

1. Company details

Name of entity:	Aeris Resources Limited
ABN:	30 147 131 977
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	10.4% to	386,587
Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) ¹	down	43.1% to	93,652
Profit from ordinary activities after tax attributable to the owners of Aeris Resources Limited	down	90.2% to	6,010
Profit for the year attributable to the owners of Aeris Resources Limited	down	90.2% to	6,010

Earnings per share

	2022 Cents	2021 Cents
Basic earnings per share	1.8	22.4
Diluted earnings per share	1.7	21.5

¹ Refer to the Directors Report (p8) for a reconciliation of Adjusted EBITDA

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 \$6,010,000 (30 June 2021: \$61,240,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	9.1	8.3

4. Control gained over entities

Not applicable.

5. Loss of control over entities

During the year ended 30 June 2022, the following entities were deregistered or dissolved:

- Girilambone Copper Company Pty Ltd: Deregistered 7 July 2021
- Templar Resources Pty Ltd: Deregistered 7 July 2021

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 have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Financial Report of Aeris Resources Limited for the year ended 30 June 2022 is attached.

Aeris Resources Limited

ABN 30 147 131 977

Annual Financial Report - 30 June 2022

For personal use only

Directors	Andre Labuschagne - Chairman and Managing Director Michele Muscillo - Non-executive Director Colin Moorhead - Non-executive Director Sylvia Wiggins - Non-executive Director Robert Millner - Non-executive Director (Appointed 1 July 2022)
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	Automatic 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 Waterfront Place 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
Corporate Governance Statement	www.aerisresources.com.au/about/corporate-governance/

The Directors present their report, together with the consolidated financial report of the Aeris Resources Limited Group ('Group' or 'consolidated entity'), consisting of Aeris Resources Limited ('Aeris' or 'Company') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

DIRECTORS

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

Name, experience and other directorships	Special Responsibilities	Appointed / Resigned
Andre Labuschagne – Chairman and Non-Executive Director		
<p>Mr Labuschagne is an experienced mining executive with a career spanning over 30 years across operations in Australia, Indonesia, South Africa, PNG and Fiji. Mr Labuschagne has held various corporate and operational roles in companies including Norton Gold Fields, Emperor Gold Mines, DRD Gold and AngloGold Ashanti. Mr Labuschagne holds a Bachelor of Commerce from Potchefstroom University in South Africa.</p> <p>Other current directorships (ASX listed entities): Magontec Limited (ASX:MGL)</p> <p>Former directorships in the past 3 years (ASX listed entities): None</p>	<p>Member of Nomination Committee</p>	<p><i>Appointed</i> 20-Dec-2012</p>
Michele Muscillo – Independent Non-Executive Director		
<p>Mr Muscillo is a Partner specialising in corporate law with HopgoodGanim Lawyers. Mr Muscillo is an admitted Solicitor and has a practice focussed almost exclusively on mergers & acquisitions and capital raising. Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and acquisitions. Mr Muscillo has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal.</p> <p>Other current directorships (ASX listed entities): Xanadu Mines Limited (ASX:XAM) and Mako Gold Limited (ASX:MKG).</p> <p>Former directorships in the past 3 years (ASX listed entities): Cardinal Resources Limited (ASX:CDV).</p>	<p>Chairman of the Audit Committee, Nomination Committee and member of the Remuneration committee (Chairman until 30 June 2022)</p>	<p><i>Appointed</i> 2-May-2013</p>
Colin Moorhead – Independent Non-Executive Director		
<p>Mr Moorhead is an experienced industry executive with a demonstrated track record over three decades of building value in mining companies through innovation, discovery, project development and safe, efficient operations.</p> <p>A geologist by training, Mr Moorhead is also known for strong leadership, strategy and execution. Mr Moorhead's career has involved both operational and corporate executive responsibilities including global responsibility for exploration and resource development at Newcrest Mining and CEO of PT Merdeka Copper Gold (IDX:MDKA), where he built and led the team that constructed and commissioned the highly successful Tujuh Bukit Gold Mine. Colin is also currently Non-Executive Chairman of Xanadu Mines (ASX:XAM), Executive Chairman of Sihayo Gold Limited (ASX: SIH) and Non-Executive Chairman of Coda Minerals.</p> <p>Former directorships in the past 3 years (ASX listed entities): Finders Resources Limited.</p>	<p>Chairman of the Remuneration Committee effective 1 July 2022 and Member of Audit Committee and Risk and Sustainability Committee</p>	<p><i>Appointed</i> 27-Jul-2020</p>

Name, experience and other directorships	Special Responsibilities	Appointed / Resigned
Sylvia Wiggins – Independent Non-Executive Director		
<p>Ms Wiggins is a globally experienced senior executive and investment banker with a demonstrated track record over 25 years in public markets, with a focus on finance, strategy and risk.</p> <p>Ms Wiggins has been the CEO and CFO of public listed entities, with her most recent role as Executive Director – Finance & Commercial at ASX listed renewable energy company Infigen Energy, prior to its takeover. As an executive, Ms Wiggins has been a part of the leadership teams transforming businesses from the strategic, operating and capital structure perspectives to both preserve and create shareholder value. Ms Wiggins is a member of the Independent Assurance Review Board for the Department of Defence.</p> <p>Other current directorships (ASX listed entities): None Former directorships in the past 3 years (ASX listed entities): None</p>	<p>Chairman of the Risk and Sustainability Committee and Member of Audit Committee</p>	<p><i>Appointed</i> 18- Oct-2021</p>
Alastair Morrison – Independent Non-Executive Director		
<p>Mr Morrison is a highly experienced international banker. Mr Morrison has worked in private equity for over 30 years in the UK and Asia and has broad experience in growing companies across a range of industrial sectors. He was a founding Managing Director of Standard Chartered Private Equity. He was with Standard Chartered Bank from April 2002 until March 2014. Prior to joining Standard Chartered Bank he spent 20 years at 3i Group, the leading European private equity house, where he was Director for 3i Asia Pacific. He co-founded 3i's Asia Pacific operations in 1997, having previously run an investment team in London focusing on buy-outs and expansion financing. Mr Morrison has investment experience across a wide range of industries in Europe and Asia. He holds an M.A. degree in Politics, Philosophy and Economics and M.Phil degree in Management Studies from Oxford University.</p> <p>Other current directorships (ASX listed entities): None Former directorships in the past 3 years (ASX listed entities): None</p>	<p>Member of Audit Committee and Remuneration Committee</p>	<p><i>Appointed</i> 10-Dec-2010 <i>Resigned</i> 25-Nov-2021</p>
Robert Milner – Non-Executive Director		
<p>Mr Millner is the Chairman of Australian investment house Washington H Soul Pattinson Ltd. Mr Millner has extensive experience in the investment industry, including current board positions with Brickworks Limited (ASX: BKW), BKI Investment Co Ltd, New Hope Corporation Limited (ASX:NHC), Tuas Limited (ASX:TUA) and TPG Telecom Ltd (ASX:TPG).</p>		<p><i>Appointed</i> 1-Jul-2022</p>

COMPANY SECRETARIES

Robert Brainsbury

Mr Brainsbury is an experienced financial executive and has held senior operational and finance roles with several blue chip industrial and resources companies including Norton Gold Fields, MIM Holdings Limited, Xstrata, Rio Tinto and BIS Industrial Logistics. Mr Brainsbury is a qualified Accountant and holds a Bachelor of Business degree with majors in Accounting and Marketing.

Dane van Heerden CA

Ms van Heerden is a qualified Chartered Accountant, with over 20 years' experience in both Australia and abroad.

MEETINGS OF DIRECTORS

The attendance of Directors at Board and Committee meetings during the financial year were as follows:

Director	Directors' Meetings		Audit Committee Meetings	
	A	B	A	B
Andre Labuschagne	23	23	-	-
Michele Muscillo	23	23	2	2
Colin Moorhead	23	23	2	2
Sylvia Wiggins	19	19	-	-
Alastair Morrison	7	7	1	1

A = Number of meetings held during the time the Director was a member of the Board and/or Committee

B = Number of meetings attended during the time the Director was a member of the Board and/or Committee

There were no meetings of the Remuneration Committee or Nomination Committee during the financial year. As the Board is comprised of four Directors during the financial year, the Board considered it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by the Remuneration Committee or Nomination Committee.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement for the year ended 30 June 2022 may be accessed from the Company's website at <https://www.aerisresources.com.au/about/corporate-governance>.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity for the year ended 30 June 2022 were the production and sale of copper, gold and silver and the exploration for copper and gold. Other than as referred to on pages 4 to 5, there were no significant changes in those activities during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year ended 30 June 2022, the primary operating assets of Aeris were its Tritton Copper Operations located near the town of Nyngan in central New South Wales and the Cracow Gold Operations located near the town of Theodore in Central Queensland.

On 28 April 2022 Aeris announced the transformational acquisition of Round Oak Minerals from Washington H.Soul Pattinson Limited (WHSP) and a A\$117 million equity raise. Round Oak Minerals is an Australian focused resources company with its primary assets being:

- Jaguar Zn/Cu mine in Western Australia;
- Mt Colin Cu mine in North-West Queensland; and
- Stockman Cu/Zn development project in Victoria

The transaction completed on 1 July 2022. A\$100 million of the A\$117m equity raise ((placement and entitlement offer) was received by 30 June 2022, with the balance being received on 1 July 2022. On completion of the equity raise the company had also obtained approval at the EGM held on 24 June 2022 to consolidate every 7 ordinary shares into 1 ordinary share. The consolidation took effect in July 2022.

Repayment of Debt and Establishment of ANZ Banking Facilities

In July 2021, 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).

Also in July 2021, the consolidated entity entered into a financing 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.

The ANZ facilities have subsequently been renewed with the Contingent Instrument Facility increased to A\$45 million.

Gold and Copper Hedging

Copper hedging

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

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

Aeris also entered into unsecured copper hedging arrangements with Macquarie Bank Limited on 13 July 2021. The hedges covered the period from August 2021 to June 2022 in scheduled monthly deliveries of 550 tonnes (6,050 tonnes in total). The hedges were through Zero net Premium Option Collars, 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.

Gold hedging

In December 2021 Aeris undertook gold hedging for 21,000oz (1,750oz per month from November 2021 and October 2022), at A\$2,538.54/oz, and represents approximately 30% of targeted production at its Cracow Gold Operations over that period.

In February 2022 Aeris entered into further unsecured A\$ gold hedges with ANZ for 30,000 ounces (1,750oz per month from March to October 2022; 3,500oz per month for November and December 2022; and 1,500oz per month from January to June 2023) at an average forward price of A\$2,635.57/oz.

Cracow gold production is hedged approximately 70% to the end of calendar 2022 and 30% for the first half of calendar 2023.

The net position of copper and gold hedges settled during the financial year ended 30 June 2022 totalled A\$7.269 million.

OPERATING REVIEW

Tritton Copper Operations (Tritton)

During the financial year ended 30 June 2022 Tritton produced 18,581 tonnes of copper, within the guidance range (18,500t – 19,500t). All-in-sustaining-cost (AISC) however of A\$5.10/lb, was slightly above the top end of the guidance range (A\$4.65/lb - \$4.85/lb), primarily due to cost and labour market pressures, which are impacting the whole industry. Tight management of operating and capital costs continues to be a focus for management.

Copper grades in ore mined, primarily at the Tritton underground mine, were below target during the first half of the financial year. As a result, a revised strategy was implemented at Tritton in January with a focus on improving grade by targeting higher grade areas, with a reduction in ore tonnes. This strategy required stope re-design which took several months to flow through, with higher grades being achieved from the end of March 2022.

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.

During the year multiple projects in the pipeline were materially progressed as the Company targets extending the mine life at Tritton to the back end of the decade and beyond:

- Budgerygar deposit – an extension of the Tritton underground mine;
- Avoca Tank underground mine; and
- Maiden mineral resource estimate at the Constellation deposit.

Production from the new mine projects at the Budgerygar and Avoca Tank deposits are scheduled to ramp-up during the financial year ended 30 June 2023 and will extend the life of Tritton as well as materially increase copper head grade.

Multiple mining scenarios were examined for the Murrwombie Pit cut-back. These have been complicated by the proposed timing of this project coinciding with underground mining operations at Murrawombie, which has resulted in a larger pit-shell being required compared to earlier, preliminary pit designs. During July 2022, the decision was taken to postpone the Murrawombie Pit cut-back until a later date, once the underground operations at Murrawombie had ceased, allowing the pit design to be optimised.

Exploration

The Tritton tenement package covers 2,330km² in central western New South Wales. To date over 850,000 tonnes of copper, including the current Mineral Resource deposits, has been discovered on the tenement package, with the majority being in the southern half.

The northern half of the tenement package remains largely underexplored and in recent years on-ground exploration has focused on activities over this area. The recent discovery of the Constellation deposit validates the Company's view the northern half of the tenement package is highly prospective for copper mineralisation.

A\$11.5 million was spent on exploration activities during the financial year ended 30 June 2022 (including Constellation resource drilling). During the financial year ending 30 June 2023 exploration activities will be focused on advancing regional target generation, including drill testing, combined with some additional resource definition drilling at the Constellation and Kurrajong deposits.

Constellation Deposit

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

During the financial year ended 30 June 2022, ongoing exploration activities continued at the Constellation deposit. Both Reverse Circulation (RC) and Diamond drilling programs were progressed resulting in mineralisation being identified down-plunge to 1,100m and up to 300m along strike. The Constellation deposit remains open, down plunge and along strike at depth.

