Aeris Resources Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Aeris Resources Limited
ABN:	30 147 131 977
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	8.7%	to	195,893
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	42.4%	to	50,781
Profit from ordinary activities after tax attributable to the owners of Aeris Resources Limited	down	69.3%	to	14,101
Profit for the half-year attributable to the owners of Aeris Resources Limited	down	69.3%	to	14,101

Earnings per share

	31 Dec 2021 Cents	31 Dec 2020 Cents
Basic earnings per share	0.6	2.4
Diluted earnings per share	0.6	2.3

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The profit for the consolidated entity after providing for income tax amounted to $14,101,000 (31 December 2020: $45,867,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	8.8	6.3

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any)

The financial statements were subject to review by PricewaterhouseCoopers and the review report is attached as part of the Interim Financial Report.

11. Attachments

Details of attachments (if any)

The Interim Financial Report of Aeris Resources Limited for the half-year ended 31 December 2021 is attached.

Aeris Resources Limited

ABN 30 147 131 977

Interim Financial Report - 31 December 2021

Directors	Andre Labuschagne - Chairman and Managing Director Michele Muscillo - Non-executive Director Colin Moorhead - Non-executive Director Sylvia Wiggins - Non-executive Director
Company secretaries	Robert Brainsbury Dane van Heerden
Registered office and principal place of business	HQ South Tower Level 2 520 Wickham Street Fortitude Valley Brisbane QLD 4006 Phone: (07) 3034 6200
Share register	Automic Level 5 126 Phillip Street Sydney NSW 2000 Phone: 1300 288 664 (within Australia) +61 2 9698 5414 (outside Australia)
Auditor	PricewaterhouseCoopers Level 23 480 Queen Street Brisbane QLD 4000
Solicitors	HopgoodGanim Lawyers Level 8 1 Eagle Street Brisbane QLD 4000
Stock exchange listing	Aeris Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AIS)
Website	www.aerisresources.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Aeris Resources Limited (referred to hereafter as 'Aeris' or the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 ('half-year').

DIRECTORS

The following persons were directors of Aeris Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andre Labuschagne
Michele Muscillo
Colin Moorhead
Sylvia Wiggins (appointed 18 October 2021)
Alastair Morrison (resigned 25 November 2021)

DIVIDENDS

The directors do not recommend payment of a dividend for the period to 31 December 2021. No dividend was paid during the half-year.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity for the half-year ended 31 December 2021 were the production and sale of copper, gold and silver and the exploration for copper and gold. Other than as referred to in the Operating and Financial Review, there were no significant changes in those activities during the half-year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

REPYAMENT OF DEBT AND ESTABLISHMENT OF ANZ BANKING FACILTIES

During the half-year, the consolidated entity repaid the outstanding balance (US$20.25 million) of its senior debt (Tranche A (Working Capital) Facility) with Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG).

At the same time, the consolidated entity entered into a facility agreement with Australia and New Zealand Banking Group Limited (ANZ) for it to provide:

- A$35 million Contingent Instrument Facility;
- A$20 million Working Capital Facility, and
- Unsecured gold hedging lines.

HEDGING

During the half-year, Aeris entered into unsecured copper hedging with Macquarie Bank Limited and unsecured gold hedging with ANZ.

The copper hedges cover the period from August 2021 to June 2022 in scheduled monthly deliveries of 550 tonnes (6,050 tonnes in total). The hedges are through Zero net Premium Option Collars where Aeris buys put options and sells call options to form a collar structure with zero premium payable:

- The strike price of the put options is A$11,900/t; and
- The strike price of the call options is A$12,900/t.

The gold hedges cover the period from November 2021 to October 2022 in scheduled monthly deliveries of 1,750 ounces (21,000 ounces in total) at a forward price of A$2,538.54 per ounce.

In July and August 2021 Aeris also settled previous copper hedging undertaken namely:

- 833 tonnes per month at a forward price of A$9,228 ending July 2021; and
- 667 tonnes per month through a Zero net Premium Option Collars where Aeris buys put options (strike price A$10,000/t) and sells call options (strike price A$11,100/t) to form a collar structure with zero premium payable ending July 2021.

OPERATING REVIEW

Aeris has two operational assets, the Tritton Copper Operations (Tritton) in New South Wales and the Cracow Gold Operations (Cracow) in Queensland.

COVID-19 IMPACT

Aeris continues to regularly review, update, and communicate further COVID-19 measures as additional information becomes available. The increased levels of infection due to the Omicron variant of the COVID-19 virus experienced by both NSW and QLD is closely monitored by management and requires increased diligence and quick response as we continue to prioritise the health and safety of our workers and assess the current impact on our operations.

Our current measures include, limiting access to operational sites to essential personnel only, limiting travel, adjusting work arrangements for site and corporate teams and increased communication to our workforce and partners.

Towards the end of the December 2021 quarter, the increasing numbers of COVID-19 cases in NSW started to impact activities at the Tritton Copper Operations as many employees and contractors either tested positive for the virus or were close contacts and were required to isolate. This resulted in lower crew numbers, which impacted production volumes in December 2021 and has carried over into the March 2022 quarter. The Cracow Gold Operations have not had any significant COVID-19 related impacts up to the date of this report.

TRITTON COPPER OPERATIONS

The Tritton Copper Operations (Tritton) produced 9,414 tonnes at 1.27% compared to 11,889 tonnes at 1.64% in the prior corresponding period. Both the Tritton underground mine and the Murrawombie underground mine were impacted by COVID-19 related absences that flowed through to available manning levels and equipment availability in the period, impacting production. The lower copper grades achieved were mainly driven by lower than planned copper grades at the Tritton underground mine. A grade reconciliation review was undertaken to understand the change in grade and the impact on production, prompting a revision of the production profile to improve the mined grade.

Development of the Murrawombie underground mine during the half-year focussed on progressively opening up access to the hanging wall and the northern lode. Production tonnes at the Murrawombie underground mine are expected to offset some of the lower tonnes to be produced from the Tritton underground mine.

Ore processed during the period was 755,045 tonnes compared to 782,239 tonnes in the prior corresponding period, impacted by lower ore tonnes mined. Copper recovery for the period of 94.48% was higher than the prior corresponding period of 93.88%.

Outlook

The impact of lower production during the half-year resulted in revised guidance for the Tritton Copper Operations for the financial year ending 30 June 2022 of between 18,500 tonnes and 19,500 tonnes at an AISC of between A$4.60/lb and A$4.85lb.

