27 February 2020 **ASX / MEDIA RELEASE**

AERIS RESOURCES LIMITED
(ASX: AIS)

Appendix 4D (Rule 4.2A.3)
Financial Report
For the half-year period ended 31 December 2019

Results for announcement to the market

(All comparisons are to the half-year ended 31 December 2018)

	$'000	Up/Down	% movement
Revenue	108,012	Down	5%
Gross Profit	4,647	Down	13%
Net loss after income tax (NPAT)	(28,683)	Down	174%

Audit

This report is based on the consolidated half-year financial report which has been reviewed.

Acquisitions and disposals

There were no acquisitions or disposals in the period.

Commentary on results for the period

Please refer to the review of operations and financial result sections detailed in the director's report included in the attached half-year report for the period ended 31 December 2019.

Dividends

The Directors do not recommend payment of a dividend. No dividend was paid during the half year or the corresponding period. Consequently there is no record date.

Net tangible assets per share (fully diluted)

The net tangible assets per share were 8.83 cents for 31 December 2019 and 14 cents for 30 June 2019.

Additional 4D disclosures

Additional disclosure requirements can be found in the Directors' Report and consolidated financial report attached to this report.

For further information, please contact:
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Executive Chairman
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Aeris Resources Limited

ABN 30147131977

Interim financial report for the half-year 31 December 2019

Directors' Report

Your Directors present their report on the consolidated entity consisting of Aeris Resources Limited (Aeris or the Company) and the entities it controlled (the Group) at the end of, or during the half-year ended 31 December 2019 and where required, the previous corresponding period for the half-year ended 31 December 2018.

Directors

The Directors of the Company in office during the financial period and up to the date of this report were:

Current Directors at date of the report
Andre Labuschagne
Alastair Morrison
Michele Muscillo
Marcus Derwin

Principal Activities

The principal activities of the consolidated entity for the period ended 31 December 2019 were the production and sale of copper, gold and silver and the exploration for copper and gold. Other than as referred to in the review of operations, there were no significant changes in those activities during the financial period.

Dividend

The Directors do not recommend payment of a dividend for the period to 31 December 2019. No dividend was paid during the period.

Operating and Financial Review

Operations

The Tritton Copper Operations (Tritton) produced 12,286 tonnes of copper during the period, a decrease of 982 tonnes compared to the previous corresponding period (pcp). Copper production was impacted by reduced processing rates in December due to water quality issues and lower copper ore grades.

Water Supply

The Tritton sources its water for mining and ore processing activities from Burrendong Dam via the Macquarie River system. Rainfall deficiencies since 2017 have adversely affected the water levels in Burrendong Dam, resulting in Level 4 water restrictions being imposed in November 2019. These water restrictions impact holders of high security water licenses, including Tritton, reducing the volumes of water available in financial year June 2020 under their water allocations. To offset these reduced allocations, Tritton has purchased additional high security water licences on-market.

The offtake point for Tritton to access its water allocation has been Gunningbar Creek. In November 2019 WaterNSW advised that deliveries of water to this point would cease. After discussions with WaterNSW and other Government agencies it was agreed that a spur water pipeline would be constructed from Tritton and connect into the Nyngan – Cobar water pipeline. Whilst the new pipeline was being constructed water stored on site in old mine workings would be utilised. Construction of the pipeline commenced in December 2019 and was completed in mid-January 2020, with the first water delivered to Tritton later that month.

The pipeline ensures that the remaining water allocation for the year ending 30 June 2020 can now be delivered. In addition to securing the method of delivery of Tritton's water allocation, the pipeline will also significantly reduce water losses compared to deliveries to Gunningbar Creek. There has been no further communication from WaterNSW with respect to deliveries against water allocations for financial year ending 30 June 2021.

Production

Ore production from the Tritton and Murrawombie underground mines was in line with plan for the period ended 31 December 2019, however copper grades were lower due to stope mining sequencing.

Ore Processing

Ore processed during the period was 831,748 tonnes, compared to 828,796 tonnes in the pcp. Copper recovery for the period at 93.87% was slightly lower than that achieved (94.79%) during the period ended 31 December 2018.