A Maiden Mineral Resource was reported in December 2021, totalling 3.3 million tonnes at 1.4 percent copper and 0.3 g/t gold, for 47kt of contained copper metal and 36koz of contained gold metal. An Exploration Target (6Mt – 8Mt at 1.7% - 2.2% copper) was also defined for the primary mineralisation, approximately 750m down plunge from the base of the Mineral Resource. 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 was prepared and reported in accordance with the 2012 edition of the JORC Code.

An updated Mineral Resource estimate is in progress and expected to be completed in the first half of FY2023.

Avoca Tank Deposit

Drilling at the Avoca Tank has traced the mineralised system to approximately 400m below surface. Toward the base of drilling the sulphide mineralisation is interpreted to change strike orientation. Towards the end of the financial year an exploration drillhole (TAKD046) was completed, testing down plunge continuity. TAKD046 intersected massive sulphides 75m down plunge from the current Mineral Resource and downhole electromagnetic (EM) surveying detected a large EM conductor below the Mineral Resource.

Murrawombie Deposit

Grade control drilling completed at Murrawombie during FY2022 supports the current geological interpretation, with follow-up drilling required to further define smaller, high-grade lodes. Additionally, the latest drilling has confirmed mineralised intersections outside of the previously reported Mineral Resource, which will be followed-up with future drilling campaigns. We are confident that the mineralisation will be extended at depth.

Kurrajong Project

The Kurrajong deposit is located approximately 20 kilometres east from the Tritton processing plant. Prior drilling at the Kurrajong deposit in 2012 and 2016 defined a massive sulphide horizon from 300m below surface and extending to 1,100m down plunge. The mineralised system remains open to the north and down plunge and in the last quarter of the financial year ended 30 June 2022, a resource definition drill program commenced and once completed a maiden Mineral Resource will be reported for the Kurrajong deposit.

Two drill holes from the current resource definition drilling program were completed prior to 30 June 2022 with both drill holes interesting sulphide mineralisation.

Regional Exploration

Regional exploration focused on the northern half of the tenement package with the completion of a large airborne electromagnetic (AEM) survey and surface geochemistry sampling programs. The AEM survey covered a 600km² area north from a similar AEM survey completed in 2019 which detected the Constellation deposit and led to the discovery.

Cracow Gold Operations (Cracow)

Production for the financial year ended 30 June 2022, at 53,920 ounces of gold was below guidance (56koz – 59koz). AISC of A\$1,911/oz was also below guidance (A\$1,775/oz - A\$1,825/oz) primarily due to the lower than targeted gold production.

A significant amount of work was undertaken during the year to address the issue of the lower than expected gold grades from ore mined. The plan to extend mine life at Cracow included mining more of the lower grade resource outside the high-grade zones at the core of the vein deposits. These areas that are on the periphery of the vein deposits contain significant gold, although at lower grades. The mined gold grades underperformed compared to internal targets due to the geology models overestimating grades in areas outside the high-grade core of the Western Vein Field deposits. A significant amount of work has been undertaken to address these issues, with geological models rebuilt to increase grade confidence and improve production planning for FY2023.

The Cracow processing plant performed well during financial year, with a record throughput of 644kt. 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.

The lower gold production was also the major contributor to the higher than targeted AISC. Operating and sustaining capital expenditure were below internal targets, reflecting a strong focus on cost management by the site team. Like Tritton, Cracow was also impacted by labour availability and general cost inflation.

Exploration

Since Aeris took ownership of the Cracow at the beginning of July 2020, one of the key focuses has been mine life extension. The Company spent A\$12.1 million on exploration activities in the financial year, on both greenfield and brownfield targets, particularly on the Golden Plateau deposit in the Eastern Vein Field.

Roses Pride Exploration Project

The Roses Pride high grade deposit represents the northern most ore deposit mined at Cracow since modern mining commenced in 2004. Underground activities at Roses Pride previously accessed and mined the deposit to 200m below surface.

Intermittent surface drill programs have been completed in the past, seeking to define up-plunge, near surface extensions to the Roses Pride mineralised system.

In the previous financial year, Cracow undertook a RC drill program testing mineralisation up to 400m along strike (north) from previous mine development. The drill program led to an updated Mineral Resource estimate.

Golden Plateau Exploration Project

The Golden Plateau deposit is located 1 kilometre north from the Cracow processing plant and was first mined in the 1930's and mining continued sporadically until the mid-1990's. Historical mining was a combination of open pit and underground mining and was reported to total approximately 850,000 ounces.

Past owners 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.

Throughout the financial year a drilling program was undertaken, designed to test extensions to mined shoots (down plunge and along strike), test gold grades within areas of the underground development where no mining appears to have been undertaken and to validate the current void model.

Historical mining focused on selectively mining high-grade gold shoots within broader low-grade east-west trending quartz lodes. Drilling completed during financial year has shown that the formation of high-grade shoots is controlled by north-south trending, steeply dipping structures. These structures also host quartz veins and high-grade mineralisation away from the historic mining footprint (approximately 200 metres with current drilling), resulting in a significant increase in the perspective of the Golden Plateau deposit.

A resource definition drilling at Golden Plateau has commenced and is targeting 5 priority lodes in proximity to previously mined high-grade shoots. At the completion of the resource definition drill program the data will be used to generate a maiden Mineral Resource estimate for the Golden Plateau deposit, expected during first half of FY2023.

Southern Vein Field Exploration

Limited exploration work has been completed within the Southern Vein Field, with the exception of two seismic survey traverses and several deep diamond drill holes, and as a result its regional structural architecture is poorly understood.

An MT survey program undertaken during the financial year successfully identified key lineaments within the Camboon Volcanics to depths exceeding 1,000m below surface. Preliminary geological interpretation based on the MT dataset defined six key target areas which warrant further investigation. At the end of the year, approximately 60% of an infill MT survey was complete.

Western Vein Field Exploration

Enigma Fault Structure

The interpreted east-west Enigma structure is a newly identified (during FY2022) fault structure first identified from recent underground development within the southern limits of the current underground workings.

The few historical holes that have intersected the structure 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 Klondyke-Royal quartz vein structure (800koz Au) and appears to have direct connectivity with the magmatic-hydrothermal system responsible for driving the epithermal process at Cracow. 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 fault. Drilling completed in the financial year intersected the Enigma structure below the interpreted precious metal window. Further drilling is planned in the coming financial year, targeting a more prospective horizon further up-dip than the initial drill program.

Boughyard Exploration Project

The Boughyard prospect represents a high tonnage, lower grade exploration target, which differs from the low sulphidation epithermal deposits currently mined at Cracow. A total of 6 holes were drilled at Boughyard in the financial year however assay results were not encouraging, and exploration activities have been redirected to other targets.

FINANCIAL REVIEW

During the financial year, Aeris' two operational assets were the Tritton Copper Operations (Tritton) in New South Wales and the Cracow Gold Operations (Cracow) in Queensland.

Reconciliation of profit before income tax to EBITDA and Adjusted EBITDA:

	2022	2021
	\$'000	\$'000
Profit before income tax expense	6,010	61,240
Depreciation and amortisation	74,334	86,200
Finance costs	5,987	11,631
EBITDA	<u>86,331</u>	<u>159,071</u>
Impairment of assets	4,349	-
Transaction expense	1,951	4,068
Loss on disposal of subsidiary	-	2,238
Net foreign exchange losses	(418)	(1,166)
Movement in financial assets at fair value through profit or loss	<u>1,439</u>	<u>444</u>
Adjusted EBITDA	<u><u>93,652</u></u>	<u><u>164,655</u></u>

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.

Financial Results

The consolidated entity recorded a profit after tax for the financial reporting year to 30 June 2022 of A\$6.010 million, compared with a profit after tax for the year ended 30 June 2021 of A\$61.240 million. The results for year were influenced by a number of key factors, which included:

- Revenue was A\$386.587 million, compared to A\$431.290 million for the previous corresponding period. This reflects the following two factors:
 - Revenue from the Tritton Copper Operations was impacted by increased copper prices received (A\$12,931/t including the impact of hedging) compared to the prior corresponding period (A\$10,413/t). These higher copper prices were offset by lower copper production of 18,581 tonnes compared to 22,987 for the prior corresponding period.
 - Revenue from the Cracow Gold Operations, was impacted by lower gold production 53,920 ounces of gold compared to prior year 73,685 ounces of gold, offset slightly by increased gold prices received (A\$2,539/oz) compared to the prior corresponding period (A\$2,508/oz), including the impact of hedging.
- Cost of goods sold increased to A\$353.435 million from A\$337.895 million for the previous corresponding period, with costs at both operations impacted by general cost inflation and market pressures that are impacting the whole industry;
- Transaction costs of A\$1.951 million were recognised for the year ended 30 June 2022 in relation to the acquisition of the Round Oak Minerals Group;
- An impairment of A\$4.4 million was recognised in relation to the Torrens Exploration Project; and
- A loss of A\$1.4 million was recognised for the year ended 30 June 2022 (30 June 2020: A\$0.4 million) in relation to a movement in the fair value of the investment in Australian listed equities, held at fair value through the profit or loss.

Financial Position

At 30 June 2022, the consolidated entity had a positive net asset position of A\$287.938 million (30 June 2021: A\$183.864 million). The June 2022 net asset position for the consolidated entity was impacted by a number of key factors, including:

- Completion of the initial A\$100 million of the fully underwritten A\$117 million equity raise to fund the cash component of the consideration of the acquisition of the Round Oak Minerals Group, that completed on 1 July 2022. Please refer to note 19 of the financial statements for additional information regarding the impact on the financial position of the consolidated entity;
- During the year ended 30 June 2022, the Company repaid the remaining US\$20 million (A\$27.6 million) senior debt provided by Special Portfolio Opportunity IV (SPOV) (a subsidiary of a fund managed by PAG; and
- Payment of the deferred consideration (A\$15,000,000) on 30 June 2022 in connection with the Cracow acquisition.

The consolidated entity's net cash inflow from operating activities during the financial year was A\$93.000 million, with net cash outflows from investing activities of A\$112.926 million and net cash inflows from financing activities of A\$60.901 million.

COVID-19 Impact

Since early 2020, the COVID-19 pandemic has disrupted conventional working arrangements globally and created unique risks and challenges across a variety of industries. The level of infection of COVID-19 experienced in 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. During the financial year the numbers of COVID-19 cases impacted activities at both Tritton and Cracow as many employees and contractors either tested positive for the virus or were close contacts and were required to isolate. This has resulted in lower crew numbers, which impacted production and maintenance activities during the financial year.

MATERIAL BUSINESS RISKS

Aeris prepares its business plan using estimates of production and financial performance based on a range of assumptions and forecasts. There is uncertainty in these assumptions and forecasts, and risk that variation from them could result in actual performance being different to expected outcomes. Aeris acknowledges that business risks have the potential to change over time and continually reviews key risks and uncertainties that have the potential to impact the business.

The uncertainties arise from a range of factors, including the nature of the mining industry, and general economic factors. The material business risks faced by the Group that may have an impact on the operating and financial prospects of the Group at period end are outlined below.

Product sales and commodity price risk

Aeris derives its revenues mainly from the sale of copper and gold and/or associated minerals. Consequently, Aeris' potential future earnings, profitability and growth are influenced by the demand for and price of copper, gold and associated minerals.

Copper and gold are globally traded commodities and their prices over time may rise or fall. Commodity prices fluctuate and are affected by factors including supply and demand for mineral products, hedge activities associated with commodity markets, the costs of production and general global economic and financial market conditions.

These factors may cause volatility which in turn, may affect the Aeris' ability to finance its operations and/or bring Aeris' products to market. Aeris may enter into hedging arrangements from time to time to partially protect against changes in commodity prices. When these arrangements expire, there is no guarantee that the Company will be able to secure replacement hedging arrangements on terms satisfactory to the Company.

Aeris' prospects and market value will be influenced from time to time by the actual and prevailing views on the short-term and long-term prices of these commodities.

Exchange rate risk

A number of the Company's commercial arrangements, including copper sale arrangements and finance arrangements, are based on US dollars. The Company also acquires equipment from overseas using foreign currency. Accordingly, the revenues, earnings, costs, expenses, assets and liabilities of the Company may be exposed adversely to exchange rate fluctuation. Further, the future market value of the Company's Shares may fluctuate in accordance with movements in the exchange rates and interest rates.

Mineral Resources and Ore Reserves

In order to calculate Mineral Resources and Ore Reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of the Mineral Resources and Ore Reserves requires the size, shape and depth of mineral and ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

As the economic assumptions used to estimate Mineral Resources and Ore Reserves change from year to year, and as additional geological data is generated during the course of operations, estimates of Mineral Resources and Ore Reserves may change from year to year. Changes in reported Mineral Resources and Ore Reserves may have either a positive or negative impact on the consolidated entity's financial results.

Tenements

A failure to adhere to the obligations under which tenements have been granted to Aeris (or its subsidiaries) in various jurisdictions may make certain tenements subject to possible forfeiture.

Native title and heritage risk

The Native Title Act 1993 (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration and in future, mining activities, or obtain exploration or mining licences in Australia. In applying for licences over crown land, the Company must observe the provisions of Native Title legislation.

There are also laws of the States and Territories which impose duties of care which require persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage.

Granting of approvals with respect to Native Title legislation (where applicable), Aboriginal heritage legislation and heritage legislation may delay or impact adversely on the Company's operations in Australia.

Replacement of depleted resources and exploration risk

Replacement of depleted resources is crucial to maintaining production. Exploration and acquisition are the key platforms that drive resource replacement.