Life Extension Projects

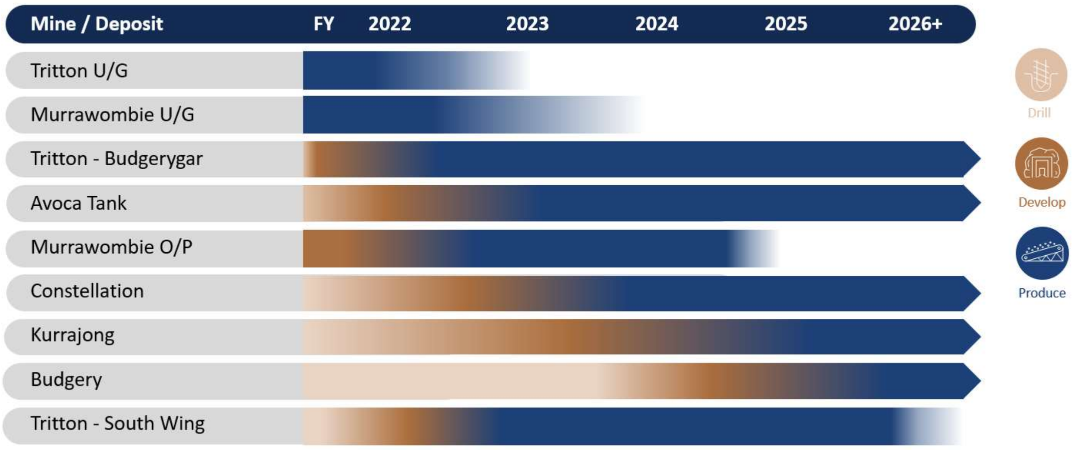
Since Tritton commenced operations in 2005, the Tritton underground mine has been the primary source of ore feed for the processing plant (Tritton Mill) and from 2016, the Murrawombie underground mine has been the supplemental ore source. Over the next few years, production levels from both of these mines will reduce and new ore sources will be brought into production from our project pipeline.

Tritton has a strong pipeline of development and exploration projects which it is progressing on multiple fronts (see table below) as it targets extending the mine life to the back end of the decade.

Development of the first three of these life extension projects commenced during the half-year, with a total estimated cost of $50 million:

- Budgerygar deposit – an extension of the Tritton underground mine;
- Avoca Tank underground mine; and
- Murrawombie Pit cut-back.

Tritton Copper Operation – conceptual development plans of known deposits



1) Development timeline is conceptual only. Final development plans and timelines depend on a number of factors including results of internal feasibility studies, detailed mine design, market forces, approvals, availability of capital, amongst others.

2) Aeris is yet to announce Mineral Resource estimate at the Kurrajong deposit and has made certain assumptions regarding this deposit in producing this conceptual plan. Ultimately, final development plans for this project are subject to concluding various processes including undertaking metallurgical testing, permitting, native title and cultural heritage, access arrangements as well as internal mine planning and feasibility processes. This table does not constitute a Production Target for the purposes of the Listing Rules or the JORC Code.

Budgerygar

During the half-year, the access decline from the Tritton underground mine to the Budgerygar deposit was completed and resource drilling and level development commenced. The first development ore was mined during December 2021, ahead of plan. The first production ore from stoping is expected in the June 2022 quarter.

An updated Mineral Resource for Budgerygar was announced on 1 December 2021, with total ore tonnes increasing by 15% to 2,600kt, including 720kt at 1.7% Cu in Indicated Mineral Resource. Total contained copper metal increased 15% to 39kt. Resource definition drilling of the deposit is ongoing in order to test deeper mineralisation within the Inferred Mineral Resource.

The deposit remains open at depth and it is intended that during the financial year ending 30 June 2023, some deeper holes will be drilled to get a better understanding of potential continuity of the deposit at depth.

Avoca Tank Deposit

The Avoca Tank deposit is a small, high-grade deposit located 5 kilometres to the north of the Murrawombie mine. Avoca Tank has a Mineral Resource of 900kt at 2.6% Cu and 0.8 g/t Au (24kt contained copper metal and 22koz contained gold metal) and an Ore Reserve of 700kt at 2.5% Cu and 0.8 g/t Au (18kt contained copper metal and 18koz contained gold metal). The deposit remains open down-plunge and an exploration drill hole below the current Mineral Resource is planned for the second half of the financial year ending 30 June 2022.

The Avoca Tank mine will be accessed via a decline from an existing portal. Establishment of surface facilities and rehabilitation of the portal entry was undertaken by Tritton personnel towards the end of September 2021 and a mining contractor commenced the access decline during the December 2021 quarter. By 31 December 2021, the access decline had progressed 567 metres and is on schedule.

All major approvals, including granting of the Mining Lease, have been received.

Murrawombie Pit Cut-back

The expansion of the old Murrawombie Open Pit entails a small push back of the eastern wall to increase pit depth. The Murrawombie Open Pit has an Ore Reserve of 1,600kt at 0.9% CU (14kt contained copper metal).

Design of the Murrawombie pit cut-back has been completed and optimisation studies are currently underway. The tender process for a mining contractor is expected to commence in the March 2022 quarter.

Relevant Local and State Government approvals for the pit expansion project have been received.

Tritton Exploration

The Tritton tenement package covers approximately 2,330km^2 in central western New South Wales. To date over 750,000 tonnes of copper, including the Current Mineral Resource deposits[1], has been discovered within the southern half of the tenement package.

The northern half of the tenement package, until recently, has not been subject to modern exploration and remains largely under-explored.

Following the completion of two regional airborne electromagnetic (AEM) surveys over part of the northern half of the tenement package, on-ground exploration has focused on activities over this area. The discovery of the Constellation deposit (previously known as Anomaly K) in November 2020 validates the Company's view the northern half of the tenement package is highly prospective for copper mineralisation.

Constellation Deposit

The Constellation deposit is located approximately 45 kilometres north-east of the Tritton processing plant. The deposit was first detected via an AEM survey and follow-up ground based moving loop (MLTEM) surveying. The MLTEM survey verified the EM response from the airborne survey represented a legitimate bedrock conductor and identified two separate bedrock conductors.

A maiden Mineral Resource for the Constellation deposit was announced on 16 December 2021. The Mineral Resource totals 3.3 million tonnes at 1.4% Cu and 0.3 g/t Au for 47kt of contained copper metal and 36koz contained gold metal. The Mineral Resource represents the shallow, potentially open-pitable portion of the deposit to 200 metres below surface, which has been the focus of the majority of drilling completed to date.

The Mineral Resource consists of three distinct styles of copper mineralisation: oxide; supergene; and sulphide. The sulphide mineralisation continues below the extent of the current Mineral Resource and drilling is now focused on this section of the deposit.

In addition, an Exploration Target has been defined for the primary (sulphide) mineralisation below the current Mineral Resource down to RL-350m, approximately 750 metres down plunge from the base of the current Mineral Resource. The Constellation Exploration Target ranges between 6 to 8 million tonnes at a copper grade of between 1.7% to 2.2%.

The potential quantity and grade of the Exploration Target is conceptual in nature and is therefore an approximation. There has been insufficient exploration drilling to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target has been prepared and reported in accordance with the 2012 edition of the JORC Code.