Both throughput and copper recovery were impacted by the change in water quality as operations transitioned mid-November from fresh water to water stored on-site. The low pH of the stored water required the addition of lime and other chemicals to enable it to be used in the ore processing plant. Sourcing of the additional quantities of the chemicals over the December period was a challenge due to public holidays, when the transport and chemical industries traditionally take a break. Lack of availability of the additional chemicals required throughput rates to be reduced for periods in December to ensure that production could continue until stocks of chemicals were replenished.

The lower throughput of the processing plant towards the end of December combined with the mines delivering ore in line with plans, has resulted in a stockpile of ore (approximately 40kt) being built-up on the ROM pad at the end of December 2019. Consumption of this ore stockpile will occur over the coming months once the full effect of the recent release of fresh water allows production rates through the processing plant to return to normal levels.

Exploration

The Tritton tenement package covers 2,160km^2 in central western New South Wales. To date over 750,000 tonnes of copper, including the Current Mineral Resource deposits, has been discovered within the bottom half of the tenement package.

In December 2018 an airborne electromagnetic (AEM) survey was flown, covering 617km^2 over the northern half of the tenement package. The AEM survey, utilising the SKYTEM™ 312 airborne EM system, was designed and optimised to test for deep conductive bodies. The AEM survey identified 25 new anomalies and confirmed the Company's view that there is significant potential to discover additional copper sulphide deposits in the northern half of the Tritton tenement package.

Ground based moving loop electromagnetic (MLTEM) surveying continued throughout the half year period. The MLTEM survey was designed to confirm whether the AEM detected anomalies are legitimate bedrock conductor(s). The MLTEM survey was completed by the end of the half year ended 31 December 2019. A total of 23 potential AEM conductors were surveyed. Interpretation of the results will be finalised by the end of the 30 June 2020 financial year. Preliminary results from the MLTEM surveying over an AEM anomaly toward the northern margin of the Company's exploration tenement boundary confirmed the presence of a bedrock conductor. The conductive plate is interpreted to extend beyond the northern boundary of the Company's exploration tenement and an exploration licence application was submitted to the Department of Planning, Industry and Environment during the half year ended 31 December 2019 to cover the additional area.

A modest drill campaign, totaling three drillholes was completed within the Murrawombie to Avoca Tank prospective corridor following the completion of a geological review and additional MLTEM survey data. A single drillhole (TCBD010) targeted down plunge extensions to mineralisation at the Caribou prospect (located within the Larsens – North East mining province). A downhole EM (DHEM) survey was completed down TCBD010. The DHEM survey detected an off-hole conductor above the drillhole, which corresponds with the mineralised zone intersected from previous drilling. The modelled plate extends further down plunge than previously modelled DHEM plates. The remaining two drillholes did not intersect sulphide mineralisation.

At the Murrawombie deposit, underground drilling continued testing the periphery of the main mineralised body. Drilling shifted from targeting strike extensions to testing down plunge targets beneath the Indicated Mineral Resource. In total 26 drill holes were completed during the half year period with a majority intersecting sulphide mineralisation. Multiple sulphide lodes were intersected, including the down plunge extensions to the main mineralised system. Encouragingly, additional mineralisation was intersected further in the hanging wall. This is an exciting discovery highlighting the prospectivity of the field and potential to increase the Mineral Resource base with the delineation of new sulphide bodies from additional near mine exploration. Geological interpretation of the hanging wall mineralisation commenced in the reporting period.

The Torrens Project (EL6407 – was previously 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 process of seeking a Native Title summary determination to conduct mining operations within the Torrens project area commenced during the half year ended 31 December 2019. A new summary determination is required as the current determination was assigned to the previous exploration licence (EL5614).

During the half year ended 31 December 2019 an updated Program for Environment Protection and Rehabilitation (PEPR) was submitted. The updated PEPR will enable additional geophysical surveys to be conducted over the tenement and for drilling activities to be undertaken on Andamooka Island (existing PEPR only allows drilling on the lake surface). The additional geophysical surveys would be designed to refine geological models in preparation for drill targeting.

Debt

On 27 December 2019, Aeris announced that it had reached agreement with its financier and major shareholder, Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG) to extend the maturity dates for its Tranche A and Tranche B debt facilities to 1 July 2021 (previously 14 March 2020).

The key terms of the extension also included:

- The capitalisation of all interest due and payable between 13 December 2019 and 30 June 2020;
- The cancellation of the undrawn component of the Tranche A Facility; and
- The inclusion of additional Review Events related to completion of the water pipeline and availability of water.