Mineral exploration and development are generally considered higher risk undertakings. Aeris' performance depends on the successful exploration and/or acquisition of resources or reserves and commercial production therefrom. There can be no assurances that the Company's exploration programs or those relating to any projects or tenements that the Company may acquire in the future, will result in the discovery of a significant base metal and/or precious metal deposit, and even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Aeris' potential future earnings, profitability and commercialisation of base metal and/or precious metal reserves and resources will be dependent on the successful discovery and subsequent extraction of those resources to the extent that may be required to fulfil commercial obligations.

Successful commodity development and production is dependent on obtaining all necessary consent and approvals and the successful design, construction and operation of efficient gathering, processing and transportation facilities. No assurance can be given that Aeris will be able to obtain all necessary consents and approvals in a timely manner, or at all. Delays or difficulties in obtaining relevant approvals, or obtaining conditional or limited approvals, may interfere with mining operations of Aeris, which could materially impact the business, financial position and performance of Aeris.

Operational and cost risk

The Company is a producer of copper and gold which is sold under commercial contracts. The Company's immediate plans and objectives are dependent upon a continuation of such production generating operating surpluses to assist the Company in funding its planned expenditure programs. Whether it can do so will depend largely upon an efficient and successful, operation and exploitation of the resources and associated business activities and management of commercial factors.

Operation and exploitation may from time to time be hampered by unforeseen operating risks, as would any other industry. For example, force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of Aeris can negatively impact on its activities, thereby affecting its financial position and performance and ultimately, the value of its securities.

Continuity of operations also depends on the discovery and delineation of economically recoverable mineral resources, establishment of efficient exploration operations, obtaining necessary titles and access to projects, as well as government and other regulatory approvals.

The exploration and mining activities of Aeris may be affected by a number of factors, including but not limited to geological conditions; seasonal weather patterns; equipment difficulties and failures, technical difficulties and failures; continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians; improper, defective and negligent use of technical plant and equipment; improper, defective and negligent conduct by employees, consultants and contractors; adverse changes in government policy or legislation; and access to the required level of funding.

Health and safety risk

As with all mining projects, there are health and safety risks associated with the Aeris' operations in Australia. While Aeris regularly and actively reviews its workplace health and safety systems and monitors its compliance with workplace health and safety regulations, no assurance can be made that Aeris has been or will be at all times in full compliance with all applicable laws and regulations, or that workplace accidents will not occur in the future. As the operator of plant and equipment, the Company has specific legislative obligations to ensure that its personnel and contractors operate in a safe working environment a failure to comply with such obligations or workplace health and safety laws and regulations generally could result in civil claims, criminal prosecutions, or statutory penalties against Aeris which may adversely affect Aeris' business, financial position and performance.

Availability of suitably qualified personnel

The Company's ability to deliver on its operating, development and exploration are premised on the availability, recruitment and retention of suitably qualified and skilled personnel. The ability to attract and retain the personnel necessary to deliver on the Company's plan is influenced by many factors, which can vary from time to time.

Whilst the Company enters into employment agreements with its employees, the retention of their services cannot be guaranteed. The loss of suitably qualified personnel could significantly affect the performance of Aeris' operations and materially impact its business, financial position and performance.

Insurance risk

Aeris maintains insurance within ranges of coverage it believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to continue to obtain such insurance coverage, or that such coverage will be at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims. Further, Aeris may elect to not purchase insurance for certain risks due to various factors (such as cost, likelihood of risks eventuating and industry practice). The lack of, or insufficiency of, insurance coverage could adversely affect Aeris' business financial position and performance.

International conflicts risk

Aeris is exposed to the impact of international conflicts. The outbreak of military conflict between Russia and Ukraine had a material effect and continues to impact on the global economy. These hostilities created uncertainty for capital markets around the world, and this uncertainty may lead to adverse consequences for the Company's business operations. Measures taken by governments around the world to end the Ukrainian conflict (such as imposing tariffs on Russian exports and other economic sanctions) may cause disruptions to the Company's supply chains and adversely impact commodity prices. Such events may affect the financial performance of Aeris. Further, there is no certainty that similar conflicts which impact global markets will not arise in the future.

Environmental risks

The Company's projects are subject to laws and regulations in relation to environmental matters. As a result, there is the risk that the Company may incur liability under these laws and regulations.

Aeris could be subject to claims due to environmental damage arising out of current or former activities at sites that Aeris owns or operates, including new projects. This could subject Aeris to potential liability and have a material adverse effect on Aeris' financial and operational performance.

The Company seeks to comply with applicable laws and regulations and conduct its activities in a responsible manner with regard to the environment.

Climate change

Aeris acknowledges the potential for climate change to impact its business and is committed to understanding and proactively managing the impact of climate related risks to our business and our environment. The risks considered most likely to impact the business and our environment include the following: reduced water availability, increased extreme weather events, changes to legislation and regulation, reputation risk, as well as market changes and shareholder activism.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Acquisition of Round Oak Minerals Pty Limited

On 1 July 2022, Aeris Resources Limited acquired 100% of the issued shares in Round Oak Minerals Pty Limited (Round Oak) from Washington H. Soul Pattinson Limited, for a total consideration of A\$234 million. Round Oak is the owner of a diverse portfolio of high-quality Australian copper and zinc assets. The addition of these assets to the existing Aeris portfolio will transform the Company into a diversified, mid-tier producer with significant high-grade ore reserve tonnes and further organic growth opportunities. The transaction was approved by Aeris shareholders at an Extraordinary General Meeting held on 24 June 2022.

The financial effects of this transaction have not been recognised on 30 June 2022. The operating results and assets and liabilities of the acquired company will be consolidated from 1 July 2022.

The purchase consideration for the acquisition includes the following components:

- cash payment on settlement of A\$80 million; and
- the issue and allotment of fully paid ordinary shares in Aeris at a deemed issue price of A\$0.105 per share to a total value of A\$154 million, being 1,466,666,667 shares

Acquisition-related costs of A\$1,951,000 have been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2022.

At the time the financial statements were authorised for issue, the consolidated entity had not yet completed the accounting for the acquisition of Round Oak. Independent valuations of the fair value of the assets and liabilities acquired are still being finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Issue of shares under conditional placement

On 1 July 2022, the Company issued 162,781,913 fully paid ordinary shares in Aeris to an existing Institutional shareholder, Paradise Investment Management Pty Ltd (Paradise), at \$0.105 per share to raise \$17.1 million. The issue of the shares was subject to:

- the Company obtaining shareholder approval to issue the shares to Paradise; and
- completion of the acquisition of Round Oak Minerals Pty Limited (Round Oak).

The acquisition of Round Oak was approved by Aeris shareholders at an Extraordinary General Meeting held on 24 June 2022 and the acquisition was completed on 1 July 2022.

Consolidation of share capital

On 8 July 2022, the Company completed a share consolidation. Aeris shares were consolidated at the ratio of 7 fully paid ordinary shares into 1 fully paid ordinary share. Performance rights were also consolidated at the same ratio as the ordinary shares.

Other events

No other matter or circumstance has arisen in the interval between the end of the financial year and the dates of this report 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.

LIKELY DEVELOPMENTS

The operating and financial review sets out information on the Group's business strategies and likely developments. Other than the information set out in the Operating Financial Review, further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

DIVIDEND

The Directors have not recommended payment of a dividend for the year to 30 June 2022. No dividend was paid during the current year.

ENVIRONMENTAL REGULATIONS

The Group's operations are subject to various Commonwealth and State environmental regulations governing the protection of the environment in areas ranging from air and water quality, waste emissions and disposal, environmental impact assessments, mine rehabilitation and access to, and use of ground water and/or surface water. In particular, some operations are required to conduct certain activities under the environmental protection legislation with development consents of the jurisdiction in which they operate. The Directors are not aware of any material breaches of the Group's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

PERFORMANCE RIGHTS

At the Company's Annual General Meeting held on 26 November 2020, the shareholders approved the Company's Equity Incentive Plan. 48,782,493 performance rights remain on issue relating to that issued to employees of Aeris Resources Limited, Lion Mining Pty Ltd and Tritton Resources Pty Ltd under this plan, during the financial year ending 30 June 2022 and 30 June 2021.

SHARES UNDER OPTION

Executive management options (Options) issued were approved by shareholders at an Extraordinary General Meeting (EGM) held on 15 December 2015. The number of Options granted on 15 December 2015 totalled 93,410,609 at a \$nil exercise price. All of these options had been exercised by 31 December 2021. There were no additional shares under option nor any shares under option cancelled during the period ending 30 June 2022.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

47,228,407 ordinary shares of the Company were issued during the twelve months to 30 June 2022 on the exercise of Options. Please refer to page 24 of the Remuneration Report for additional information.

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Constitution of the Company provides that the Company may indemnify each Officer (including Secretaries) and Director against any liability, loss, damage, cost or expense incurred by the Officer or Director in or arising out of the conduct of any activity of the Company.

In accordance with the Company's Constitution, the Company has entered into Deeds of Indemnity, Access and Insurance with each of the Directors and Officers of the Company.

The Company has paid a premium and other charges for a Directors and Officers Liability insurance policy for the benefit of the Directors and Officers of the consolidated entity and its subsidiaries. The policy prohibits the disclosure of the nature of the liabilities insured and the amount of premium paid.

LOANS TO DIRECTORS

No loans have been provided by the Company to Directors.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001 during the year ended 30 June 2022 or at the date of this report.

INDEMNITY OF AUDITORS

Aeris Resources Limited has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from Aeris' breach of their agreement. The indemnity stipulates that Aeris Resources Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and/or consolidated entity are important.

Details of the amounts paid or payable to the external auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the financial year are set out in Note 25 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out in Note 25 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 27.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Legislative Instrument.

Letter from the Remuneration Committee Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 30 June 2022, outlining the nature and amount of remuneration for Aeris Resources Limited's Non-executive Directors and other Key Management Personnel.

FY2022 was a year of transformation for Aeris as we announced the acquisition of Round Oak Minerals, successfully positioning the company as a competitive mid-tier base and precious metals producer. As part of the transaction, we add two new operating assets and a development project to our portfolio and bid a heartfelt welcome to the new team members joining our broader Aeris family.

Throughout the financial year, the company was impacted by industry-wide cost and labour market pressures, which we worked hard to contain across the operations. Australia experienced an increasingly competitive job market, with low unemployment rates fuelling labour shortages of skilled workers.

In response to this competition and the evolving expectations of the labour market, Aeris focused on a review of all site-based allowances and the implementation of a new attraction and retention strategy. Undertaking a complete review of site-based allowances enabled Aeris to make a series of small changes to better align the business with new market pressures and ensure all allowances are fit-for-purpose in this new operating environment.

The implementation of a new attraction and retention strategy was built on valuable feedback collected from our workforce via an employee feedback survey in March 2022. This strategy will ensure that Aeris remains an employer of choice for existing employees and potential new candidates in the years ahead.

During the financial year Aeris also made solid progress on strengthening our commitment to promoting an inclusive workplace, publishing our new Workplace of Respect Policy in January 2022. We were pleased to see significant upward movement in both female workforce representation and indigenous workforce representation in FY2022, with female representation up by 5%. Our indigenous representation is 11% across the business with Tritton reporting 18%.

Following this hard work throughout FY2022, Aeris is well placed to meet the future challenges of the labour market and we look forward to moving forward into another rewarding year in FY2023.

On a personal note, FY2022 is the final year of my appointment as Chair of the Remuneration Committee as I hand the reins over to fellow director, Mr Colin Moorhead for the current and future financial years.



Mr Michele Muscillo
Independent Non-executive Director
Chair of the Remuneration Committee



The Directors are pleased to present your Company's 2022 Remuneration Report which sets out remuneration information for Aeris Resources Limited's Non-executive Directors, Executive Directors and other Key Management Personnel ("KMP").

Persons addressed and scope of the remuneration report

KMP are the Non-executive Directors, Executive Directors and senior executive employees who have authority and responsibility for planning, directing and controlling the activities of the Company. KMP of the Company during the year ended 30 June 2022 and any changes that occurred during the year are set out below:

Name	Position
Non-executive Directors	
Mr Michele Muscillo	Non-executive Director
Mr Colin Moorhead	Non-executive Director
Ms Sylvia Wiggins	Non-executive Director (appointed 18 October 2021)
Mr Alastair Morrison	Non-executive Director (resigned 25 November 2021)
Executive Director	
Mr Andre Labuschagne	Executive Chairman
Other KMP	
Mr Robert Brainsbury	Chief Financial Officer and Joint Company Secretary
Mr Ian Sheppard	Chief Operating Officer
Ms Kim Franks	Chief People Officer

Remuneration governance

The following outlines the aspects of remuneration governance relevant to KMP remuneration.

Remuneration Principles

In establishing a reward framework that ensures executive rewards reflect achievement, with the aim of delivering long-term shareholder value, the Board ensures that the Company's remuneration policy:

- Recognises the calibre and skills of executives and ensures they are rewarded for superior performance;
- Creates a strong link between performance and reward over the short and long term;
- Maintains fair, consistent and equitable remuneration practices in alignment with the company values and vision whilst remaining competitive with the market to attract the best potential candidates;
- Retains executives through the cyclical nature of commodity prices and different development stages of assets; and
- Allows flexibility in remuneration structure to adjust to changing economic conditions to ensure that executive remuneration is linked to the creation of shareholder value.

Transparency and Engagement

To remain transparent and consistent with industry standards whilst maintaining fair and equitable remuneration practices, the Company seeks guidance in the governance of remuneration strategy from a variety of sources, including:

- Shareholders;
- External remuneration consultants;
- Internal management.

Remuneration Committee

As the Board is comprised of four Directors, the Remuneration Committee considered the most effective approach to meeting was for the Chair of the Remuneration Committee to meet independently with the Executive Chair and members of the Remuneration Committee on an informal basis throughout the year, following which the Chair of the Remuneration Committee would report to the whole Board. Where required, the three other members of the board meet separately to discuss matters pertaining to the remuneration of the Executive Chairman.