Two drill rigs remain onsite at Constellation with one rig focused on the resource definition drill program of the deeper primary mineralisation. The second drill rig has transitioned across to completing geotechnical and metallurgical drilling programs. Data collected from each program will be used as inputs for the various option studies underway.

<u>Initial Metallurgical Testing</u>

Initial bench scale metallurgical testwork has been completed on different ore sample types from mineralisation within the conceptual open pit for the Constellation deposit.

This preliminary testwork was conducted on samples comprised of reverse circulation chips from several drill holes, predominantly across the Oxide and Supergene mineralisation. In addition, one sample was tested from a pocket of Transition mineralisation occurring between Supergene and Primary sulphide mineralisation.

The testwork results indicate good copper recoveries and saleable concentrate grades for the Supergene samples via flotation and indicates that Tritton will be able to treat this material through the Tritton processing plant.

For the Oxide mineralisation, testwork results indicate heap leach recoveries for copper that are consistent with recoveries experienced previously at the Murrawombie heap leach. The testwork also shows that there is potential for some Oxide mineralisation to be processed through copper flotation (Tritton processing plant).

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[1] 30 June 2021 Mineral Resource 16.6Mt at 1.4% Cu for 230kt contained copper metal; further updated by Budgerygar Mineral Resource update released 1 December 2021; and Constellation maiden Mineral Resource released 16 December 2021.

The recoveries projected from this initial testwork are consistent with those assumed in calculating the Maiden Mineral Resource estimate for the Constellation deposit.

Pure sulphide mineralisation is geologically very similar to other deposits at the Tritton Copper operations. Flotation recoveries are assumed to be similar pending lab test results.

CRACOW GOLD OPERATIONS

The Cracow Gold Operations (Cracow) produced 30,560 ounces at 3.64g/t compared to 38,248 ounces at 4.55g/t in the prior corresponding period. Stope turnover and development rates continued to be a focus during the half-year.

Mined gold grades for the half-year underperformed compared to internal targets. As the cut-off grade has been lowered since the acquisition of Cracow on 1 July 2020, the Mineral Resource model has been revisited to understand the variation to grade. The cause of the issue has been identified, and the geology model rebuilt to improve the estimate going forward.

Ore processed in the half-year of 336,544 tonnes increased compared to 305,418 tonnes, with the mill achieving record throughput during the half-year. Stocks of low-grade stockpiled material, from historical open pit mining at the site, continue to be used to supplement ore from the underground mine. Pre-crushing and screening of this stockpiled material, prior to adding to the processing circuit, assisted with achieving the high throughput rates.

Outlook

The impact of lower production during the half-year resulted in revised guidance for the Cracow Gold Operations for the financial year ending 30 June 2022 of between 64,000 ounces and 66,000 ounces at an AISC of between A$1,650/oz and A$1,700/oz.

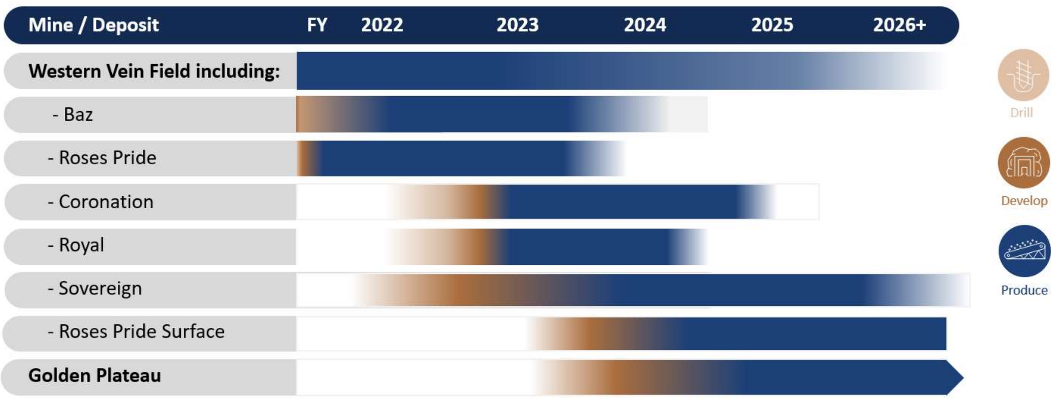
Life Extension Projects

The Cracow gold fields have been mined at an industrial scale since the 1930s and it is estimated that approximately 2.5 million ounces of gold has been produced in that period, with the main mining areas being the Golden Plateau deposit and the Western Vein Field.

Since acquiring Cracow on 1 July 2020 the Company has been focused on extending the mine life through brownfields and greenfields exploration and reviewing economic cut-off grades around the known Mineral Resources. The exploration strategy at Cracow continues to focus on replacing (at a minimum) our Ore Reserves and Mineral Resource inventory. Gold ounces reported in the Ore Reserves and Mineral Resources as at 30 June 2021 showed a slight increase in Ore Reserve (after depletion for the financial year ended 30 June 2021), and a 30% increase in Mineral Resource.

The following table shows a conceptual development timeline based on known deposits.

Cracow Gold Operation – conceptual development plans of known deposits



1) Development timeline is conceptual only. Final development plans and timelines depend on a number of factors including results of internal feasibility studies, detailed mine design, market forces, approvals, availability of capital, amongst others.

2) Aeris is yet to announce Mineral Resource estimate at the Golden Plateau deposit and has made certain assumptions regarding the deposit in producing this conceptual plan. Ultimately, final development plans for the Golden Plateau project are subject to concluding various processes including undertaking metallurgical testing, permitting, native title and cultural heritage, access arrangements as well as internal mine planning and feasibility processes. This table does not constitute a Production Target for the purposes of the Listing Rules or the JORC Code.

Cracow Exploration

Exploration activities are focused on discovering new deposits within and south from the Western Vein Field and within the Eastern Vein Field.

Key exploration activities undertaken during the half-year included:

- Completion of a preliminary ground magnetotelluric geophysical survey over the conceptual Southern Vein Field;
- Completion of greenfield exploration drill programs at the Ballymore and Royal / Klondyke Deeps targets within the Western Vein Field;
- Completion of an exploration drill program at the Boughyard prospect;
- Surface RC drill program at Roses Pride; and
- Surface RC drill program at the Golden Plateau deposit, within the Eastern Vein Field.

Ground Geophysical Survey (MT Survey)

A good understanding of the structural architecture and fault kinematics is vital for effectively exploring for low sulphidation epithermal (LSE) deposits at Cracow.

Gold mineralisation within the Western Vein Field is hosted along two main fault structures, Killarney-Kilkenny-Empire and Klondyke-Royal, within a 3.5 kilometre by 2 kilometre corridor. The Killarney-Kilkenny-Empire fault structure remains open along strike (south) and the projected continuation into the Southern Vein Field is referred to as the Ballymore target.

