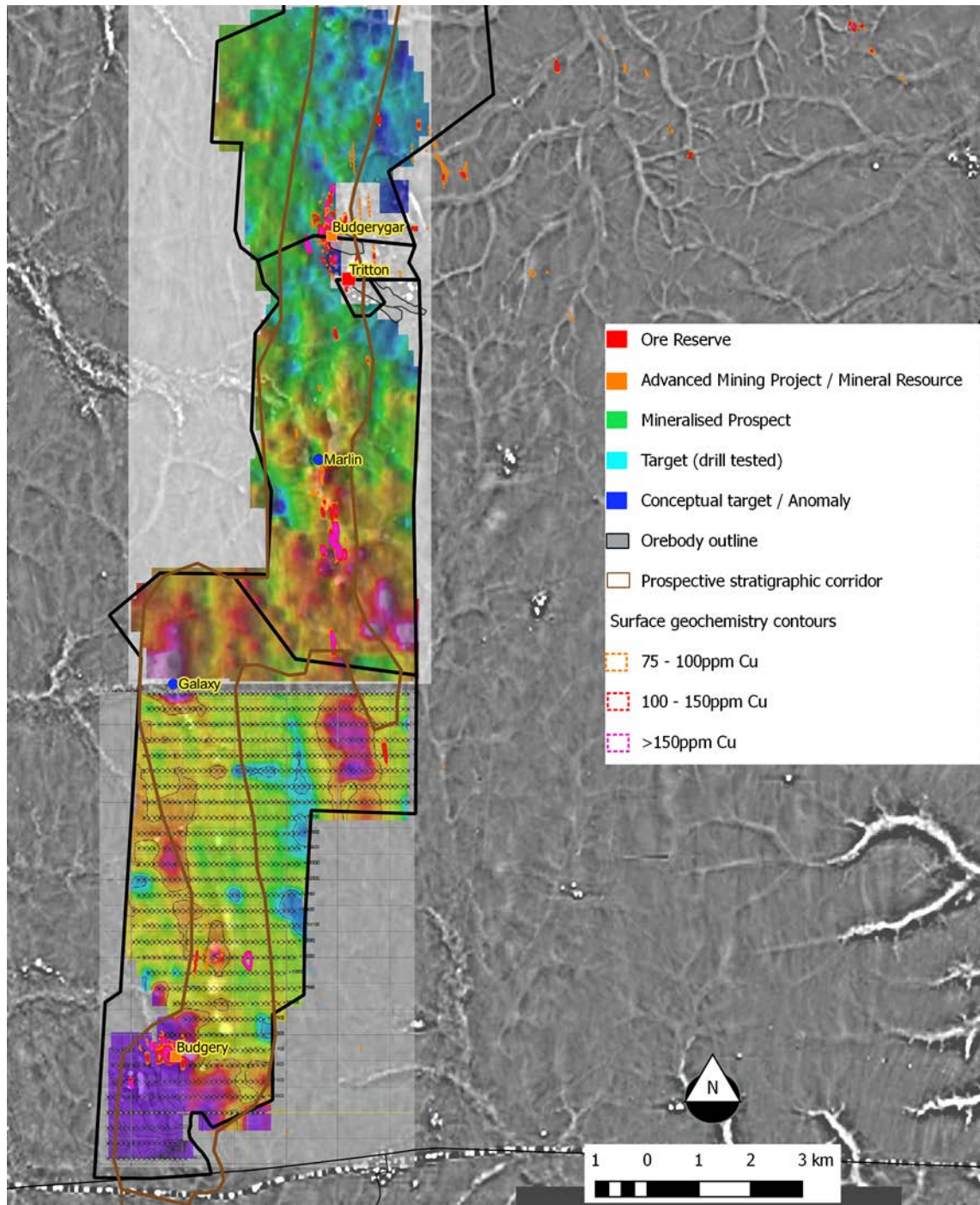


Figure 3: Plan view showing MLTEM results within the Tritton – Budgery corridor (CH23 B field Z component). The Marlin and Galaxy EM anomalies are located within the prospective corridor hosting Tritton, Budgerygar and Budgery. Background black and white image represents 1VD magnetics.