KMP remuneration at a glance

Executive remuneration framework overview

Total Fixed Remuneration (TFR)

- A regular base reward to attract and retain talented executive KMP
- Includes (where applicable) base salary, superannuation, and other benefits such as coverage for death and total & permanent incapacity and salary continuance insurance.

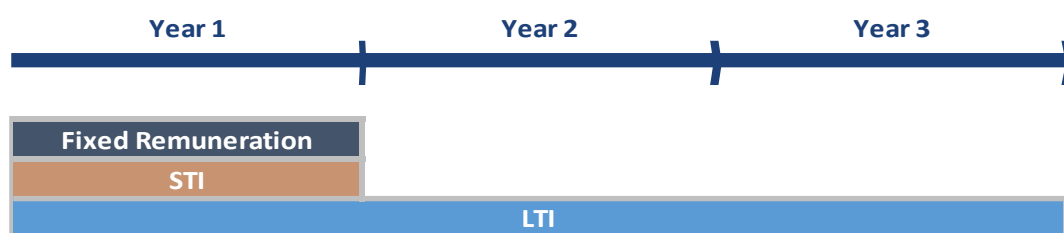
Short Term Incentives (STI)

- At-risk component of Total Remuneration Package that incentivises superior executive performance in areas of specific challenge to drive successful execution of business plans and achievement of strategic aims directly aligned with enhanced shareholder value.
- Annual cash reward paid after the end of the financial year dependent on the extent that key performance measures are achieved, which are set by the Board each year.

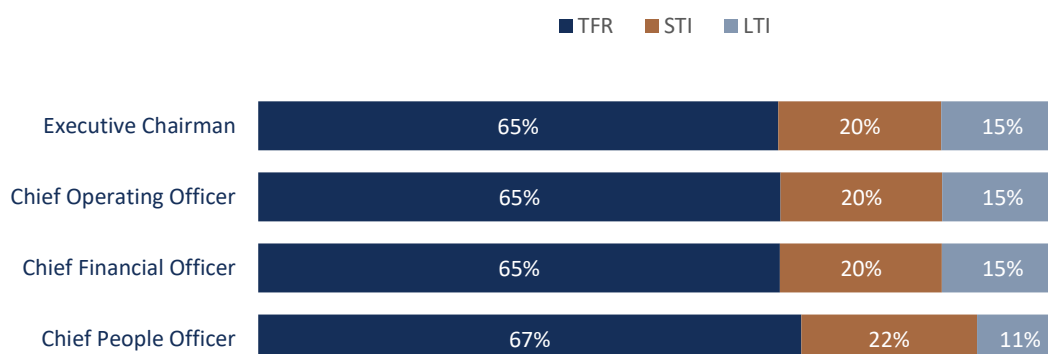
Long Term Incentives (LTI)

- At-risk component of Total Remuneration Package that aims to align the remuneration of employees with drivers of sustainable, long-term company growth and shareholder value creation. It also promotes the retention of key talent.
- The annual grant of Performance Rights vest after 3 years, dependent on the extent that key performance measures are achieved, and the executive remaining employed by the Company. Key performance measures include share price growth, copper and gold reserves and total shareholder return.

Executive KMP remuneration is earned over multiple periods, as illustrated below:



For the 2022 financial year, the proportions of remuneration for executive KMP that are fixed and those that are linked to performance are as follows:



Remuneration Framework

Executive remuneration

Total Fixed Remuneration

Fixed remuneration provides a regular base reward to attract and retain talented executive KMP and reflects the job size, role, responsibilities and professional competence of each executive according to their knowledge, experience and accountabilities. An executive KMP's fixed remuneration could include any or all of the following:

- Base salary;
- Superannuation;
- Coverage for death and total & permanent (TPD) incapacity; and
- Salary continuance insurance.

Fixed remuneration is reviewed annually, and any adjustments are approved by the Board after recommendation by the Remuneration Committee. External remuneration data is obtained prior to recommendations being made to ensure that fixed remuneration is in line with general industry and community standards.

Variable Remuneration

The Company's remuneration philosophy recognises the importance of 'at-risk' or variable pay as an integral component of total potential reward, so the Remuneration Committee has established distinct STI and LTI Plans to strongly link executive remuneration to individual and company performance and to the creation of value for shareholders.

The remuneration report includes comparative disclosures for FY2021. The Board reviews and assesses the achievement of applicable performance targets, business performance and individual performance to determine the award of a STI payment at the end of the financial year.

Short Term Incentives (STI)

Current STI plan

Purpose	To incentivise eligible employee performance in areas of specific challenge by ensuring targets are competitive to drive successful execution of business plans and achievement of strategic aims directly aligned with enhanced shareholder value.
Performance measures	The Remuneration Committee oversees the identification of appropriate performance measures, setting of goals and endorsement of specific targets for each executive KMP and ensures that these elements clearly reflect the factors deemed critical to the Group's strategic and business plans for the relevant year.
Opportunity	The maximum STI opportunity for executive KMP is equivalent to 50% of their base (excluding superannuation) remuneration. The maximum STI opportunity for other eligible employees is between 10% and 40%.
Delivery	Awards for performance under the STI Plan are determined and paid only after the end of the financial year (generally in the first quarter after the end of the reporting period), once the relevant actual performance results are finalised. The Remuneration Committee retains the discretion to adjust STI awards in exceptional circumstances, including determining that no award will be paid.
Gateway	The Company will determine a 'gateway' that must be achieved for an STI payment to be awarded in the relevant period and will consider the overall Company and site profit position, capacity to pay and other relevant factors.
Configuration for FY2022	For FY2022 the following list outlines examples of what were used to determine STI outcomes: <ul style="list-style-type: none"> • Stakeholder Management • Life of Mine extensions • Innovation • Growth • Balance sheet optimisation • Individual performance

Long Term Incentives (LTI)

Previous LTI Plan – Options

In FY2022 the last options were exercised in relation the LTI plan from FY2016. For reference, details of the FY2016 LTI plan is described below.

Timing and Delivery

Executive Management Options (Options) were approved by shareholders at an Extraordinary General Meeting (EGM) held on 15 December 2015 and was introduced to incentivise the KMP at that time to implement the Company's turnaround strategy. Upon vesting, the shares are subject to a period of voluntary escrow, with the shares being released from escrow in progressive tranches from 31 December 2018.

The Options vested in five tranches as follows:

- Tranche 1 - 30.0% on 31 December 2016;
- Tranche 2 - 17.5% on 31 December 2017;
- Tranche 3 - 17.5% on 31 December 2018;
- Tranche 4 - 17.5% on 31 December 2019; and
- Tranche 5 - 17.5% on 31 December 2020.

Exercise price

When exercised, each Option is convertible into one ordinary share for a \$nil exercise price and will be issued within 10 business days after the Company receives an exercise notice.

Termination/ expiry

Options that have not been exercised will expire 6 years after the issue date (15 December 2021), or termination date, whichever is earlier. To the extent that the options have not previously vested, they will be deemed to have been immediately vested upon a Change of Control Event.

Long Term Incentives (LTI)

Current LTI Plan – Options

The Company introduced a new LTI Plan (Plan) for FY2021 which is provided by way of Performance Rights, details of which are provided below.

Purpose

To align the remuneration of eligible employees with the drivers of sustainable, long-term company growth and shareholder value creation.

Opportunity

The maximum LTI opportunity for executive KMP is equivalent to 75% of their Base Salary. The maximum LTI for other eligible employees is between 30% and 50%.

Timing and Delivery

Grants are made annually following the end of the financial year and are delivered in the form of Performance Rights.

Allocation

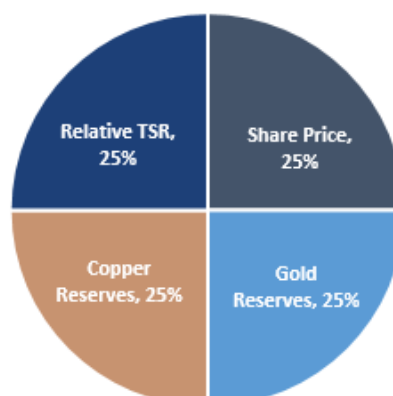
The grant is determined using a Volume Weighted Average Price (VWAP) calculated over 5 business days ending on the date prior to the commencement of the financial year.

Measurement period

The performance measures are tested on a cumulative basis over a period of 3 years.

Performance measures

The performance measures are illustrated below:



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Vesting Scales

Relative Total Shareholder Return (TSR): The type of relative TSR used is ranked TSR, which is a method of calculating the return shareholders would earn if they held a notional number of shares over a period of time, measured against a relevant peer group based on an agreed VWAP at the relative measure points. The number of Performance Rights allocated to TSR that will vest is determined in accordance with the below vesting scale:

TSR ranking against comparator group	Level of vesting
Equal to or above 75 th percentile	100%
Above the 50 th percentile and below the 75 th percentile	Pro-rata vesting on a straight line basis between 50% and 100%
At the 50 th percentile	50%
Less than the 50 th percentile	Nil

The relevant peer group for FY2022 includes Aurelia Meta Is Limited, Red 5 Limited, Red River Resources Limited, 29 Metals Limited, Dacian Gold Limited and Pantoro Limited. The Board reviews the relevant peer group annually and makes amendments as it deems appropriate.

Share price: The number of Performance Rights allocated to Share Price Increase that will vest is determined in accordance with the below vesting scale:

Share price increase	Level of vesting
Greater than 50%	100%
Between 30% and 50%	Pro-rata vesting between 75% and 100%
Between 10% and 30%	Pro-rata vesting between 50% and 75%
Less than 10%	Nil

Gold reserves: The number of Performance Rights allocated to Gold Ounces Reserve Increase that will vest is determined in accordance with the below vesting scale:

Gold ore reserve growth	Level of vesting
Depletion replacement plus greater than 10% increase or greater	100%
Between depletion replaced & up to and including 10% increase	Pro-rata vesting between 50% and 100%
Depletion replaced	50%
Negative growth	Nil

Copper reserves: The number of Performance Rights allocated to Copper Tonnes Reserve Increase that will vest is determined in accordance with the below vesting scale:

Copper ore reserve growth	Level of vesting
Depletion replacement plus greater than 10% increase or greater	100%
Between depletion replaced & up to and including 10% increase	Pro-rata vesting between 50% and 100%
Depletion replaced	50%
Negative growth	Nil

Vesting

If at the completion of the 3-year performance period the required vesting conditions are met, the Performance Rights will usually vest in the quarter following the end of the financial year. Once Performance Rights have vested, they will automatically be exercised and 'convert' to shares at which time they will have no restrictions and will not expire. Shares will be delivered at no cost to participants.

Treatment on termination

Leaving the Company before the completion of the performance period will result in the participant forfeiting the Performance Rights, subject to the Plan rules.

Dividends

The Award carries no voting or dividend entitlements prior to vesting.

No Hedging on LTI Grants

The Company does not permit employees to enter into contracts to hedge their exposure to Performance Shares granted as part of their remuneration package.

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Non-executive Director remuneration

Fees and payments to Directors and Non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. The Board reviews Non-executive Directors' fees and payments annually. The Executive Chairman is not present at any discussions relating to determination of his own remuneration.

For FY2022, the Board did not pay additional fees to Directors or Non-executive Directors appointed to Committees, nor are fees paid to executives who are appointed to the Board of subsidiary or associated companies. However, this policy is under review for FY2023 and beyond. Non-executive Directors' fees are determined within an aggregate Non-executive Directors' fee pool limit, which is currently \$700,000 per annum.

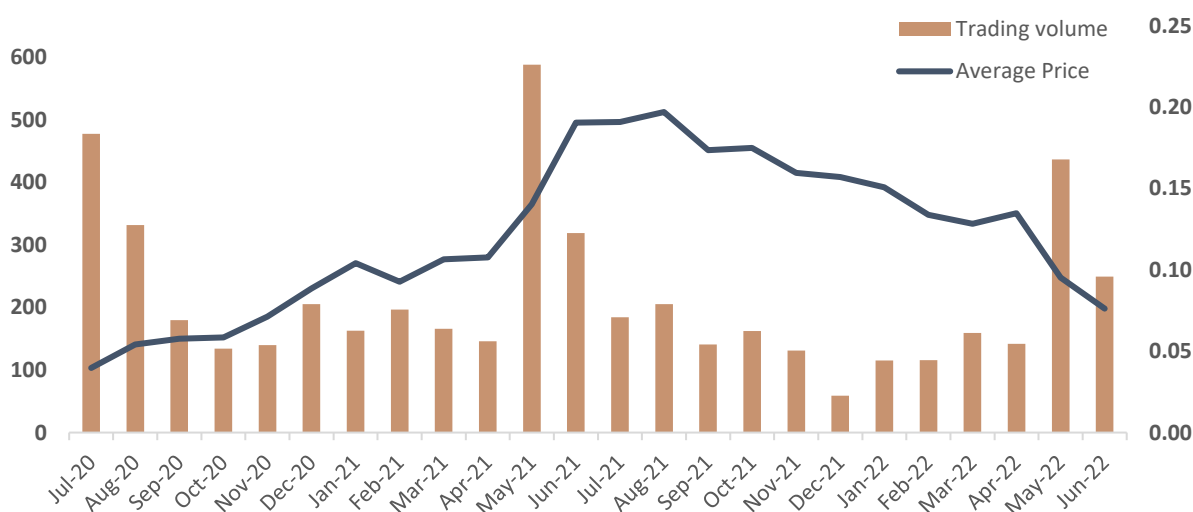
Non-executive Directors are not eligible to participate in the Company's incentive plans. For the financial year 2022, the non-executive director fee was \$100,000 inclusive of statutory superannuation. In the prior year the Non-executive Director fee was \$80,000 per annum inclusive of statutory superannuation. The non-executive directors' fee has been benchmarked against its peers and considered in line with its peer group and from 1 July 2022 an additional fee of \$20,000 will apply to Chair of the Board committees.