Limited exploration work has been completed within the Southern Vein Field, with the exception of 2 seismic survey traverses and several deep diamond drill holes, and as a result the regional structural architecture is poorly understood south of the Western Vein Field. During the period a ground-based MT survey was trialed over the Southern Vein Field.

The aim of the MT Survey was to identify the regional fault architecture below the Back Creek cover sequences and was completed on 400 and 800 metre spaced east – west lines with station spacing 100 metres along each line. The survey covered an approximate 5 kilometre (N-S) by 4 kilometre (E-W) corridor immediately south from the current underground workings.

The MT survey was able to successfully identify key lineaments within the Camboon Volcanics to depths exceeding 1,000 metres below surface. Preliminary geological interpretation based on the MT dataset has defined 6 key target areas which warrant further investigation. The MT survey enabled the identification of key regional structures, with the data outputs leading to the refinement of the target areas from 2 broad conceptual target areas to 6 more discrete targets.

Based on the success of this initial MT survey a follow-up in-fill MT survey is planned to commence in the second half of the financial year ending 30 June 2022. The aim of this upcoming MT survey will be to provide a more detailed dataset to refine the structural architecture and constrain the priority target areas further.

Ballymore Exploration Drilling

The Ballymore fault structure is a greenfield exploration target located along strike (south) from the current underground workings at the Western Field. An initial first pass exploration drill program, totalling three drill holes was completed in the financial year ended 30 June 2021. This drilling intersected prospective geology along the Ballymore fault, including a zone of coarse quartz-carbonate stockwork veining with minor adularia, returning significant gold and pathfinder element anomalism (drill hole KLU186). The presence of adularia is important, signifying boiling of the causative fluids; a key requirement for the development of high grade, low sulphidation epithermal (LSE) gold mineralisation at Cracow.

The characteristics of host structures within the Cracow field are known to change rapidly over short distances (within 50 metres), from a benign shear fault with clay alteration and negligible epithermal quartz veining, to a dilatant setting hosting large volumes of multiphase epithermal quartz veining and increased gold content.

A follow-up drill program was completed during the period. The aim of this program was to intersect the Ballymore structure at broad (~80 metre) along-strike spacings, to identify sites with the potential to host enhanced volumes of epithermal quartz veining. The drill program also aimed to intersect the structure within the most favourable stratigraphy, which is thought to be at a marginally deeper position than the initial drill campaign completed. All drill holes intersected the Ballymore fault with variable widths of late-stage rhyolite intruding along the fault. The Ballymore fault structure remains a priority exploration target and ongoing exploration activities will be focused along the prospective target.

Western Vein Field - Down Plunge Extensions

The Klondyke-Royal epithermal quartz vein structure hosts the Royal, Klondyke and Crown deposits, which combined have contributed approximately 800,000 ounces of gold via underground mining between 2004 to 2009. These orebodies were hosted by competent (rheologically brittle) andesite lava sequences of the Permian Camboon Volcanics. A thick, rheologically ductile volcaniclastic unit occurs below this favourable horizon and was believed to terminate economic ore shoot development on the fertile structures.

Recent radical advances in stratigraphic definition at Cracow have highlighted the presence of; a) a competent basaltic andesite unit below the thick volcaniclastic unit; and b) coherent intermediate intrusive lithologies intruding the volcaniclastic unit. The presence of both of these styles of brittle, coherent lithologies supports the conceptual potential for re-development of economic mineralisation down plunge from known orebodies.

During the half-year, two drill holes were completed, targeting the interpreted down plunge continuation of the mineralised epithermal quartz shoots at Royal. Both drill holes intersected a considerable volume of epithermal quartz veining within the target zone, which is highly encouraging. Assays were returned in January 2022 for the first drill hole, however the best interval was 3 metres at 0.6 g/t Au from 460 metres down hole. Aside from confirming the continuation of high volumes of epithermal quartz veining within the Royal structure up to 200 metre down dip from previously mined mineralisation, both drill holes will be used to assist with identifying potential favourable stratigraphic units for future drill testing.

Western Vein Field – Discovery of the Enigma Fault Structure

The interpreted east-west Enigma structure is a newly identified potentially significant (fertile) fault structure. The structure was first identified from recent underground development within the southern limits of the current underground workings. Few historical holes have intersected the structure, and those that have, have generally contained considerable epithermal quartz vein volume. Assay results report low grade gold anomalism only, but locally very highly anomalous silver and other pathfinder elements such as tellurium.

The Enigma fault is interpreted to be the same age as the highly endowed Royal – Klondyke quartz vein structure (800koz Au) and appears to have direct connectivity with the magmatic-hydrothermal system responsible for driving the epithermal process at Cracow. It likely acted as a fluid conduit/corridor enabling gold mineralisation to deposit along the north-south intersecting structure at the Killarney position.

The key criteria for a significant ore shoot to form along the Enigma fault is discrete zones of enhanced dilation along the fault structure - likely to be related to relatively localised changes ('jogs') in the orientation of the structure. The completed MT survey identified two discrete resistivity anomalies located adjacent to the interpreted Enigma structure. The resistivity anomalies could be associated with zones of dilation and enhanced epithermal quartz vein volume along the structure. A drill program is in progress targeting the eastern resistivity anomaly adjacent to the Enigma fault.

Roses Pride – Surface RC Program

An infill resource definition RC drill program commenced at the Roses Pride deposit in the prior financial year. The program continued in the half-year with the completion of a further 21 drill holes (29 in total). The resource definition infill drill program targeted mineralisation defined from the previous drill campaign, which led to the increase in the reported Mineral Resource at Roses Pride (See ASX Announcement "Roses Pride Mineral Resource Update" dated 6 January 2021). The drill holes from the current campaign will permit the conversion of the current Inferred Mineral Resource to an Indicated Mineral Resource.

Golden Plateau - Surface RC Program

The Golden Plateau deposit is located 1 kilometre north from the Cracow mill. The Golden Plateau deposit was first mined in the 1930s and continued sporadically until the mid-1990s, via a combination of open pit and underground mining. Gold production during this period is reported at approximately 850,000 ounces.

Past companies have completed a considerable amount of drilling across the Golden Plateau mineralised footprint. From the existing drill data and historical information available, there remains significant potential to define mineralisation for conversion to a Mineral Resource.

The Golden Plateau deposit is characterised by a series of stacked parallel quartz lode structures containing variable quantities of epithermal veins along each. Subsequent tectonism and localised sinistral shearing re-activated early structures and generated dilational zones for quartz vein emplacement. Further shearing development created distinct zones of cross-cutting faults where the lodes tend to thicken and gold grade increases.

A RC drill program designed to test the extents of mineralisation down plunge and along strike from previous drill intersections and test the current void model, commenced in the half-year. A majority of drill holes intersected quartz veining along the target structures, with variable quantities of quartz veining ranging from quartz stockwork, breccia lodes and quartz lodes.

Boughyard Exploration Drilling

The Boughyard prospect represents a high tonnage, lower gold grade exploration target, which differs from the currently mined low tonnage, high gold grade LSE deposits.