Financial Results

The Group recorded a loss after tax for the half year ended 31 December 2019 of $28.683 million (December 2018: loss of $10.454 million). The result was impacted by a number of key factors including:

- Revenue from continuing operations amounted to $108.012 million, compared to $113.479 million in the previous corresponding period. This was directly due to decreased copper production, 12,286 tonnes of Copper produced for the half year ended 31 December 2019, versus 13,268 tonnes of Copper produced in corresponding period. The impact of decreased copper production was partially offset by higher copper prices achieved of A$8,572/t, compared to the prior corresponding period (A$8,476/t);
- Cost of goods sold decreased from $108.145 million for the half year ended 31 December 2018 to $103.365 million for the half year ended 31 December 2019 and was due to lower volumes of concentrate shipped and lower treatment and refining costs compared to the corresponding period;
- Impairment of mining development assets of $23.127 million (please refer to note 5 and 7); and
- Foreign exchange impacts, mainly due to foreign exchange movements on an increased foreign debtors balance resulting in a reduced loss of $0.289 million for the half year ended 31 December 2019 compared to a loss of $2.439 million for the half year ended 31 December 2018. The AUD/USD exchange rate at 31 December 2019 of $0.7010 was comparable to $0.7055 as at 31 December 2018.

Financial Position

The net asset position of the Group at 31 December 2019 is $48.476 million (net assets at 30 June 2019 were $76.890 million) and was impacted by the impairment processed at 31 December 2019. The extension of the SPOV Tranche A and B facility resulted in the liability balance being transferred from current to non-current at 31 December 2019.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial period and the date of this report, other than noted above, any other 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

The copper production guidance for the financial year ending 30 June 2020 at its Tritton Copper Operations is between 23,500 tonnes and 24,500 tonnes at a C1 cash cost of between A$2.80/lb and A$2.95/lb.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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 to the Legislative Instrument.

Signed in accordance with a resolution of the Directors.

Andre Labuschagne
Executive Chairman
27 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Aeris Resources Limited for the half-year ended 31 December 2019, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aeris Resources Limited and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
27 February 2020

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Aeris Resources Limited ABN 30147131977
Interim financial report - 31 December 2019

Contents

This interim financial report is for the consolidated entity, consisting of Aeris Resources Limited and its subsidiaries. The interim financial report is presented in the Australian currency.

Aeris Resources Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at

Aeris Resources Limited
HQ South Tower Suite 2.2 Level 2
520-540 Wickham Street
FORTITUDE VALLEY, BRISBANE QLD 4006

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report inclusive of the review of operations and activities on pages 1 to 5, which is not part of these interim financial statements.

The interim financial report was authorised for issue by the Directors on 27 February 2020. The Directors have the power to amend and reissue the interim financial report.

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.aerisresources.com.au

	Notes	**31 December 2019 $'000**	31 December 2018 $'000
Revenue from continuing operations	4	**108,012**	113,479
Cost of goods sold	5	**(103,365)**	(108,145)
Gross profit		**4,647**	5,334
Exploration expense	5	**(519)**	(565)
Administration and support	5	**(3,776)**	(4,270)
Impairment loss	5	**(23,127)**	-
Other expenses	5	**(1,804)**	(3,504)
Loss before net finance costs		**(24,579)**	(3,005)
Finance expenses	5	**(4,501)**	(4,750)
Loss before income tax from continuing operations		**(29,080)**	(7,755)
Income tax expense		**397**	(2,699)
Loss for the period		**(28,683)**	(10,454)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Changes in the fair value of cash flow hedges		**-**	2,306
Income tax relating to components of other comprehensive income		**-**	(692)
Other comprehensive profit for the period, net of tax		**-**	1,614
Total comprehensive loss for the period		**(28,683)**	(8,840)
Loss is attributable to:			
Owners of Aeris Resources Limited		**(28,683)**	(10,454)
Total comprehensive loss for the period is attributable to:			
Owners of Aeris Resources Limited		**(28,683)**	(8,840)