Company performance and remuneration outcomes

Aeris Resources' remuneration framework aims to create a strong link between Company performance and executive reward in the short, medium and long term. The following table and graph presents a summary of Aeris Resources' business performance as measure by a range of financial indicators:

Year ended 30 June	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
Sales revenue	386,587	431,290	227,313	232,338	236,017
EBITDA	86,331	159,071	5,891	31,573	104,985
Profit/(loss) after income tax	6,010	61,240	(38,351)	(12,673)	55,304
Cash from operating activities	93,000	169,650	30,238	35,626	50,518
Closing Share Price (cents)	6.7	19.5	3.3	6.6	14.1

AIS Monthly Average Share Price and Trading Volumes



(Average price and trading volumes are present pre-share consolidation (7:1), processed in July 2022)

Details of the short-term incentive cash bonuses awarded as remuneration following the end of the financial year to KMP are set out below (amounts paid during the reporting period in relation to FY2021 performance are disclosed in the KMP remuneration table on page 24):

Executive KMP	Total STIP Granted ¹	Maximum Entitlement Granted	% of Maximum Entitlement Forfeited
	\$	%	\$
Andre Labuschagne	236,480	64%	36%
Robert Brainsbury	152,320	64%	36%
Ian Sheppard	169,600	64%	36%
Kim Franks	128,000	64%	36%

1. STIP disclosed is exclusive of superannuation. Where superannuation caps have been exceeded the superannuation on STIP was paid a cash allowance.

Employment agreements

The major provisions of the contracts of the Directors and KMP are set out below.

Non-executive Directors

Non-executive Directors are retained by way of a Letter of Appointment. The Letter of Appointment does not contemplate a fixed term for directors' appointments. Non-executive Directors are not eligible for termination payments.

Executive Directors

Remuneration and other terms of employment of the Executive Director and other KMP are formalised in common law employment contracts in the form of a letter of appointment.

In determining remuneration for KMP, the Company takes into account the responsibilities of the role and relevant industry data for attracting persons of the calibre and experience of the person in question. Fixed pay is reviewed annually, with such review taking into account a range of factors including performance and experience of the individual and Company performance. The Executive Director is eligible to participate in the Company STI and LTI plans.

Incumbent & Position	TFR*	Contract Duration	Notice Period	Termination Provisions
Andre Labuschagne, Executive Chairman	Fixed ¹ \$785,400 Other ² \$11,060	No fixed term	3 months	Additional 9 months payment of annual base salary
Robert Brainsbury, Chief Financial Officer and Co-Company Secretary	Fixed ¹ \$504,900 Other ² \$11,547	No fixed term	3 months	Additional 6 months payment of annual base salary
Ian Sheppard, Chief Operating Officer	Fixed ¹ \$561,000 Other ² \$17,563	No fixed term	3 months	Additional 6 months payment of annual base salary
Kim Franks, Chief People Officer	Fixed ¹ \$423,500 Other ² \$2,356	No fixed term	3 months	Additional 6 months payment of annual base salary

*TFR as set for the financial year 30 June 2022

1. Fixed includes the base salary and superannuation at 10%.
2. Other relates to death, TPD and salary continuance insurance paid by the Company on behalf of the KMP. At the option of the employee this benefit is able to be reimbursed via an insurance allowance.

Details of remuneration

Details of the remuneration of the KMP of the Group are set out in the following tables.

KMP Remuneration for the year ended 30 June 2022

	Short-term benefits			Post-employment benefits	Sub-total	Long-term benefits	Share based payments	TOTAL
	Salary & fees	Short-term incentive	Other	Superannuation		Long service leave	Equity settled	
DIRECTORS	\$	\$	\$	\$	\$	\$	\$	\$
<u>Non-executive</u>								
Michele Muscillo	100,000	-	-	-	100,000	-	-	100,000
Colin Moorhead	100,000	-	-	-	100,000	-	-	100,000
Sylvia Wiggins ¹	70,430	-	-	-	70,430	-	-	70,430
Alastair Morrison ²	40,182	-	-	-	40,182	-	-	40,182
	310,612	-	-	-	310,612	-	-	310,612
<u>Executive</u>								
Andre Labuschagne	714,000	236,480	85,171	27,500	1,063,152	8,702	195,075	1,266,929
OTHER KMP								
Robert Brainsbury	459,000	152,320	61,309	27,500	700,129	7,258	125,406	832,793
Ian Sheppard	510,000	169,600	79,204	27,500	786,304	7,634	139,340	933,278
Kim Franks	385,000	128,000	62,529	27,500	603,030	7,532	69,211	679,773
	1,354,000	449,920	203,042	82,501	2,089,463	22,424	333,956	2,445,843
	2,378,612	686,400	288,213	110,002	3,463,227	31,126	529,032	4,023,385

Notes to table:

1. Appointed 18 October 2021.
 2. Resigned 25 November 2021.
- (A) Includes cash salary and Directors' fees.
 (B) Short-term incentives reflect incentives accrued in relation to the 30 June 2022 financial year.
 (C) Other includes death, TPD and salary continuance insurance, superannuation cash allowance not able to be paid into superannuation due to exceeding superannuation cap and movement in annual leave provision. At the option of the employee, the insurance benefit is able to be reimbursed via an insurance allowance.
 (D) Superannuation paid to meet the superannuation guarantee contribution.
 (E) Movement in long service entitlement provision for the financial year.
 (F) Share based payments comprise the grant date fair value of options and performance rights expensed during the year.

KMP remuneration for the year ended 30 June 2021

	Short-term benefits			Post-employment	Sub-total	Long-term benefits	Share based payments	TOTAL
	Salary & fees	Short-term incentive	Other	Equity settled		Long service leave	Equity settled	
	(A)	(B)	(C)	(D)		(E)	(F)	
DIRECTORS	\$	\$	\$	\$	\$	\$	\$	\$
<u>Non-executive</u>								
Michele Muscillo	80,000	-	-	-	80,000	-	-	80,000
Alastair Morrison	80,000	-	-	-	80,000	-	-	80,000
Colin Moorehead ¹	74,000	-	-	-	74,000	-	-	74,000
	234,000	-	-	-	234,000	-	-	234,000
<u>Executive</u>								
Andre Labuschagne	700,000	339,150	173,246	25,000	1,237,396	18,819	266,338	1,522,553
	934,000	339,150	173,246	25,000	1,471,396	18,819	266,338	1,756,553
OTHER KMP								
Robert Brainsbury	450,000	229,500	80,145	25,000	784,645	5,211	166,119	955,975
Ian Sheppard	500,000	229,500	83,325	25,000	837,825	14,452	176,647	1,028,924
Kim Franks ²	174,570	92,400	30,487	12,500	309,957	3,431	21,199	334,587
	1,124,570	551,400	193,957	62,500	1,932,427	23,094	363,965	2,319,486
	2,058,570	890,550	367,203	87,500	3,403,823	41,913	630,303	4,076,039

Notes to table:

- Appointed 27 July 2021.
- Appointed 4 January 2021.
- (A) Includes cash salary and Directors' fees.
- (B) Short-term incentives reflect incentives accrued in relation to the 30 June 2021 financial year.
- (C) Other relates to death, TPD and salary continuance insurance paid by the Company on behalf of the KMP. At the option of the employee, this benefit is able to be reimbursed via an insurance allowance.
- (D) Superannuation paid to meet the superannuation guarantee contribution.
- (E) Movement in long service entitlement provision for the financial year.
- (F) Share based payment comprise the grant date fair value of options expensed during the year.

Share-based compensation

Details of Options and Rights over ordinary shares in the Company as at 30 June 2022, provided as remuneration to each executive KMP of Aeris Resources Limited are set out below. Upon satisfaction of relevant conditions each Option/Right will automatically vest and convert into one ordinary share.

Options

See Variable Remuneration – Legacy LTI Plan for the terms governing the grant of Options outlined below.

Name	Year Granted	Number of Options issued	Value at Grant Date	Vested	Number of Options exercised during the year ended 30 June 2022	Number of Options exercised since 30 June 2022
			\$	%		
Andre Labuschagne	2016	37,364,244	1,264,780	100%	22,511,959	-
Robert Brainsbury	2016	22,418,546	758,868	100%	13,507,175	-
Ian Sheppard	2016	22,418,546	758,868	100%	-	-
		82,201,336	2,782,516	100%	36,019,134	-

- Kim Franks was not eligible to participate in the Legacy LTI Plan, due to her commencement date of 4 January 2021.

The value of the options on a fully marketable basis is equal to the value of the underlying share price (on grant date) less dividend (\$0.04). The shares, if converted from options, are subject to various escrow periods and as such a discount for lack of marketability has been applied to take into consideration the escrow period. A discount for lack of marketability of 25%, 20%, 15% and 10% was applied to Tranche 1(\$0.03), Tranche 2(\$0.032), Tranche 3(\$0.034) and Tranche 4 (\$0.036) respectively.

Rights

See Variable Remuneration – Current LTI Plan for the terms governing the grants of Rights outlined below for each year. The minimum value of the Rights yet to vest is nil, as the Rights will lapse if the vesting conditions are not met. The maximum value in future periods has been determined as the amount of the grant date fair value of the Right that is yet to be expensed.

Name	Grant date	Number of Rights issued	Value at Grant Date ¹	Number of Rights vested	Vested	Cancelled
			\$		%	%
Andre Labuschagne	25 Nov 2021	2,789,062	390,469	n/a	n/a	n/a
Robert Brainsbury	25 Nov 2021	1,792,968	251,016	n/a	n/a	n/a
Ian Sheppard	25 Nov 2021	1,992,187	278,906	n/a	n/a	n/a
Kim Franks	25 Nov 2021	1,503,906	210,547	n/a	n/a	n/a
		8,078,123	1,130,937			

¹ Each Right consists of 4 Tranches (Tranche 1: TSR, 2: Share price, 3: Gold ore reserve and 4: Copper ore reserve). Tranche 1 and 2 were fair valued at \$0.12 per share and Tranche 3 and 4 at \$0.16 per share.

Name	Grant date	Number of Rights issued	Value at Grant Date	Number of Rights vested	Vested	Cancelled
			\$		%	%
Andre Labuschagne	26 Nov 2020	7,142,821	525,000	n/a	n/a	n/a
Robert Brainsbury	26 Nov 2020	4,591,813	337,500	n/a	n/a	n/a
Ian Sheppard	26 Nov 2020	5,102,015	375,000	n/a	n/a	n/a
Kim Franks	26 Nov 2020	1,751,626	128,745	n/a	n/a	n/a
		18,588,275	1,366,245			

Shares held by KMP

The tables below show the equity instruments in Aeris Resources Limited that were held during the financial year by KMP of the Group, including their close family members and entities related to them:

Executive KMP

Name	Opening balance 1 July 2021	Issued and Acquired	Vested and Exercised	Disposed/ Forfeited/ Other	Balance 30 June 2022
Andre Labuschagne	14,992,285	-	22,511,959	-	37,504,244
Robert Brainsbury	9,346,370	-	13,507,175	-	22,853,545
Ian Sheppard	12,118,137	-	-	-	12,118,137
Kim Franks	86,000	-	-	-	86,000

Non-executive Directors

Name	Opening balance 1 July 2021	Issued and Acquired	Vested and Exercised	Disposed/ Forfeited/ Other	Balance 30 June 2022
Michele Muscillo	21,739	-	-	-	21,739
Colin Moorhead	500,000	-	-	-	500,000
Sylvia Wiggins ¹	-	-	-	-	-

1. Appointed 18 October 2021

Other matters

Employee Share Acquisition Plan (ESAP)

The Aeris Resources Limited Employee Share Acquisition Plan (ESAP) was approved by shareholders at the Demerger Scheme Meeting on 21 January 2011. The plan operates by allowing participants to obtain Shares in the Company at market price, which are funded by a limited recourse interest free loan provided by the Company. The Shares are held in trust with vesting of the Shares subject to performance hurdles. If vesting conditions are satisfied, the Shares continue to be held in trust subject to a holding lock until the underlying loan is repaid in full. There are currently no Shares issued or allocated under the ESAP Share Plan.

Loans given to Key Management Personnel.

No loans have been provided by the Company to KMP.

Other transactions between the Company and Key Management Personnel or their related parties

Except for those transactions disclosed in note 28 to the financial statements, no other transactions have been entered into between the Company and KMP.

Voting and comments made at the Company's 25 November 2021 Annual General Meeting ('AGM')

At the 25 November 2021 AGM, 99.72% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Use of remuneration consultants

During the year ended 30 June 2022 no consultants were engaged in the structure or management of the employee remunerations.

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.



Andre Labuschagne
Executive Chairman
Brisbane
25 August 2022



Auditor's Independence Declaration

As lead auditor for the audit of Aeris Resources Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'M Goddard', is written over a horizontal line.

Marcus Goddard
Partner
PricewaterhouseCoopers

Brisbane
25 August 2022

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Consolidated statement of comprehensive income	29
Consolidated statement of financial position	30
Consolidated statement of changes in equity	31
Consolidated statement of cash flows	32
Notes to the consolidated financial statements	33
Directors' declaration	79
Independent auditor's report to the members of Aeris Resources Limited	80

General information

The consolidated financial statements cover Aeris Resources Limited as a consolidated entity, consisting of Aeris Resources Limited ('Aeris', 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the 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, Suite 2.2, 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 26 August 2022. The directors have the power to amend and reissue the financial statements.