The Boughyard prospect is defined by a broad 3 kilometre by 1.5 kilometre geochemical and alteration footprint indicative of a large magmatic-hydrothermal system. Previous drilling in 2019 intersected a permeable volcaniclastic breccia with advanced argillic (quartz-alunite-pyrophyllite) alteration and high percentages of pyrite infill with minor accessory tennantite-tetrahedrite and base metal sulphides. Anomalous gold grades were reported from most drill intersections, the best interval was reported from KRU168, 24.75 metres at 0.17g/t Au including 2.75 metres @ 0.43g/t Au. The host breccia unit, referred to as the 'Boughyard Breccia', is modelled to dip gently west-south-west and is largely obscured by superficial cover and overlying impermeable units of the Camboon volcanics.

A follow-up drill program, comprising five drill holes for approximately 2,500 metres, commenced at Boughyard in the half-year. The aim of the program is to intersect the Boughyard Breccia proximal to interpreted sub-vertical feeder structures. Whilst the initial drill program intersected anomalous gold mineralisation, the intersections are interpreted to be situated in medial to distal positions relative to the feeder structure controlling the upflow of the mineralising fluids.

Three of the drill holes successfully intersected the targeted host lithology horizon. Consistent with previous drill hole intersections of the Boughyard Breccia, significant sulphide infill (predominantly pyrite, with minor accessory tennantite-tetrahedrite and sphalerite), massive and minor vuggy silica and alunite-pyrophyllite alteration were observed from core, consistent with features associated with an intermediate to high sulphidation epithermal system. Assay results were received for the entire drill program during the period, with no significant gold or copper anomalism returned. Work is ongoing to integrate the drill hole results into the predictive geology model. Once complete an assessment of future work activities will be made.

FINANCIAL REVIEW

FINANCIAL RESULTS

The consolidated entity recorded a profit after tax for the half-year ended 31 December 2021 of $14.101 million (December 2020: $45.867 million). The results for half-year were influenced by the following key factors:

- Revenue from contracts with customers was $195.893 million, compared to $214.508 million for the prior corresponding period:
  - Revenue from the Tritton Copper Operations was favourably impacted by higher copper prices received (A$12,248/t including the impact of hedging) compared to the prior corresponding period (A$9,909/t including the impact of hedging). These higher copper prices were offset by lower copper production of 9,414 tonnes compared to 11,889 tonnes for the prior corresponding period.
  - Revenue from the Cracow Gold Operations was negatively impacted by lower gold prices received (A$2,463/oz including the impact of hedging) compared to the prior corresponding period ($A2,574/oz including the impact of hedging); and lower gold production of 30,560 ounces compared to 38,248 ounces for the prior corresponding period.

- Cost of goods sold increased to $172.412 million from $153.900 million for the prior corresponding period, with costs at both operations being in line with plan;
- Net finance costs for the half-year were $3.294 million compared to $6.472 million for the prior corresponding period. This reduction relates principally to the repayment of interest-bearing debt facilities between September 2020 and July 2021. The remaining outstanding balance of US$20.25 million of the consolidated entity's senior debt (Tranche A Facility) with Special Portfolio Opportunity V Limited (SPOV) was repaid in July 2021;
- Foreign exchange impacts, mainly foreign exchange movements on US dollar denominated receivables and interest-bearing liabilities resulted in a loss of $0.084 million for half-year compared to a gain of $2.479 million for the prior corresponding period. As noted above, the remaining US dollar denominated interest bearing liabilities were repaid in July 2021;
- The prior corresponding period included transaction costs of $4.068 million recognised in relation to the acquisition of the Cracow Gold Operations on 1 July 2020;

The following table contains a reconciliation of profit before income tax to EBITDA (earnings before income tax and depreciation and amortisation) and Adjusted EBITDA.

EBITDA and Adjusted EBITDA are non-IFRS earnings measures that do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. These measures, which are unaudited, are important to management as an additional way to evaluate the consolidated entity's performance.

	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit/(loss) before income tax expense	14,101	45,867
Depreciation and amortisation	33,386	35,759
Finance costs	3,294	6,472
EBITDA	50,781	88,098
Transaction expense	-	4,068
Net foreign exchange (gains)/losses	84	(2,479)
Movement in financial assets at fair value through profit or loss	(350)	(298)
Adjusted EBITDA	50,515	89,389

FINANCIAL POSITION

As at 31 December 2021, the consolidated entity had a positive net asset position of $199.539 million (30 June 2021: $183.864 million).

The financial position of the consolidated entity as at 31 December 2021 was impacted by a number of key factors, including:

- In July 2021, the consolidated entity fully repaid the US$20.25 million (A$27.573 million) outstanding balance of its senior debt (Tranche A Facility) with Special Portfolio Opportunity V Limited (SPOV);
- In July 2021, the consolidated entity entered into a Contingent Instrument Facility with Australia and New Zealand Banking Group Limited (ANZ) which resulted in the release of $20.776 million in cash held on deposit for security against bank guarantees held in relation to environmental bonding.
- During the half-year, the consolidated entity invested $52.728 million of capital into property, plant and equipment, mine development, and exploration.

The consolidated entity's net cash inflow from operating activities during the financial year was $38.361 million, with net cash outflows from investing activities of $36.115 million and net cash outflows from financing activities of $30.699 million.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 21 February 2022, the consolidated entity finalised the sale of 9,924,968 ordinary shares held in Magontec Limited for $2.977 million. This sale value is consistent with the fair value of the shares recognised in the condensed consolidated financial statements as at 31 December 2021. Please refer to notes 6 and 17 for further information.

Apart from 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 end of the financial period and the date of this report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR’S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Andre Labuschagne
Executive Chairman

24 February 2022
Brisbane

Auditor’s Independence Declaration

As lead auditor for the review of Aeris Resources Limited for the half-year ended 31 December 2021, 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.

Marcus Goddard
Partner
PricewaterhouseCoopers

Brisbane
24 February 2022

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480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
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General information

The consolidated financial statements cover Aeris Limited as a consolidated entity, consisting of Aeris Resources Limited ('Aeris' or the 'Company') and the entities it controlled at the end of, or during, the half-year. Aeris Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. The financial statements are presented in Australian dollars, which is Aeris Resources Limited's functional and presentation currency.

Aeris Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

HQ South Tower
Level 2
520 Wickham Street
Fortitude Valley
Brisbane
QLD 4006

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022. The directors have the power to amend and reissue the financial statements.