	31 December 2019 Cents	31 December 2018 Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**(6.3)**	(2.8)
Diluted earnings per share	**(6.3)**	(2.8)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**31 December 2019 $'000**	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**8,552**	22,548
Trade and other receivables		**11,323**	7,131
Inventories		**20,545**	16,256
Financial assets at fair value through profit or loss		**2,382**	3,722
Total current assets		**42,802**	49,657
Non-current assets			
Receivables		**15,151**	11,729
Exploration and evaluation		**27,640**	26,360
Mine properties in use	7	**19,455**	45,879
Property, plant and equipment		**47,441**	50,392
Total non-current assets		**109,687**	134,360
Total assets		**152,489**	184,017
LIABILITIES			
Current liabilities			
Trade and other payables		**29,783**	30,427
Interest bearing liabilities	8	**4,569**	48,919
Provisions	9	**7,084**	7,997
Total current liabilities		**41,436**	87,343
Non-current liabilities			
Interest bearing liabilities	8	**50,747**	7,474
Deferred tax liabilities		**-**	397
Provisions	9	**11,830**	11,913
Total non-current liabilities		**62,577**	19,784
Total liabilities		**104,013**	107,127
Net assets		**48,476**	76,890
EQUITY			
Contributed equity	10	**420,837**	420,837
Preference equity	11	**4,208**	4,208
Reserves	12(a)	**(6,454)**	(6,723)
Accumulated losses	12(b)	**(370,115)**	(341,432)
Total equity		**48,476**	76,890

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

	Attributable to owners of Aeris Resources Limited				
	Contributed Equity $'000	**Convertible Preference Shares $'000**	**Other reserves $'000**	**Accumulated Losses $'000**	**Total equity $'000**
Balance at 1 July 2018	388,180	4,208	(8,630)	(328,759)	54,999
Loss for the period	-	-	-	(10,454)	(10,454)
Other comprehensive loss	-	-	1,614	-	1,614
Total comprehensive income for the period	**-**	**-**	**1,614**	**(10,454)**	**(8,840)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	32,657	-	-	-	32,657
Share based payments	-	-	254	-	254
	32,657	-	254	-	32,911
Balance at 31 December 2018	**420,837**	**4,208**	**(6,762)**	**(339,213)**	**79,070**

	Contributed Equity $'000	**Convertible Preference Shares $'000s**	**Other reserves $'000**	**Accumulated Losses $'000**	**Total $'000**
Balance at 1 July 2019	420,837	4,208	(6,723)	(341,432)	76,890
Loss for the period	-	-	-	(28,683)	(28,683)
Total comprehensive income for the period	**-**	**-**	**-**	**(28,683)**	**(28,683)**
Transactions with owners in their capacity as owners:					
Share based payments	-	-	269	-	269
Balance at 31 December 2019	**420,837**	**4,208**	**(6,454)**	**(370,115)**	**48,476**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Half-year 31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities		
Receipts from customers	**102,571**	115,682
Payments to suppliers and employees	**(94,010)**	(101,242)
Interest paid	**(2,282)**	(4,927)
Net cash inflow from operating activities	**6,279**	9,513
Cash flows from investing activities		
Payments for exploration expenditure	**(1,280)**	(4,683)
Payments for property, plant and equipment and mine properties	**(11,921)**	(8,938)
Cash backed security deposits	**(3,424)**	(2,362)
Net cash outflow from investing activities	**(16,625)**	(15,983)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**-**	32,657
Repayment of borrowings	**(40)**	(27,945)
Lease payments	**(3,553)**	(4,760)
Net cash outflow from financing activities	**(3,593)**	(48)
Net decrease in cash and cash equivalents	**(13,939)**	(6,518)
Cash and cash equivalents at the beginning of the financial year	**22,548**	23,332
Effects of exchange rate changes on cash and cash equivalents	**(57)**	198
Cash and cash equivalents at the end of the half-year	**8,552**	17,012

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the condensed consolidated financial statements

1 Basis of preparation of half year report

The interim financial report is for the consolidated entity consisting of Aeris Resources Limited ('the Company') and its subsidiaries ("the Group").

This condensed consolidated interim financial report for the six month reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the annual report of the Group for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The annual report for the year ended 30 June 2019 is accessible at www.aerisresources.com.au.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars unless otherwise stated, under the option available to the Company under Legislative instrument 2016/191, issued by the Australian Securities and Investment Commission. The Company is an entity to which the Legislative instrument applies.

A number or new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB16 Leases. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 14. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2 Going Concern

The interim 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.

During the half-year ended 31 December 2019, Aeris recognised a consolidated loss of $28.683 million (2018: loss of $8.840 million) and had cash inflow from operating activities of $6.279 million (2018: inflow of $9.513 million). In the current period the result was impacted by lower production negatively impacting revenues and an asset impairment of $23.127 million offset by higher copper prices.