Aeris Resources Limited
 Consolidated statement of comprehensive income
 For the year ended 30 June 2022



	Note	2022 \$'000	2021 \$'000
Revenue	2	386,587	431,290
Cost of goods sold	3	(353,435)	(337,895)
Gross profit		<u>33,152</u>	<u>93,395</u>
Administration	3	(13,834)	(14,475)
Exploration expense	3	-	(454)
Net foreign exchange gains		418	1,166
Transaction expense	3	(1,951)	(4,068)
Other expenses	3	(1,439)	(2,693)
Impairment loss	3	(4,349)	-
Profit before net finance costs		<u>11,997</u>	<u>72,871</u>
Net finance costs	3	(5,987)	(11,631)
Profit before income tax expense		<u>6,010</u>	<u>61,240</u>
Income tax expense	4	-	-
Profit after income tax expense for the year attributable to the owners of Aeris Resources Limited		<u>6,010</u>	<u>61,240</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit or loss, net of tax	20	2,132	(2,549)
Transfer to profit or loss on disposal of subsidiary		-	162
Other comprehensive income for the year, net of tax		<u>2,132</u>	<u>(2,387)</u>
Total comprehensive income for the year attributable to the owners of Aeris Resources Limited		<u>8,142</u>	<u>58,853</u>
		Cents	Cents
Basic earnings per share	35	1.8	22.4
Diluted earnings per share	35	1.7	21.5

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

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	138,050	97,396
Trade and other receivables	6	7,388	12,341
Inventories	7	29,248	32,414
Financial assets at fair value through profit or loss	8	2,104	6,087
Other current assets	9	1,989	1,935
Total current assets		<u>178,779</u>	<u>150,173</u>
Non-current assets			
Trade and other receivables	6	-	20,776
Property, plant and equipment	10	88,061	85,296
Mine properties	11	119,592	65,095
Exploration and evaluation	12	51,546	51,818
Deferred tax	4	179	1,092
Total non-current assets		<u>259,378</u>	<u>224,077</u>
Total assets		<u>438,157</u>	<u>374,250</u>
Liabilities			
Current liabilities			
Trade and other payables	13	56,709	68,949
Borrowings	14	41	2,115
Lease liabilities	15	6,173	4,025
Derivative financial instruments	16	596	3,641
Provisions	17	17,638	17,913
Other liabilities	18	4,975	14,144
Total current liabilities		<u>86,132</u>	<u>110,787</u>
Non-current liabilities			
Borrowings	14	317	25,277
Lease liabilities	15	9,301	4,244
Provisions	17	37,428	29,660
Other liabilities	18	17,041	20,418
Total non-current liabilities		<u>64,087</u>	<u>79,599</u>
Total liabilities		<u>150,219</u>	<u>190,386</u>
Net assets		<u>287,938</u>	<u>183,864</u>
Equity			
Issued capital	19	604,910	509,888
Reserves	20	(4,439)	(7,481)
Accumulated losses		(312,533)	(318,543)
Total equity		<u>287,938</u>	<u>183,864</u>

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

Aeris Resources Limited
Consolidated statement of changes in equity
For the year ended 30 June 2022



	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 year	-	-	-	61,240	61,240
Other comprehensive income for the year, net of tax	-	-	(2,387)	-	(2,387)
Total comprehensive income for the year	-	-	(2,387)	61,240	58,853
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	57,575	(7,216)	-	-	50,359
Share-based payments (note 36)	-	-	1,003	-	1,003
Balance at 30 June 2021	509,888	-	(7,481)	(318,543)	183,864
	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 year	-	-	-	6,010	6,010
Other comprehensive income for the year, net of tax	-	-	2,132	-	2,132
Total comprehensive income for the year	-	-	2,132	6,010	8,142
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	95,022	-	-	-	95,022
Share-based payments (note 36)	-	-	910	-	910
Balance at 30 June 2022	604,910	-	(4,439)	(312,533)	287,938

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

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Aeris Resources Limited
Consolidated statement of cash flows
For the year ended 30 June 2022



	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		393,184	434,879
Payments to suppliers and employees		(297,313)	(257,443)
Interest and other finance costs paid		(2,871)	(7,786)
Net cash from operating activities	34	<u>93,000</u>	<u>169,650</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(55,789)
Deferred consideration and stamp duty paid on Lion Mining Pty Ltd acquisition		(18,813)	-
Payments for investments		(433)	(1,000)
Payments for property, plant and equipment and mine properties		(95,056)	(80,477)
Payments for exploration expenditure		(22,377)	(7,449)
Payments for cash backed security deposits		-	(8,714)
Proceeds from release of security deposits	6	20,776	-
Proceeds from disposal of investments		2,977	-
Proceeds from disposal of property, plant and equipment and mine properties		-	3
Net cash used in investing activities		<u>(112,926)</u>	<u>(153,426)</u>
Cash flows from financing activities			
Proceeds from issue of shares - net of transaction costs		95,022	50,359
Proceeds from borrowings		-	30,000
Repayment of borrowings	34	(27,611)	(48,933)
Repayment of lease liabilities	34	(6,510)	(4,422)
Net cash from financing activities		<u>60,901</u>	<u>27,004</u>
Net increase in cash and cash equivalents		40,975	43,228
Cash and cash equivalents at the beginning of the financial year		97,396	54,303
Effects of exchange rate changes on cash and cash equivalents		(321)	(135)
Cash and cash equivalents at the end of the financial year	5	<u>138,050</u>	<u>97,396</u>

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

1. 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 financial years ended 30 June 2022 and 30 June 2021.

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.

The information reported to the Strategic Steering Committee is on a monthly basis.

Operating segment information

2022	Tritton \$'000	Cracow \$'000	Other \$'000	Total \$'000
Revenue				
Sales to external customers	246,104	140,454	-	386,558
Other revenue	3	26	-	29
Total revenue	<u>246,107</u>	<u>140,480</u>	<u>-</u>	<u>386,587</u>
Adjusted EBITDA	<u>50,629</u>	<u>50,612</u>	<u>(7,589)</u>	93,652
Depreciation and amortisation				(74,334)
Finance costs				(5,987)
Transaction expense				(1,951)
Net foreign exchange gains				418
Movement in financial assets at fair value through profit or loss				(1,439)
Impairment loss				(4,349)
Profit before income tax expense				<u>6,010</u>
Income tax expense				-
Profit after income tax expense				<u>6,010</u>
Assets				
Segment assets	183,455	134,784	119,918	438,157
Total assets				<u>438,157</u>
<i>Total assets includes:</i>				
Acquisition of non-current assets	90,327	44,676	670	128,068
Liabilities				
Segment liabilities	73,681	71,220	5,318	150,219
Total liabilities				<u>150,219</u>

1. Operating segments (continued)

2021	Tritton \$'000	Cracow \$'000	Other \$'000	Total \$'000
Revenue				
Sales to external customers	244,216	186,652	-	430,868
Other revenue	362	29	31	422
Total revenue	244,578	186,681	31	431,290
Adjusted EBITDA				
Depreciation and amortisation	75,288	98,079	(8,712)	164,655
Loss on disposal of subsidiary				(86,200)
Finance costs				(2,238)
Transaction expense				(11,631)
Net foreign exchange gains				(4,068)
Movement in financial assets at fair value through profit or loss				1,166
Profit before income tax expense				61,240
Income tax expense				-
Profit after income tax expense				61,240
Assets				
Segment assets	148,860	141,270	84,120	374,250
Total assets				374,250
<i>Total assets includes:</i>				
Acquisition of non-current assets	47,126	44,607	1,709	93,442
Liabilities				
Segment liabilities	94,117	82,475	13,794	190,386
Total liabilities				190,386

Intersegment transactions

Intersegment transactions were made at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2022 approximately 64% (2021: 59%) of the consolidated entity's external revenue was derived from sales to one customer who has the offtake agreement for 100% of the Tritton Copper Operation's copper concentrate; and 36% (2021: 41%) was derived from sales to one customer with whom the Company has a refining agreement for the Cracow Gold Operations gold-silver doré.

Accounting policy for operating segments

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

2. Revenue

	2022 \$'000	2021 \$'000
Sales revenue	383,185	422,339
Sales revenue from provisional pricing adjustments	3,372	8,529
Other revenue from ordinary activities	29	422
	386,587	431,290

Accounting policy for revenue recognition

Revenue from contracts with customers

The consolidated entity generates sales revenue primarily from the performance obligation to deliver goods such as copper concentrate and gold doré to the customer. Sales revenue represents the gross proceeds receivable from the customer.

Copper concentrate sales

For copper concentrate sales, the recognition of concentrate sales occurs when the performance obligation, being the transfer of the title of copper concentrate, is met and control of the goods transfers to the customer.

Concentrate sales are initially recognised at an estimated sales value when the control of the product transfers to the customer, which in most cases is when the Holding and Title certificate is issued at the port handling and ship loading facility.

The terms of the concentrate sales contracts with our offtake agreement partner contains provisional pricing arrangements whereby the final selling price for the concentrate is based on prevailing average monthly prices on a specified future period after shipment to the customer (quotation period). Adjustments to the sales price occur based on movements in quoted marked prices up to the final settlement price specified in the sales contracts. The period between provisional invoicing and the final settlement pricing is typically one to three months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable.

The change in value of the provisionally priced receivable is based on relevant forward market prices and is included in sales revenue. Adjustments are made for variations in the metal prices, assays, weights and currency between the time control passed to the customer and the time of final invoice being issued. Mining royalties payable are presented as an operating cost.

The contract with customer has no significant financing component and has no variable consideration under AASB 15 *Revenue from Contracts with Customers*. A trade receivable is recognised (refer note 6 and note 22) when the Holding and Title Certificate is issued as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Shipping is generally arranged by the customer and occurs after the control of goods transfers to the customer.

Gold doré sales

For gold doré sales, revenue is recognised at the point when the doré is collected by the buyer at the mine site.

The contract with customer has no significant financing component and has no variable consideration under AASB 15 *Revenue from Contracts with Customers*. A trade receivable is recognised (refer note 6 and note 22) when the buyer takes possession of the gold doré as this is the point in time that the consideration is unconditional. Mining royalties payable are presented as an operating cost.

Gains and losses on hedge instruments related to sales contracts are recorded in revenue when the associated instrument matures.

2. Revenue from contracts with customers (continued)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

3. Expenses

Profit before income tax includes the following specific expenses:

	2022 \$'000	2021 \$'000
Cost of goods sold		
Cost of production:		
Mining activities	279,542	252,002
Depreciation:		
Plant and equipment	21,702	23,451
Plant and equipment under leases	5,024	2,790
Total depreciation	26,726	26,241
Amortisation:		
Mine properties	47,167	59,652
Total cost of goods sold	353,435	337,895
Administration		
Corporate depreciation	225	80
Corporate lease depreciation	216	227
Other corporate expenses	13,393	14,168
Total administration expense	13,834	14,475
Exploration expense		
Exploration expenditure	-	454
Transaction expense		
Legal expenses	860	176
Consulting expense	1,090	145
Stamp duty	-	3,747
Other expenses	1	-
Total transaction expense	1,951	4,068

3. Expenses (continued)

	2022 \$'000	2021 \$'000
Other expenses		
Movement in financial assets at fair value through profit or loss	1,439	444
Loss on disposal and write-off of fixed assets	-	11
Loss on disposal of subsidiary	-	2,238
Total other expenses	<u>1,439</u>	<u>2,693</u>
Impairment loss		
Impairment of exploration	<u>4,349</u>	-
Net finance costs		
Interest expense for borrowings at amortised cost	324	7,364
Interest expense for leasing arrangements	554	525
Other net interest and finance charges	2,432	2,025
Unwinding of discounts on provisions	2,677	1,717
Total net finance costs	<u>5,987</u>	<u>11,631</u>

Included within the above functional classifications are the following:

	2022 \$'000	2021 \$'000
Employee benefit expenses	93,865	88,482
Superannuation expense	8,190	7,775
	<u>102,055</u>	<u>96,257</u>

4. Income tax

	2022 \$'000	2021 \$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	<u>6,010</u>	<u>61,240</u>
Tax at the statutory tax rate of 30%	1,803	18,372
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	273	301
Equity raising and transaction costs	(291)	697
Other	911	1,502
	<u>2,696</u>	<u>20,872</u>
Current year tax losses not recognised	(2,696)	-
Current year temporary differences not recognised	-	(2,721)
Utilisation of prior year tax losses	-	(18,151)
Income tax expense	<u>-</u>	<u>-</u>

4. Income tax (continued)

Amounts recognised directly in equity

Deferred tax arising in the reporting year and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

	2022 \$'000	2021 \$'000
Cash flow hedges	(913)	1,092

Tax losses

	2022 \$'000	2021 \$'000
Tax losses not recognised:		
Unused tax losses for which no deferred tax asset has been recognised	227,619	218,734
Potential tax benefit @ 30%	68,286	65,620

The above potential tax benefit for tax losses has not been recognised in the consolidated statement of financial position.