	Note	31 Dec 2021 $'000	31 Dec 2020 $'000
Revenue			
Revenue from contracts with customers	3	195,893	214,508
Cost of goods sold	4	(172,412)	(153,900)
Gross profit		23,481	60,608
Administration and support		(6,352)	(6,525)
Exploration expense	4	-	(454)
Net foreign exchange gains/(losses)		(84)	2,479
Transaction expense	4	-	(4,068)
Other income/(expenses)	4	350	299
Profit before net finance costs		17,395	52,339
Net finance costs	4	(3,294)	(6,472)
Profit before income tax expense		14,101	45,867
Income tax expense		-	-
Profit after income tax expense for the half-year attributable to the owners of Aeris Resources Limited		14,101	45,867
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges transferred to profit or loss, net of tax	16	1,074	(2,901)
Other comprehensive income for the half-year, net of tax		1,074	(2,901)
Total comprehensive income for the half-year attributable to the owners of Aeris Resources Limited		15,175	42,966
		Cents	**Cents**
Basic earnings per share	19	0.6	2.4
Diluted earnings per share	19	0.6	2.3

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Aeris Resources Limited
Condensed consolidated statement of financial position
As at 31 December 2021

	Note	31 Dec 2021 $'000	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		68,921	97,396
Trade and other receivables	5	12,626	12,341
Inventories		34,396	32,414
Financial assets at fair value through profit or loss	6	6,787	6,087
Other current assets		1,294	1,935
Total current assets		124,024	150,173
Non-current assets			
Trade and other receivables	5	-	20,776
Property, plant and equipment	7	86,768	85,296
Mine properties	8	96,248	65,095
Exploration and evaluation	9	45,149	51,818
Deferred tax		632	1,092
Total non-current assets		228,797	224,077
Total assets		352,821	374,250
Liabilities			
Current liabilities			
Trade and other payables	10	54,653	68,949
Borrowings	11	49	2,115
Lease liabilities		5,509	4,025
Derivative financial instruments	12	2,107	3,641
Provisions	13	18,035	17,913
Other liabilities	14	14,572	14,144
Total current liabilities		94,925	110,787
Non-current liabilities			
Borrowings	11	328	25,277
Lease liabilities		7,017	4,244
Provisions	13	29,814	29,660
Other liabilities	14	21,208	20,418
Total non-current liabilities		58,367	79,599
Total liabilities		153,292	190,386
Net assets		199,529	183,864
Equity			
Issued capital	15	509,888	509,888
Reserves	16	(5,917)	(7,481)
Accumulated losses		(304,442)	(318,543)
Total equity		199,529	183,864

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

	Issued capital $'000	Prepaid capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	452,313	7,216	(6,097)	(379,783)	73,649
Profit after income tax expense for the half-year	-	-	-	45,867	45,867
Other comprehensive income for the half-year, net of tax	-	-	(2,901)	-	(2,901)
Total comprehensive income for the half-year	-	-	(2,901)	45,867	42,966
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	9,998	(7,216)	-	-	2,782
Share-based payments	-	-	298	-	298
Balance at 31 December 2020	462,311	-	(8,700)	(333,916)	119,695

	Issued capital $'000	Prepaid capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	509,888	-	(7,481)	(318,543)	183,864
Profit after income tax expense for the half-year	-	-	-	14,101	14,101
Other comprehensive income for the half-year, net of tax	-	-	1,074	-	1,074
Total comprehensive income for the half-year	-	-	1,074	14,101	15,175
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	490	-	490
Balance at 31 December 2021	509,888	-	(5,917)	(304,442)	199,529

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

	31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities		
Receipts from customers	196,583	214,498
Payments to suppliers and employees	(156,521)	(138,365)
Interest and other finance costs paid	(1,701)	(3,742)
Net cash from operating activities	38,361	72,391
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	-	(55,789)
Stamp duty paid on Lion Mining Pty Ltd acquisition	(3,813)	-
Payments for investments	(350)	-
Payments for property, plant and equipment and mine properties	(40,885)	(29,463)
Payments for exploration expenditure	(11,843)	(2,574)
Payments for cash backed security deposits	-	(5,937)
Proceeds from release of security deposits	20,776	-
Net cash used in investing activities	(36,115)	(93,763)
Cash flows from financing activities		
Proceeds from calls on shares and calls in arrears	-	2,782
Proceeds from borrowings	-	30,000
Repayment of borrowings	(27,592)	(17,709)
Repayment of lease liabilities	(3,107)	(2,103)
Net cash from/(used in) financing activities	(30,699)	12,970
Net decrease in cash and cash equivalents	(28,453)	(8,402)
Cash and cash equivalents at the beginning of the financial half-year	97,396	54,303
Effects of exchange rate changes on cash and cash equivalents	(22)	(447)
Cash and cash equivalents at the end of the financial half-year	68,921	45,454

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new or amended Accounting Standards and Interpretations did not have a material effect on the consolidated financial statements for the half year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

The Company's Strategic Steering Committee, consisting of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief People Officer has identified three reportable segments:

- Tritton Copper Operations (Tritton) in New South Wales;
- Cracow Gold Operations (Cracow) in Queensland; and
- Other, representing corporate activities, investments in listed entities and non-core exploration assets.

There is no aggregation of operating segments.

The consolidated entity operated only in Australia during the periods ended 31 December 2021 and 31 December 2020.

The Strategic Steering Committee (Chief Operating Decision Makers) of Aeris Resources Limited assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA). This measurement basis excludes the effects of non-cash and/or non-recurring expenditure from operating segment EBITDA, such as impairment loss, transaction expense, movement in assets at fair value through profit or loss, and the effects of foreign exchange which primarily reflects gains or losses on the translation of US dollar denominated receivables and borrowings.

Note 2. Operating segments (continued)

Operating segment information

31 Dec 2021	Tritton $'000	Cracow $'000	Other $'000	Total $'000
Revenue				
Sales to external customers	117,225	78,442	-	195,667
Other revenue	225	1	-	226
Total revenue	117,450	78,443	-	195,893
Adjusted EBITDA	22,737	30,742	(2,964)	50,515
Depreciation and amortisation				(33,386)
Finance costs				(3,294)
Net foreign exchange losses				(84)
Movement in financial assets at fair value through profit or loss				350
Profit before income tax expense				14,101
Income tax expense				-
Profit after income tax expense				14,101
Assets				
Segment assets	154,759	146,635	51,427	352,821
Total assets				352,821
Liabilities				
Segment liabilities	70,662	77,490	5,140	153,292
Total liabilities				153,292

Note 2. Operating segments (continued)

31 Dec 2020	Tritton $'000	Cracow $'000	Other $'000	Total $'000
Revenue				
Sales to external customers	114,451	99,981	-	214,432
Other revenue	45	4	27	76
Total revenue	114,496	99,985	27	214,508
Adjusted EBITDA	39,768	52,584	(2,963)	89,389
Depreciation and amortisation				(35,759)
Finance costs				(6,472)
Transaction expense				(4,068)
Net foreign exchange gains				2,479
Movement in financial assets at fair value through profit or loss				298
Profit before income tax expense				45,867
Income tax expense				-
Profit after income tax expense				45,867
30 June 2021				
Assets				
Segment assets	148,860	141,270	84,120	374,250
Total assets				374,250
Liabilities				
Segment liabilities	94,117	82,475	13,794	190,386
Total liabilities				190,386