On 27 December 2019, Aeris announced that it has reached agreement with its financier and major shareholder, Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG) to extend the maturity dates for its Tranche A and Tranche B debt facilities to 1 July 2021 (previously 14 March 2020).

The key terms of the extension also included:

- The capitalisation of all interest due and payable between 13 December 2019 and 30 June 2020;
- The cancellation of the undrawn component of the Tranche A Facility; and
- The inclusion of additional Review Events related to completion of the water pipeline and availability of water.

At 31 December 2019 the Group held cash of $8.552 million, a net asset position of $48.476 million and a working capital surplus of $1.366 million.

Due to the significant drought conditions that have been experienced in central and western NSW, the Tritton Copper Operations (Tritton) was impacted by water supply issues toward the end of the half year ended 31 December 2019. Tritton receives fresh water from Burrendong Dam through the Macquarie River system to the Gunningbar Creek off-take. WaterNSW advised that it would cease supply of water to Gunningbar Creek in November 2019.

2 Going Concern (continued)

From mid-November 2019 the Tritton commenced utilising water stored on-site whilst a new water pipeline between the Tritton processing plant and the Nyngan-Cobar pipeline was completed. The change in water quality as operations transitioned mid-November from fresh water to water stored on-site impacted both the throughput and copper recovery of the mill operations, resulting in 12,286 tonnes of copper (in concentrate and in copper cement) produced for the half year ended compared to 13,268 tonnes of copper produced in the prior corresponding period.

The new pipeline was completed in mid-January 2020, with the first water being delivered to the Tritton processing plant in late January 2020. The pipeline secures the ability to deliver Tritton's water allocation for the year ending 30 June 2020 and with consistent supply again of fresh water, the operations has seen processing throughput and metallurgical performance move back to normal levels.

Since the start of 2020 the water levels in Burrendong Dam have risen due to rain in the region, with water levels currently back to levels of last September. Communication from WaterNSW in regard to water allocations for the financial year 30 June 2021 (FY2021) is expected in the June quarter 2020. Until the water allocations for FY2021 are known, there is uncertainty as to whether Tritton will have access to sufficient quantities of water to produce the budgeted level of copper for FY2021 and cashflows may be materially impacted.

Accordingly, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors have prepared the financial report on a going concern basis taking into consideration a number of factors including:

- Recent rains in the region has seen the water levels in the Burrendong Dam rise;
- Continuous availability of water supply from WaterNSW and on-site stored water sources;
- An active secondary market for acquiring annual water allocations;
- Continuing support from our major shareholder and financier, Special Portfolio Opportunity V Limited (SPOV);
- The Group has generated positive cash flows from operating activities of $6.279 million (Dec 2018: $9.513 million); and
- Continued strong management of operating and capital expenditure at its Tritton Copper Operations.

3 Segment information

(a) Description of segments

Business segments

The Consolidated Entity only operated in Australia as at 31 December 2019 and 31 December 2018.

The Company's Strategic Steering Committee, consisting of the Chief Executive Officer, the Chief Financial Officer and Chief Operating Officer examined 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 31 December 2019 and 31 December 2018.

3 Segment information (continued)

(b) Segment information provided to the directors of Aeris Resources Limited

2019	**Tritton Operations** $'000	**Other** $'000	**Total Continuing Operations** $'000	**Consolidated** $'000
Segment Revenue				
Sales	107,037	-	107,037	107,037
Total sales revenue	107,037	-	107,037	107,037
Other revenue	671	304	975	975
Total segment revenue	107,708	304	108,012	108,012
Adjusted EBITDA	19,369	(903)	18,466	18,466
Segment assets and liabilities				
Segment assets	**130,734**	**21,755**	**152,489**	**152,489**
Total assets	130,734	21,755	152,489	152,489
Segment liabilities	**102,125**	**1,888**	**104,013**	**104,013**
Other segment information				
Acquisition of property, plant and equipment, intangibles and other segment assets	11,921	-	11,921	11,921
Depreciation and amortisation	18,184	105	18,289	18,289