Deferred tax balances

30 June 2022	Opening balance \$'000	Net charged to comprehen- sive income \$'000	Net charged to equity \$'000	Closing balance \$'000
<i>Deferred tax asset</i>				
Property, plant and equipment, exploration and mine properties	4,917	(3,407)	-	1,510
Transaction issuance costs	2,064	397	-	2,461
Provisions and accruals	13,037	3,255	-	16,292
Losses available for offsetting against future taxable income	-	2,005	-	2,005
Other	1,369	(275)	(913)	181
	<u>21,387</u>	<u>1,975</u>	<u>(913)</u>	<u>22,449</u>
<i>Deferred tax liability</i>				
Inventories	(4,589)	(353)	-	(4,942)
Exploration	(12,660)	(1,067)	-	(13,727)
Rehabilitation assets	(3,046)	(555)	-	(3,601)
	<u>(20,295)</u>	<u>(1,975)</u>	<u>-</u>	<u>(22,270)</u>
Net deferred tax asset recognised	<u>1,092</u>	<u>-</u>	<u>(913)</u>	<u>179</u>

4. Income tax (continued)

30 June 2021	Opening balance \$'000	Net charged to comprehen- sive income \$'000	Net credited to equity \$'000	Closing balance \$'000
<i>Deferred tax asset</i>				
Property, plant and equipment, exploration and mine properties	1,575	3,342	-	4,917
Transaction issuance costs	1,751	313	-	2,064
Provisions and accruals	7,855	5,182	-	13,037
Other	285	(8)	1,092	1,369
	<u>11,466</u>	<u>8,829</u>	<u>1,092</u>	<u>21,387</u>
<i>Deferred tax liability</i>				
Inventories	(2,217)	(2,372)	-	(4,589)
Exploration	(9,249)	(3,411)	-	(12,660)
Rehabilitation assets	-	(3,046)	-	(3,046)
	<u>(11,466)</u>	<u>(8,829)</u>	<u>-</u>	<u>(20,295)</u>
Net deferred tax asset recognised	<u>-</u>	<u>-</u>	<u>1,092</u>	<u>1,092</u>

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Aeris Resources Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

4. Income tax (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

5. Cash and cash equivalents

	2022 \$'000	2021 \$'000
<i>Current assets</i>		
Cash at bank	138,050	97,396

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Trade and other receivables

	2022 \$'000	2021 \$'000
<i>Current assets</i>		
Trade receivables	3,984	9,208
Other receivables	3,580	3,133
Less: Allowance for expected credit losses	(176)	-
	3,404	3,133
	7,388	12,341
<i>Non-current assets</i>		
Restricted cash	-	20,776
	7,388	33,117

Other receivables is primarily composed of receivables in relation to Australian GST refund claims and security deposits held.

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 year which resulted in the release of this restricted cash (refer note 14).

Refer to note 22 for information about the impairment of trade receivables and the consolidated entity's exposure to credit risk, foreign currency risk and interest rate risk.

6. Trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 120 days and therefore are all classified as current. Trade receivables are recognised initially at fair value based on estimated amounts due and subsequently at amortised cost, less any provision for impairment. The consolidated entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For the commodity sales where pricing remains outstanding at the period end, the final consideration will be estimated in terms of AASB 9 *Financial Instruments* at the period end based on forward market prices for the relevant quotational period as there is a developed forward market. Details about the consolidated entity's impairment policies and the calculation of any loss allowance are provided in note 22.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

7. Inventories

	2022 \$'000	2021 \$'000
<i>Current assets</i>		
Finished concentrate	8,936	8,649
Metal in circuit	2,465	5,698
Ore stockpiles	1,377	3,080
Production supplies - at cost	16,470	14,987
	<u>29,248</u>	<u>32,414</u>

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

Accounting policy for inventories

Mining inventories of raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory charged to the consolidated statement of comprehensive income has been included in note 3 as part of mining activities.

8. Financial assets at fair value through profit or loss

	2022 \$'000	2021 \$'000
<i>Current assets</i>		
Australian listed equity - designated at fair value through profit or loss	2,104	6,087

Reconciliation

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

Opening fair value	6,087	2,531
Additions	433	4,000
Disposals	(2,977)	-
Fair value losses recognised in profit or loss	(1,439)	(444)
Closing fair value	2,104	6,087

Refer to note 22 for further information about the consolidated entity's exposure to price risk.

Refer to note 23 for further information on fair value measurement.

9. Other current assets

	2022 \$'000	2021 \$'000
<i>Current assets</i>		
Prepayments	1,989	1,935

10. Property, plant and equipment

	2022 \$'000	2021 \$'000
<i>Non-current assets</i>		
Freehold land - at cost	3,689	4,015
Buildings - at cost	8,115	7,743
Less: Accumulated depreciation	(6,250)	(5,191)
	1,865	2,552
Plant and equipment - at cost	138,201	122,719
Less: Accumulated depreciation	(70,938)	(50,070)
	67,263	72,649
Property, plant and equipment under lease and Right of use	24,731	10,327
Less: Accumulated depreciation	(9,487)	(4,247)
	15,244	6,080
	88,061	85,296

10. Property, plant and equipment (continued)

Reconciliations

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

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Property, plant and equipment under lease and Right of use \$'000	Total \$'000
Balance at 1 July 2020	1,324	2,336	34,645	3,546	41,851
Additions	-	-	39,631	6,272	45,903
Additions through business combinations	2,693	1,878	19,569	-	24,140
Net disposals/write-offs	(2)	(10)	(2)	-	(14)
Transfers to exploration and evaluation (note 12)	-	-	(36)	-	(36)
Transfers in/(out)	-	-	722	(722)	-
Depreciation expense	-	(1,652)	(21,880)	(3,016)	(26,548)
Balance at 30 June 2021	4,015	2,552	72,649	6,080	85,296
Additions	-	46	17,500	14,404	31,950
Transfers to mine properties (note 11)	-	-	(2,018)	-	(2,018)
Transfers in/(out)	(326)	326	-	-	-
Depreciation expense	-	(1,059)	(20,868)	(5,240)	(27,167)
Balance at 30 June 2022	3,689	1,865	67,263	15,244	88,061

Assets in the course of construction

The carrying amounts of the assets disclosed above include assets that were in the course of construction as at the end of the reporting period. The relevant amounts are as follows:

	2022 \$'000	2021 \$'000
Plant and equipment	11,183	32,530

Refer to note 14 for information on non-current assets pledged as security by the consolidated entity.

Accounting policy for property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost equals the fair value of the item at acquisition date, and includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

10. Property, plant and equipment (continued)

Depreciation of plant and equipment is calculated using either the straight line or units-of-production method to allocate their cost, net of residual values, over their estimated useful lives. Estimated useful lives are between 2 and 5 years. Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

11. Mine properties

	2022 \$'000	2021 \$'000
<i>Non-current assets</i>		
Mine properties - at cost	350,823	249,159
Less: Accumulated amortisation	<u>(231,231)</u>	<u>(184,064)</u>
	<u>119,592</u>	<u>65,095</u>

Reconciliations

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

	Mine properties \$'000
Balance at 1 July 2020	14,394
Additions through business combinations	62,971
Expenditure during the year	40,118
Increase to rehabilitation asset	7,264
Amortisation expense	<u>(59,652)</u>
Balance at 30 June 2021	65,095
Expenditure during the year	73,911
Increase to rehabilitation asset	7,605
Transfer from exploration and evaluation (note 12)	18,130
Transfer from property, plant and equipment (note 10)	2,018
Amortisation expense	<u>(47,167)</u>
Balance at 30 June 2022	<u>119,592</u>

11. Mine properties (continued)

Impairment of non-financial assets

The consolidated entity considers annually whether there have been any indicators of impairment and tests whether or not non-current assets have suffered an impairment. 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.

This grouping of assets is referred to as a Cash Generating Unit (CGU). The consolidated entity currently assesses the Tritton Copper Operations and Cracow Gold Operations as two separate CGUs. The recoverable amount of each CGU is determined based, where required, on fair value less costs of disposal (FVLCD). The FVLCD is calculated based on a Board approved life of mine plan (LOM).

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

- Commodity prices;
- Exchange prices;
- Mineral Resources and Ore Reserves, and mining planning scheduling;
- Production costs; and
- Discount rates.

There were no indicators of impairment identified and no impairment recognised during the financial years ended 30 June 2022 and 30 June 2021 for either the Tritton Copper Operations CGU or Cracow Gold Operations CGU.

Accounting policy for mining assets

Mine properties represent the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production. Mine development costs are deferred until commercial production has been achieved, at which point the development cost of the asset will commence amortisation.

Amortisation of mine properties is calculated using the units-of-production method which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable Mineral Resources and Ore Reserves of the mine property at which it is located. The annual change in Mineral Resources and Ore Reserves driving the remaining life of mine production are accounted for prospectively when amortising existing mine development assets.

12. Exploration and evaluation

	2022 \$'000	2021 \$'000
<i>Non-current assets</i>		
Exploration and evaluation - at cost	51,546	51,818

12. Exploration and evaluation (continued)

Reconciliations

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

	Exploration and evaluation \$'000
Balance at 1 July 2020	28,083
Additions through business combinations	16,250
Expenditure during the year	7,449
Transfers from property, plant and equipment (note 10)	<u>36</u>
Balance at 30 June 2021	51,818
Expenditure during the year	22,207
Impairment of assets	(4,349)
Transfers to mine properties (note 11)	<u>(18,130)</u>
Balance at 30 June 2022	<u>51,546</u>

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

- (i) Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- (ii) Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves and mineral resources and while active and significant operations in, or in relation to, the area are continuing.

Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the year in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the year in which that decision is made.

Upon commencement of mining activities, deferred exploration and development expenditure is reclassified to mine properties and then amortised in accordance with the accounting policy for mine properties.

The net carrying value of each area of interest is reviewed regularly and, to the extent to which this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

During the year an impairment expense of \$4.349 million (2021: \$nil) was recognised against the Torrens Project, following a change in focus in the operations following the proposed Round Oak Minerals acquisition. The carrying value has been written down to fair value, less costs of disposal, based on comparable transactions.

13. Trade and other payables

	2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Trade payables	30,975	26,891
Other payables and accrued expenses	25,734	42,058
	<u>56,709</u>	<u>68,949</u>

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

Refer to note 22 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid between 30 and 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

14. Borrowings

	2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Secured: Loans	41	2,115
<i>Non-current liabilities</i>		
Secured: Loans	317	25,277
	<u>358</u>	<u>27,392</u>

Refer to note 22 for further information on financial instruments.

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;
- a \$20 million Working Capital Facility; and
- unsecured hedging lines for gold (refer to note 16 for information regarding utilisation of this facility as at 30 June 2022).

The ANZ facilities have subsequently been renewed with the Contingent Instrument Facility increased to \$45 million, upon completion of the Round Oak Minerals acquisition.

14. Borrowings (continued)

Total secured liabilities

The total secured liabilities are as follows:

	2022 \$'000	2021 \$'000
Loans	358	27,392

Assets pledged as security

The carrying amount of non-current assets as at 30 June 2022 pledged as security for current and non-current borrowings and lease liabilities was \$255,052,000 (2021: \$167,722,000).

Credit stand-by arrangements

The consolidated entity has \$nil (2021: \$20,776,000) in restricted cash in respect of its obligations to provide environmental bonds over its mining and exploration licences.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2022 \$'000	2021 \$'000
Total facilities		
Loans	358	27,392
Contingent Instrument Facility	45,000	-
Working Capital Facility	20,000	-
	<u>65,358</u>	<u>27,392</u>
Used at the reporting date		
Loans	358	27,392
Contingent Instrument Facility	31,029	-
Working Capital Facility	-	-
	<u>31,387</u>	<u>27,392</u>
Unused at the reporting date		
Loans	-	-
Contingent Instrument Facility	13,971	-
Working Capital Facility	20,000	-
	<u>33,971</u>	<u>-</u>

Accounting policy for borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

14. Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

15. Lease liabilities

	2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Lease liability	6,173	4,025
<i>Non-current liabilities</i>		
Lease liability	9,301	4,244
	<u>15,474</u>	<u>8,269</u>

The consolidated entity leases office premises and mobile equipment. Lease contracts are typically made for a fixed period of 2 to 5 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 other than the security interests in the leased assets that are held by the lessor.

The total cash outflow for leases, including interest, during the year ended 30 June 2022 was \$7,064,000 (2021: \$4,947,000).

Refer to note 22 for further information on financial instruments.

Right-of-use assets

	Property, plant and equipment \$'000
Balance at 1 July 2020	3,546
Additions	6,272
Transfers out	(722)
Depreciation expense	<u>(3,016)</u>
Balance at 30 June 2021	6,080
Additions	14,404
Depreciation expense	<u>(5,240)</u>
Balance at 30 June 2022	<u>15,244</u>

15. Lease liabilities (continued)

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option; and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

16. Derivative financial instruments

	2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Commodity contracts - cash flow hedges	596	3,641

During the year 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 22 for further information on financial instruments.

Refer to note 23 for further information on fair value measurement.

17. Provisions

	2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Employee benefits	17,638	17,644
Other	-	269
	<u>17,638</u>	<u>17,913</u>
<i>Non-current liabilities</i>		
Employee benefits	692	752
Provision for rehabilitation and dismantling	36,736	28,908
	<u>37,428</u>	<u>29,660</u>
	<u>55,066</u>	<u>47,573</u>

Movements in provisions

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

2022	Provision for rehabilitation and dismantling \$'000	Other \$'000
Carrying amount at the start of the year	28,908	269
Additional provisions recognised	6,406	-
Amounts used	-	(269)
Changes in assumptions	1,199	-
Unwinding of discount	223	-
	<u>36,736</u>	<u>-</u>
Carrying amount at the end of the year	<u>36,736</u>	<u>-</u>

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

17. Provisions (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Accounting policy for rehabilitation and dismantling

The consolidated entity has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment. Under AASB 116 *Property, Plant and Equipment*, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired, or as a consequence of having used the item during a particular period.