Note 3. Revenue from contracts with customers

Revenue from contracts with customers

	31 Dec 2021 $'000	**31 Dec 2020 $'000**
Sales revenue from mining activities	195,667	214,432
Other revenue from ordinary activities	226	76
	195,893	214,508

Note 4. Expenses

Profit/(Loss) before income tax includes the following specific expenses:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Cost of goods sold		
Cost of production:		
Mining activities	139,245	118,289
Depreciation:		
Plant and equipment	9,628	9,891
Right-of-use assets (Plant and equipment under lease)	2,152	1,217
Total depreciation	11,780	11,108
Amortisation:		
Mine properties	21,387	24,503
Total cost of goods sold	172,412	153,900
Administration and support		
Corporate depreciation	111	33
Right-of-use asset depreciation (Corporate office under lease)	108	115
Other corporate expenses	6,134	6,377
Total administration and support	6,353	6,525
Exploration expense		
Exploration expenditure	-	454
Transaction expense		
Legal expenses	-	176
Consulting expense	-	145
Stamp duty	-	3,747
Total transaction expense	-	4,068
Other (income)/expenses		
Net fair value gain on financial assets at fair value through profit or loss	(350)	(298)
Net gain on disposal and write-off of fixed assets	-	(1)
Total other (income)/expenses	(350)	(299)
Net finance costs		
Interest expense for borrowings at amortised cost	316	4,288
Interest expense for leasing arrangements	258	266
Other net interest and finance charges	1,398	1,120
Unwinding of discounts on provisions and deferred and contingent consideration	1,322	798
Total net finance costs	3,294	6,472
Included within the above functional classifications are the following:		
Employee benefit expenses	43,531	41,824
Superannuation expense	4,235	3,930
	47,766	45,754

Note 5. Trade and other receivables

	31 Dec 2021 $'000	30 June 2021 $'000
Current assets		
Trade receivables	9,046	9,208
Other receivables	3,580	3,133
	12,626	12,341
Non-current assets		
Restricted cash	-	20,776
	12,626	33,117

The restricted cash at 30 June 2021 related to cash held on deposit for security against bank guarantees held in relation to environmental bonding. The consolidated entity entered into a Contingent Instrument Facility with Australia and New Zealand Banking Group Limited during the half-year which resulted in the release of this restricted cash (refer note 11).

Note 6. Financial assets at fair value through profit or loss

	31 Dec 2021 $'000	30 June 2021 $'000
Current assets		
Australian listed equity - designated at fair value through profit or loss	6,787	6,087

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:

	31 Dec 2021 $'000	30 June 2021 $'000
Opening fair value	6,087	2,531
Additions	350	4,000
Revaluation increments	350	-
Revaluation decrements	-	(444)
Closing fair value	6,787	6,087

Refer to note 17 for further information on fair value measurement.

Note 7. Property, plant and equipment

	31 Dec 2021 $'000	30 June 2021 $'000
Non-current assets		
Freehold land - at cost	3,690	4,015
Buildings - at cost	8,097	7,743
Less: Accumulated depreciation	(5,705)	(5,191)
	2,392	2,552
Plant and equipment - at cost	128,112	122,719
Less: Accumulated depreciation	(59,296)	(50,070)
	68,816	72,649
Right-of-use assets (Property, plant and equipment under lease)	18,378	10,327
Less: Accumulated depreciation	(6,508)	(4,247)
	11,870	6,080
	86,768	85,296

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Right-of-use assets $'000	Total $'000
Balance at 1 July 2021	4,015	2,552	72,649	6,080	85,296
Additions	-	29	7,606	8,051	15,686
Transfer to mine properties (note 8)	-	-	(2,213)	-	(2,213)
Transfers in/(out)	(325)	325	-	-	-
Depreciation expense	-	(514)	(9,226)	(2,261)	(12,001)
Balance at 31 December 2021	3,690	2,392	68,816	11,870	86,768

Note 8. Mine properties

	31 Dec 2021 $'000	30 June 2021 $'000
Non-current assets		
Mine properties - at cost	301,699	249,159
Less: Accumulated amortisation	(205,451)	(184,064)
	96,248	65,095

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Mine properties $'000
Balance at 1 July 2021	65,095
Expenditure during the half-year	32,197
Transfer from exploration and evaluation (note 9)	18,130
Transfer from property, plant and equipment (note 7)	2,213
Amortisation expense	(21,387)
Balance at 31 December 2021	96,248

Note 9. Exploration and evaluation

	31 Dec 2021 $'000	30 June 2021 $'000
Non-current assets		
Exploration and evaluation - at cost	45,149	51,818

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration and evaluation $'000
Balance at 1 July 2021	51,818
Expenditure during the half-year	11,461
Transfer to mine properties (note 8)	(18,130)
Balance at 31 December 2021	45,149

Note 10. Trade and other payables

	31 Dec 2021 $'000	30 June 2021 $'000
Current liabilities		
Trade payables	29,056	26,891
Other payables and accrued expenses	25,597	42,058
	54,653	68,949

The 30 June 2021 balances have been reclassified for consistency with the current year presentation.

Note 11. Borrowings

	31 Dec 2021 $'000	30 June 2021 $'000
Current liabilities		
Secured: Loans	49	2,115
Non-current liabilities		
Secured: Loans	328	25,277
	377	27,392

In July 2021, the consolidated entity repaid the outstanding balance (US$20.25 million) of its senior debt (Tranche A Facility) with Special Portfolio Opportunity V Limited (SPOV).

At the same time, the consolidated entity entered into a facility agreement with Australia and New Zealand Banking Group Limited (ANZ) that comprises of:

- a $35 million Contingent Instrument Facility ($30.9 million utilised as at 31 December 2021);
- a $20 million Working Capital Facility (undrawn as at 31 December 2021);
- and unsecured hedging lines for gold (refer to note 12 for information regarding utilisation of this facility as at 31 December 2021).

The Contingent Instrument Facility and the Working Capital Facility are subject to annual review and pricing.

Note 12. Derivative financial instruments

	31 Dec 2021 $'000	30 June 2021 $'000
Current liabilities		
Commodity contracts - cash flow hedges	2,107	3,641

During the six months ended 31 December 2021, the consolidated entity entered into the following hedge contracts:

- Unsecured $A copper hedges with Macquarie Bank Limited for 6,050 tonnes (550 tonnes per month from August 2021 to June 2022) through a Zero Net Premium Option Collar, where Aeris buys puts and sells call options to form a collar structure with zero premium payable:
  - The strike price of the put options is A$11,900/t; and
  - The strike price of the call options is A$12,900/t.
- Unsecured $A gold hedges with Australia and New Zealand Banking Group Limited for 21,000 ounces (1,750 ounces per month from November 2021 to October 2022) at a forward price of A$2,538.54 per ounce.