BROWNFIELDS EXPLORATION – TRITTON CORRIDOR

Within the 1,800m (horizontal) Tritton – Budgerygar mineralised corridor there are numerous drill hole intersections peripheral to both deposits which contain elevated (+0.5% Cu) intersections over multiple metres. The South Wing is one example located directly along strike immediately south from Tritton. Historical drilling has sparsely defined a sulphide (pyrite-chalcopyrite) mineralised lens over a 250m vertical extent from 4500mRL to 4250mRL. During the quarter, a six hole diamond drill campaign was completed from the 4285 DDC targeting the lower limits of the modeled South Wing.

Results from the drill campaign are highly encouraging with 5 drill holes intersecting multiple pyrite-chalcopyrite lenses over a 100m (strike) x 150m (vertical) area. There is significant potential to expand the South Wing footprint with further drilling (scheduled FY19). Assay results are pending.

A similar drilling program to target the north wing of the Tritton deposit is planned for the next quarter.

TORRENS PROJECT, SOUTH AUSTRALIA

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

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

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

During the quarter, the South Australian Minister for Aboriginal Affairs and Reconciliation approved an application by the Torrens Joint Venture under Section 23 of Aboriginal Heritage Act 1988. The authorisation allows for up to 70 deep diamond drill holes over an area of 120km² over the Torrens geophysical anomalies. This was the final approval required to enable the Torrens Joint Venture to proceed with on-ground exploration activities, including a major drill program.

An airborne gravity survey was flown over the entire exploration tenement (EL5614) during the quarter. The high resolution gravity survey supersedes previous gravity data compilations dating back to the 1970s. The increased accuracy from the new gravity survey will better define rock density contrasts which will be used to more accurately define prospective targets for drilling.

Corporate

CASH

At the end of the March quarter, Aeris had useable cash and receivables of \$24.7 million, an increase of \$6.8 million on the previous quarter.

\$million	MAR 2018 QTR	DEC 2017 QTR
Useable Cash - Aeris Corporate and Tritton	16.0	9.5
Tritton - Copper concentrate receivables	8.7	8.4
Aeris/Tritton - Useable Cash and Receivables	24.7	17.9

As announced on 28 February 2018 and 14 March 2018, the Company completed a major debt and capital restructure during the quarter.

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

To facilitate the overall restructuring, SPOV and Aeris 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) (See Table 1). 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 to at least US\$10 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.

For its role in arranging the restructure, including bridging the SCB Facility whilst the restructure was being completed, Aeris 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' election. 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.

The Company has also 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.

Table 1 – Aeris Debt Structure

Item	31 Dec 2017 (US\$m)	28 Feb 2018 (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).

Associated with the restructure, SCB has agreed 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, will reduce by 50% from 934 million to 467 million shares (see Table 2 below).

SPOV has also agreed to convert its existing holding of 140 million convertible preference shares to ordinary shares. The conversion was formalised on 21 March 2018, which resulted in SPOV becoming Aeris' major shareholder with a shareholding of 50% (issued ordinary equity), which was previously approved by Aeris shareholders.

Table 2 - Aeris Issued Capital (fully diluted)

Item	31 Dec 2017 (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).

The restructuring also provides that the Price Participation Agreement held by SCB, be cancelled for \$1.

During the quarter, Aeris entered into a copper hedging program with National Australia Bank (NAB) as the hedge counterparty. On 7 March 2018 it was announced that Aeris' subsidiary, Tritton Resources Pty Ltd (Tritton), had entered into a swap contract of 12,000 copper tonnes at an average price of A\$8,670 per tonne with scheduled deliveries of 1,000 copper tonnes per month out to February 2019. The swap contract also provides Tritton the opportunity to participate in the upside of the same schedule above an average price of A\$10,170 per tonne.

Corporate capital expenditure for the quarter was nil.

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

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