2018	**Tritton Operations** $'000	**Other** $'000	**Total Continuing Operations** $'000	**Consolidated** $'000
Segment Revenue				
Sales	113,283	-	113,283	113,283
Total sales revenue	113,283	-	113,283	113,283
Other revenue	196	-	196	196
Total segment revenue	113,479	-	113,479	113,479
Adjusted EBITDA	17,180	(2,128)	15,052	15,052
Segment assets and liabilities				
Segment assets	**155,977**	**19,668**	**175,645**	**175,645**
Unallocated assets	-	-	1,200	1,200
Total assets	155,977	19,668	176,845	176,845
Segment liabilities	95,497	2,278	97,775	97,775
Other segment information				
Acquisition of property, plant and equipment, intangibles and other segment assets	8,999	-	8,999	8,999
Depreciation and amortisation	14,867	6	14,873	14,873

3 Segment information (continued)

(c) Other segment information

(i) Adjusted EBITDA

The Strategic Steering Committee of Aeris Resources Limited 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, losses recognised on refinancing and effects of foreign exchange which primarily reflects the 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:

	31 December 2019 $'000	31 December 2018 $'000
Adjusted EBITDA (continuing operations)	**18,466**	15,052
Net foreign exchange losses	**(289)**	(2,439)
Finance costs	**(4,501)**	(4,750)
Fair value of listed investment	**(1,340)**	(745)
Depreciation and amortisation	**(18,289)**	(14,873)
Impairment	**(23,127)**	-
Loss before income tax from continuing operations	**(29,080)**	(7,755)

4 Revenue

	31 December 2019 $'000	31 December 2018 $'000
From continuing operations		
Sales revenue		
Mining activities	**107,037**	113,283
Other revenue		
Other revenue from ordinary activities	**975**	196
	108,012	113,479

5 Expenses

	31 December 2019 $'000	31 December 2018 $'000
Loss before income tax includes the following specific expenses:		
Cost of production		
Mining and Processing activities	**85,181**	93,278
Depreciation		
Plant and equipment	**5,167**	4,548
Plant and equipment under finance leases	**3,804**	3,145
Total Depreciation	**8,971**	7,693
Amortisation		
Mine properties	**9,213**	7,174
Total Cost of goods sold	**103,365**	108,145
Exploration expense		
Exploration expenditure	**519**	565
Total Exploration Expense	**519**	565
Finance costs - net		
Interest and finance charges paid / payable	**4,426**	4,750
Unwinding of discounts on provisions	**75**	-
Total Finance Expenses	**4,501**	4,750
Other expenses		
Net foreign exchange losses	**289**	2,439
Loss on fair value of listed securities held for trading	**1,340**	745
Loss on disposal and write-off of fixed assets	**175**	320
Total Other expenses	**1,804**	3,504
Administration and support		
Corporate	**3,671**	4,264
Corporate depreciation	**1**	6
Right of use asset depreciation	**104**	-
Total Administration and support	**3,776**	4,270
Impairment of other assets		
Impairment loss (refer to note (a))	**23,127**	-

(a) Impairment

At 31 December 2019, an impairment charge was recorded in respect of the Tritton Copper Operations using a fair value less costs of disposal (FVLCD) methodology. The impairment was applied to mine properties in use.

6 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	31 December 2019 $'000	31 December 2018 $'000
Basic and diluted earnings per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(28,683)**	(10,454)

(b) Weighted average number of shares used as denominator

	31 December 2019 Number	31 December 2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**455,711,613**	363,383,924
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	**93,410,609**	93,410,609
Options	**93,410,609**	93,410,609
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**642,532,831**	550,205,142

7 Impairment of Non- financial assets

At the half year ended 31 December 2019, management undertook an impairment assessment due to lower than forecast copper prices achieved during the period and lower forward copper price forecasts.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (CGUs). The Group currently assesses the Tritton Copper Operations as one CGU. The recoverable amount for the Tritton Copper Operations CGU (Tritton CGU) has been determined based on Fair Value less Costs of Disposal (FVLCD). The FVLCD is calculated based on a Board approved life of mine plan (LOM). On an annual basis, or more frequently if required, the Company prepares a LOM and accompanying financial model for the Tritton CGU.

This requires the use of estimates and judgements in relation to a range of inputs including:

- Commodity prices;
- Exchange prices;
- Reserves and mining planning scheduling;
- Production costs; and
- Discount rates.

7 Impairment of Non- financial assets (continued)

The discount rate used in the LOM is a post tax discount rate of 8.6% expressed in real terms. Commodity prices and exchange rates used in the model are sourced from independent reputable market sources. These inputs heavily influence the sequence of when and how much ore will be extracted from each of the planned mines as well as the timing and quantum of capital expenditure that will be required.