Refer to note 17 for further information on fair value measurement.

Note 13. Provisions

	31 Dec 2021 $'000	30 June 2021 $'000
Current liabilities		
Employee benefits	18,035	17,644
Other	-	269
	18,035	17,913
Non-current liabilities		
Employee benefits	802	752
Provision for rehabilitation and dismantling	29,012	28,908
	29,814	29,660
	47,849	47,573

Movements in provisions

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

31 Dec 2021	Provision for rehabilitation and dismantling $'000	Other $'000
Carrying amount at the start of the half-year	28,908	269
Amounts used	-	(269)
Unwinding of discount	104	-
Carrying amount at the end of the half-year	29,012	-

Note 14. Other liabilities

	31 Dec 2021 $'000	30 June 2021 $'000
Current liabilities		
Deferred consideration	14,572	14,144
Non-current liabilities		
Contingent consideration	21,208	20,418
	35,780	34,562

Note 14. Other liabilities (continued)

Movements in other liabilities

Movements in other liabilities during the current financial half-year are set out below:

	Deferred consideration $'000	Contingent consideration $'000	Total $'000
Balance at 1 July 2021	14,144	20,418	34,562
Unwinding of discount	428	790	1,218
Balance at 31 December 2021	14,572	21,208	35,780

Deferred consideration

The purchase consideration for the Cracow acquisition includes a $15 million deferred payment due on 30 June 2022. The fair value of the deferred consideration recognised as at 31 December 2021 of $14.572 million is the present value of the future cash flow using a discount rate of 6.1%.

For the period ended 31 December 2021, an expense of $428,000 was recognised in net finance costs related to the unwinding of the discount on the deferred consideration liability.

Contingent consideration

The purchase consideration for the Cracow acquisition includes a contingent consideration arrangement that requires the consolidated entity to pay the former owners of Lion Mining Pty Ltd a mining royalty equivalent to 10% of the net value generated (revenue less C1 Direct Cash Cost, multiplied by 10%) from any gold produced by the Cracow operations for the period 1 July 2022 to 30 June 2027, up to a maximum undiscounted amount of $50 million (Net Value Royalty). The fair value of the Net Value Royalty recognised as at 31 December 2021 of $21.208 million was estimated by calculating the present value of future probability-weighted cash flows using a discount rate of 7.4%.

For the period ended 31 December 2021, an expense of $790,000 was recognised in net finance costs related to the unwinding of the discount on the contingent consideration liability.

Please refer to note 17 for additional detail regarding the fair value measurement of this liability as at 31 December 2021.

Note 15. Issued capital

	31 Dec 2021 Shares	**30 June 2021 Shares**	**31 Dec 2021 $'000**	**30 June 2021 $'000**
Ordinary shares - fully paid	2,254,581,165	2,207,352,758	509,888	509,888

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	1 July 2021	2,207,352,758		509,888
Options	1 July 2021	22,511,959	$0.00	-
Options	9 November 2021	13,507,175	$0.00	-
Options	2 December 2021	11,209,273	$0.00	-
Balance	31 December 2021	2,254,581,165		509,888

Note 16. Reserves

	31 Dec 2021 $'000	30 June 2021 $'000
Hedging reserve - cash flow hedges	(1,475)	(2,549)
Share-based payments reserve	4,839	4,349
Acquisition revaluation reserve	(9,281)	(9,281)
	(5,917)	(7,481)

Hedging reserve - cash flow hedges
The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss. Please refer to note 12 for additional information regarding the hedge contracts entered into during the period ended 31 December 2021.

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

	Cash flow hedges $'000	Share-based payments $'000	Acquisition revaluation reserve $'000	Total $'000
Balance at 1 July 2021	(2,549)	4,349	(9,281)	(7,481)
Revaluation - gross	1,534	-	-	1,534
Deferred tax	(460)	-	-	(460)
Employee share based payments	-	490	-	490
Balance at 31 December 2021	(1,475)	4,839	(9,281)	(5,917)

Note 17. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

31 Dec 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Australian listed equity securities	6,787	-	-	6,787
Total assets	6,787	-	-	6,787
Liabilities				
Hedging derivatives	-	2,107	-	2,107
Contingent consideration payable	-	-	21,208	21,208
Total liabilities	-	2,107	21,208	23,315

Note 17. Fair value measurement (continued)

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Australian listed equity securities	6,087	-	-	6,087
Total assets	6,087	-	-	6,087
Liabilities				
Hedging derivatives	-	3,641	-	3,641
Contingent consideration payable	-	-	20,418	20,418
Total liabilities	-	3,641	20,418	24,059

There were no transfers between levels during the financial half-year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

The fair value of forward commodity contracts – cashflow hedges is determined using market rates and inputs at the reporting date and are considered a level 2 valuation. Refer to note 12 for additional information.

The fair value of the contingent consideration (Net Value Royalty) payable in relation to the Cracow acquisition was estimated by calculating the present value of future probability-weighted cash flows using a Weighted Average Cost of Capital and is considered a level 3 valuation. Refer to note 14 for additional information.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

	Contingent consideration $'000
Balance at 1 July 2021	(20,418)
Unwinding of discount recognised through net finance costs	(790)
Balance at 31 December 2021	(21,208)
Total losses for the previous half-year included in profit or loss that relate to level 3 assets held at the end of the previous half-year	(389)
Total losses for the current half-year included in profit or loss that relate to level 3 assets held at the end of the current half-year	(790)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	**Unobservable inputs**	**Range (weighted average)**	**Sensitivity**
Contingent consideration payable	Weighted average cost of capital	7.4%	A change in the discount rate by 100 bps would increase/decrease the fair value by $0.874 million.
	Expected revenues	$250 - $300 million	If expected revenues were 10% higher or lower, the fair value would increase/decrease by $2.0 million.

Note 18. Events after the reporting period

On 21 February 2022, the consolidated entity finalised the sale of 9,924,968 ordinary shares held in Magontec Limited for $2.977 million. This sale value is consistent with the fair value of the shares recognised in the condensed consolidated financial statements as at 31 December 2021. Please refer to notes 6 and 17 for further information.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 19. Earnings per share

	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit after income tax attributable to the owners of Aeris Resources Limited	14,101	45,867
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,235,326,292	1,889,686,275
Adjustments for calculation of diluted earnings per share:		
Options and rights over ordinary shares	58,854,488	75,168,128
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,294,180,780	1,964,854,403
	Cents	**Cents**
Basic earnings per share	0.6	2.4
Diluted earnings per share	0.6	2.3

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Andre Labuschagne
Executive Chairman

24 February 2022
Brisbane

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

Report on the half-year financial report

Conclusion

We have reviewed the 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 statement of financial position as at 31 December 2021, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors 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.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and of 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*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marcus Goddard
Partner

Brisbane
24 February 2022