At the half year ended 31 December 2019, our impairment assessment of Tritton Copper Operations CGU resulted in an impairment of $23.127 million to mine properties in use.

The individual assumption subject to the most estimation uncertainty for the FVLCD calculation is the copper price. To illustrate this sensitivity, a 5% reduction in copper price would have increased the impairment to approximately $46.611 million with all other inputs remaining constant.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

8 Interest bearing liabilities

Current

	31 December 2019 $'000	30 June 2019 $'000
Secured		
Loans	**51**	42,970
Lease liabilities	**4,518**	5,949
Total secured borrowings	**4,569**	48,919
Total current interest bearing liabilities	**4,569**	48,919

Non Current

	31 December 2019 $'000	30 June 2019 $'000
Secured		
Loans	**45,508**	412
Lease liabilities	**5,239**	7,062
Total secured borrowings	**50,747**	7,474
Total non-current interest bearing liabilities	**50,747**	7,474

On 27 December 2019, Aeris announced that it has reached agreement with its financier and major shareholder, Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG) to extend the maturity dates for its Tranche A and Tranche B debt facilities to 1 July 2021 (previously 14 March 2020).

The key terms of the extension also included:

- The capitalisation of all interest due and payable between 13 December 2019 and 30 June 2020;
- The cancellation of the undrawn component of the Tranche A Facility; and
- The inclusion of additional Review Events related to completion of the water pipeline and availability of water.

8 Interest bearing liabilities (continued)

The SPOV Tranche A facility is a US$15.5 million working capital facility that accrues cash interest at 5% per annum and PIK interest that accrues at 6% (compounding every three months). At 31 December 2019, the Group had drawn down US$15.5 million from SPOV Tranche A Facility.

The SPOV Tranche B facility totals US$10 million and accrues cash interest at a rate of 12.5% per annum.

9 Provisions

	31 December 2019			30 June 2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**6,899**	**457**	**7,356**	7,851	615	8,466
Other provisions	**185**	**-**	**185**	146	-	146
Provision for rehabilitation and dismantling	**-**	**11,373**	**11,373**	-	11,298	11,298
	7,084	**11,830**	**18,914**	7,997	11,913	19,910

The provision for rehabilitation and dismantling is based on the Group's Mining Operations Plans (MOPs) for its Tritton Copper Operations.The cost estimates that form the basis for the provision for rehabilitation and dismantling costs are discounted using a risk-free discount rate that reflects the time value of money. The provision for rehabilitation and dismantling was inline with the present value estimate calculated, with no impact reflected in the condensed consolidated statement of comprehensive income for the period ended 31 December 2019.

10 Contributed equity

(a) Share capital

Ordinary share capital	**31 December 2019 Shares**	30 June 2019 Shares	**31 December 2019 $'000**	30 June 2019 $'000
Ordinary shares - fully paid	**455,711,613**	455,711,613	**420,837**	420,837

Movements in ordinary share capital

	31 December 2019 Shares	**31 December 2019 A$'000**
Opening balance - 1 July 2019	455,711,613	420,837
Closing Balance - 31 December 2019	455,711,613	420,837

	30 June 2019 Shares	**30 June 2019 A$'000**
Opening balance	280,232,617	388,180
Entitlement Offer - Institutional offer (issued 2 October 2018)	99,889,405	19,978
Entitlement Offer - Retail (issued 16 October 2018)	10,051,262	2,010
Entitlement Offer - Retail (issued 17 October 2018)	23,503,437	4,701
Placement (issued 2 October 2018)	42,034,892	8,407
Less: Transaction costs arising on share issues	-	(2,439)
Closing balance	455,711,613	420,837

10 Contributed equity (continued)

(a) Share capital (continued)

Movements in ordinary share capital (continued)

Non-Renounceable Entitlement Offer and Placement
On 21 September 2018 Aeris announced the launch of a fully underwritten A$35.096 million Placement and 1:2.1 Non-Renounceable Entitlement Offer (Entitlement Offer), with the funds raised being used to:

- Accelerate exploration programs at the 100% owned Tritton Copper Operations and the Torrens Joint Venture (Aeris 70%);
- Strengthen the Company's financial position through the repayment of a significant proportion of outstanding Senior Debt; and
- To pay for the costs associated with the equity raise.

The $35.096 million Placement and Entitlement Offer, at a price of $0.20 per share, consisted of:

- A Placement and Accelerated Institutional Entitlement Offer which was completed on 2 October 2018 and raised $28.385 million and resulted in the issue of approximately 141,924,297 new shares; and
- A Retail Entitlement Offer which closed on 9 October 2018 and raised $6.711 million with approximately 33,554,699 new shares being issued.

In aggregate, 175,478,996 new shares were issued under the Placement and Entitlement Offer.

The issued capital of Aeris now comprises 455,711,613 ordinary shares, 93,410,609 unlisted options (exercisable at $nil each with an expiry date of 31 December 2021) and 93,410,609 convertible preference shares (CRPS).

11 Preference equity

(a) Convertible preference shares

Movements in convertible redeemable preference shares

	Notes	31 December 2019 Shares	31 December 2019 A$'000
Opening balance		93,410,609	4,208
Closing Balance		93,410,609	4,208

	Notes	30 June 2019 Shares	30 June 2019 A$'000
Opening balance		93,410,609	4,208
Closing balance		93,410,609	4,208

12 Reserves and accumulated losses

(a) Reserves

	31 December 2019 $'000	30 June 2019 $'000
Share-based payments	**2,989**	2,720
Acquisition revaluation reserve	**(9,443)**	(9,443)
	(6,454)	(6,723)

12 Reserves and accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	31 December 2019 $'000	30 June 2019 $'000
Balance 1 July	**(341,432)**	(328,759)
Net loss for the period	**(28,683)**	(12,673)
Closing Balance	**(370,115)**	(341,432)

13 Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of 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 31 December 2019 and 30 June 2019:

At 31 December 2019	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Financial assets at fair value through profit or loss					
Australian listed equity securities		**2,382**	**-**	**-**	**2,382**
Total financial assets		**2,382**	**-**	**-**	**2,382**

At 30 June 2019	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Financial assets at fair value through profit or loss					
Australian listed equity securities		3,722	-	-	3,722
Total financial assets		3,722	-	-	3,722

Valuation Methodology

Financial assets at fair value through profit and loss are investments classified as held for trading and are fair valued by comparing to the published price quotation in an active market and are considered a level 1 valuation.

14 Changes in accounting policies

The Group has adopted the Accounting Standards AASB 16 Leases (AASB 16) using the simplified approach from 1 July 2019 as permitted under the specific transitional provisions in the standard.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 9.3%.

	2019 $'000
Operating lease commitments disclosed as at 30 June 2019	262
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(29)
Add: finance lease liabilities recognised as at 30 June 2019	55
Add/(less): adjustments as a result of a different treatment of extension and termination options	13
Lease liability recognised as at 1 July 2019	**301**
Of which are:	
Current lease liabilities	221
Non-current lease liabilities	80
	301

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 $'000	1 July 2019 $'000
Property, plant and equipment	196	301
Total right-of-use assets	**196**	**301**
Interest bearing liabilities	**202**	**301**

(i) Impact on segment disclosures and earnings per share

There was no material impact on the Tritton Copper Operations as a result of the adoption of AASB16.

(ii) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- Reliance on previous assessments on whether leases are onerous.

14 Changes in accounting policies (continued)

(b) The group's leasing activities and how these are accounted for

The Group leases offices and equipment. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any initial direct costs;
- Restoration costs; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

15 Events occurring after the reporting period

Apart from the matters disclosed in this report, there has not been any other matter or circumstance that has significantly affected the operations of the consolidated entity between the date of this report and the end of financial period.

In the Directors' opinion:

(a) The interim financial report and notes set out on pages 8 to 25 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with 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 31 December 2019 and of its performance for the half-year ended on that date, and

(b) There are reasonable grounds to believe that the Aeris Resources Limited will be able to pay its debts as and when they become due and payable.

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

27 February 2020

Independent auditor's review report to the members of Aeris Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Aeris Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated balance sheet as at 31 December 2019, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Aeris Resources Limited.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aeris Resources Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a loss of $28.683 million during the half year ended 31 December 2019. The Group's operations have been impacted by water supply restrictions that affected copper production during the half year ended 31 December 2019. Continued water supply is required to enable the Group to achieve production forecasts and generate sufficient cashflows to enable it to continue as a going concern and meet its debts and commitments as they fall due. These conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
27 February 2020