AASB 137 *Provisions, Contingent Liabilities, and Contingent Assets* requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a risk free discount rate that reflects the time value of money. The discount rate does not reflect risks for which future cash flow estimates have been adjusted. The increase in the provision due to the passage of time is recognised as interest expense.

18. Other liabilities

	2022 \$'000	2021 \$'000	
<i>Current liabilities</i>			
Deferred consideration	-	14,144	
Contingent consideration	4,975	-	
	<u>4,975</u>	<u>14,144</u>	
<i>Non-current liabilities</i>			
Contingent consideration	17,041	20,418	
	<u>22,016</u>	<u>34,562</u>	
	Deferred consideration \$'000	Contingent consideration \$'000	Total \$'000
Balance at 1 July 2021	14,144	20,418	34,562
Unwinding of discount	856	1,598	2,454
Payment of deferred consideration	(15,000)	-	(15,000)
Balance at 30 June 2022	<u>-</u>	<u>22,016</u>	<u>22,016</u>

Refer to note 23 for further information on fair value measurement.

Deferred consideration

The balance at 30 June 2021, represented the fair value of the deferred consideration (\$15 million) in connection with the Cracow acquisition, which was paid on 30 June 2022.

18. Other liabilities (continued)

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 at the date of initial recognition was \$19.623 million and was estimated by calculating the present value of future probability-weighted cash flows using a discount rate of 7.4%. At 30 June 2022, a discount rate of 7.0% was used to determine the fair value of \$22.0 million.

19. Issued capital

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	3,207,168,420	2,207,352,758	604,910	509,888

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	1,539,996,964		452,313
Entitlement offer - Retail (a)	1 July 2020	333,258,016	\$0.030	9,998
Management options exercised (b)	10 August 2020	8,911,371	\$0.000	-
Management options exercised (b)	12 August 2020	14,852,285	\$0.000	-
Management options exercised (b)	4 March 2021	22,418,546	\$0.000	-
Institutional placement (c)	18 June 2021	287,915,576	\$0.175	50,385
Less: Transaction costs arising on share issues				(2,808)
Balance	30 June 2021	2,207,352,758		509,888
Management options exercised (b)	1 July 2021	22,511,959	\$0.000	-
Management options exercised (b)	9 November 2021	13,507,175	\$0.000	-
Management options exercised (b)	2 December 2021	11,209,273	\$0.000	-
Placement (d)	9 May 2022	418,326,315	\$0.105	43,924
Entitlement offer - Institutional (d)	9 May 2022	286,844,010	\$0.105	30,119
Entitlement offer - Retail (d)	24 May 2022	247,416,930	\$0.105	25,979
Less: Transaction costs arising on share issues				(5,000)
Balance	30 June 2022	3,207,168,420		604,910

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Movements in share capital

(a) Accelerated Renounceable Entitlement Offer and Placement

On 4 June 2020, the Company announced the launch of a fully underwritten \$40.016 million Placement and 1:2.02 Renounceable Entitlement Offer (Entitlement Offer), with the proceeds raised used to fund:

- A portion of the purchase price for the acquisition of 100% of the issued equity of Lion Mining Pty Ltd, owner and operator of the Cracow gold mine; and
- The transaction costs associated with the Entitlement Offer and Placement and the acquisition.

19. Issued capital (continued)

The \$40.016 million Placement and Entitlement Offer, at a price of \$0.03 per share, consisted of:

- A Placement and Accelerated Institutional Entitlement Offer which was completed on 15 June 2020 and raised \$30.018 million and resulted in the issue of 1,000,620,350 new shares; and
- A Retail Entitlement Offer which closed on 1 July 2020 and raised \$9.998 million with 333,258,016 new shares being issued. \$7.216 million of the proceeds from the Retail Entitlement Offer were received prior to the 1 July 2020 issue of the related shares. These proceeds are recognised in the consolidated statement of financial position and consolidated statement of changes in equity as Prepaid Capital at 30 June 2020. The remainder of the proceeds were received on 1 July 2020.

(b) Management options

During the year ended 30 June 2021, 46,182,202 management options were exercised at \$nil each. As at 30 June 2021, 47,228,407 management options remain outstanding, with an expiry date of 31 December 2021.

During the year ended 30 June 2022, 47,228,407 management options were exercised at \$nil each. As at 30 June 2022, there were no management options remaining outstanding.

(c) Institutional placement

On 18 June 2021, Aeris issued 287,915,576 new ordinary fully paid shares to institutional and sophisticated investors at \$0.175 per share.

(d) Placement, Institutional Entitlement Offer, and Retail Entitlement Offer

The \$100 million Placement, Institutional Entitlement Offer and Retail Entitlement Offer, at a price of \$0.105 per share, consisted of:

- A Placement and Institutional Entitlement Offer which was completed on 2 May 2022 and raised \$74.0 million and resulted in the issue of 418,326,315 new shares under the Placement and 286,844,010 new shares under the Institutional Entitlement Offer; and
- A Retail Entitlement Offer which closed on 17 May 2022 and raised \$26.0 million with 247,416,930 new shares being issued.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the Company's current share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2021 Annual Report.

19. Issued capital (continued)

The consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt in the table below is calculated as total borrowings (including "borrowings" and "lease liabilities" as shown in the consolidated statement of financial position) less "cash and cash equivalents" as shown in the consolidated statement of financial position. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio at the reporting date was as follows:

	2022 \$'000	2021 \$'000
Current liabilities - borrowings (note 14)	41	2,115
Current liabilities - lease liabilities (note 15)	6,173	4,025
Non-current liabilities - borrowings (note 14)	317	25,277
Non-current liabilities - lease liabilities (note 15)	9,301	4,244
Total borrowings	15,832	35,661
Current assets - cash and cash equivalents (note 5)	(138,050)	(97,396)
Cash and cash equivalents, net of debt	(122,218)	(61,735)
Total equity	287,938	183,864
Total capital	165,720	122,129
Gearing ratio	(73.7%)	(50.5%)

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

20. Reserves

	2022 \$'000	2021 \$'000
Hedging reserve - cash flow hedges	(417)	(2,549)
Share-based payments reserve	5,259	4,349
Acquisition revaluation reserve	(9,281)	(9,281)
	(4,439)	(7,481)

Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Acquisition revaluation reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received are recognised in the acquisition revaluation reserve.

20. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Cash flow hedges \$'000	Share-based payments reserve \$'000	Acquisition revaluation reserve \$'000	Total \$'000
Balance at 1 July 2020	-	3,346	(9,443)	(6,097)
Disposal of subsidiary	-	-	162	162
Employee share based payments	-	1,003	-	1,003
Revaluation - gross	(3,641)	-	-	(3,641)
Deferred tax	1,092	-	-	1,092
Balance at 30 June 2021	(2,549)	4,349	(9,281)	(7,481)
Employee share based payments	-	910	-	910
Revaluation - gross	3,045	-	-	3,045
Deferred tax	(913)	-	-	(913)
Balance at 30 June 2022	(417)	5,259	(9,281)	(4,439)

21. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

The Company does not have any franking credits.

22. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to foreign currency risk, interest rate risk, price risk and credit risk. In order to minimise any adverse effects on the financial performance of the consolidated entity, derivative financial instruments, such as forward commodity contracts are used to hedge certain foreign currency and commodity price risk exposures. The consolidated entity also uses different methods to measure different types of risk to which it is exposed. The methods include sensitivity analysis in the case of interest rate, foreign exchange and ageing analysis for credit risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

(i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The majority of these exposures are generated by interest-bearing liabilities denominated in US dollars, commodity sales contracts which are typically denominated in US dollars, as well as associated receivables.

Generally, natural hedges, forward contracts and options are used to manage certain foreign exchange risk. In the 30 June 2022 and 30 June 2021 financial years, a portion of the consolidated entity's US dollar-denominated revenue from mining activities was cash flow hedged through unsecured Australian dollar-denominated copper hedges (refer to note 22(ii) for additional detail).

22. Financial instruments (continued)

Sensitivity

Based on the financial instruments held at 30 June 2022, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the consolidated entity's profit for the year would have been \$0.329 million higher (2021 profit: \$1.485 million lower) or \$0.269 million lower (2021 profit: \$1.215 million higher), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents, interest-bearing loans, receivables and payables denominated in foreign currencies. There would have been no impact on equity.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
US dollars	3,372	8,529	50	27,803

(ii) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the consolidated entity's commodity outputs.

During the financial years ended 30 June 2022 and 30 June 2021, a portion of the consolidated entity's revenue from mining activities was cash flow hedged through unsecured gold and copper hedges.

Gold hedging

In December 2021, Aeris undertook gold hedging for 21,000 oz (1,750 oz per month from November 2021 to October 2022), at A\$2,538.54/oz. During the year ended 30 June 2021 gold hedging was undertaken for 36,000 oz (3,000 oz per month from July 2020 to June 2021) at A\$2,536.25/oz.

Copper hedging

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

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

Aeris also entered into unsecured copper hedging arrangements with Macquarie Bank Limited on 13 July 2021. The hedges covered the period from August 2021 to June 2022 in scheduled monthly deliveries of 550 tonnes (6,050 tonnes in total). The hedges were through Zero net Premium Option Collars, 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.

During the year ended 30 June 2021, Aeris undertook the following copper hedges:

- 9,000 tonnes (1,500 tonnes per month from August 2020 to January 2021) at A\$9,096.80/t;
- 5,000 tonnes (833 tonnes per month from February 2021 to July 2021) at A\$9,228/t; and
- 4,000 tonnes (667 tonnes per month from February 2021 to July 2021) through a Zero Net Premium Option Collar, where Aeris buys put options and sells call options to form a collar structure with zero premium payable, with:
 - a strike price of the put options at A\$10,000/t; and
 - a strike price of the call options at A\$11,100/t.

(iii) Interest rate risk

Interest rate risk arises as a result of the re-pricing of investments, interest bearing receivables and borrowings and is affected by the length of the re-pricing period.

22. Financial instruments (continued)

The significance and management of the risks to the consolidated entity are dependent on a number of factors including:

- Interest rates (current and forward) and the currencies that the investments and borrowings are denominated in;
- Level of cash, liquid investments and borrowings;
- Maturity dates of investments and borrowings; and
- Proportion of investments and borrowings that are fixed rate or floating rate.

The risk is measured using market and cash flow forecasting.

Sensitivity

At 30 June 2022, if interest rates had changed by +/- 50 basis points from the weighted average year end rates with all other variables held constant, the consolidated entity's profit for the year would have been \$0.428 million higher/lower (2021: loss would have been \$0.289 million higher/lower), mainly as a result of higher/lower interest from loans, cash and cash equivalents and restricted cash.

The exposure of the consolidated entity's interest bearing liabilities at balance sheet date to interest rate changes at the contractual re-pricing dates are as follows:

	2022 \$'000	2021 \$'000
0 - 12 months	6,214	6,140
1 - 5 years	9,618	29,522
	<u>15,832</u>	<u>35,662</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade customers, including outstanding receivables and committed transactions.

(i) Risk management

Credit risk is managed on a consolidated basis. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity has policies in place to ensure that sales of products are made to customers with an appropriate credit history and where necessary is effectively eliminated or substantially reduced by using bank and insurance instruments to secure payment for materials supplied and sold. The consolidated entity has policies that limit the amount of credit exposure to any one financial institution.

(ii) Trade receivables

The consolidated entity applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Payments from the consolidated entity's two major customers are historically received within the contractual payment terms.

22. Financial instruments (continued)

The consolidated entity has trade receivables with embedded derivatives for provisional pricing. These receivables are generally held to collect but do not meet the 'solely payments of principal and interest' (SPPI) criteria and as a result must be held at fair value through profit or loss (FVTPL). Subsequent fair value gains or losses are taken to the consolidated statement of comprehensive income. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and sensitivity applied to the exposure on commodity price risk. The impact was considered very minimal and as a result there was no loss rate accounted for at 30 June 2022. Management will continue to monitor this position at each period end. There were also no credit losses provided for at 30 June 2022.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, liquid investments and committed credit facilities to meet the consolidated entity's commitments as they arise.

Liquidity risk management covers daily, short-term and long-term needs. The appropriate levels of liquidity are determined by both the nature of the consolidated entity's business and its risk profile.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the consolidated statement of financial position.

2022	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	56,709	-	-	56,709
Contingent consideration	4,975	17,041	-	22,016
<i>Interest-bearing - variable</i>				
Loans	56	222	146	424
<i>Interest-bearing - fixed rate</i>				
Lease liability	6,728	9,173	-	15,901
Total non-derivatives	<u>68,468</u>	<u>29,977</u>	<u>146</u>	<u>95,049</u>
Derivatives				
Commodity contracts - cash flow hedges	595	-	-	595
Total derivatives	<u>595</u>	<u>-</u>	<u>-</u>	<u>595</u>

22. Financial instruments (continued)

2021	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	68,949	-	-	68,949
Deferred consideration	15,000	-	-	15,000
Contingent consideration	-	21,309	5,618	26,927
<i>Interest-bearing - variable</i>				
Loans	56	222	198	476
<i>Interest-bearing - fixed rate</i>				
Loans	4,924	27,303	-	32,227
Lease liability	4,369	4,488	-	8,857
Total non-derivatives	93,298	53,322	5,816	152,436
Derivatives				
Commodity contracts - cash flow hedges	3,641	-	-	3,641
Total derivatives	3,641	-	-	3,641

Please refer to note 33 for additional information regarding events after the reporting period that impact the timing of cash flows disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

23. 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.

2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Australian listed equity securities	2,104	-	-	2,104
Total assets	2,104	-	-	2,104
Liabilities				
Hedging derivatives	-	596	-	596
Contingent consideration payable	-	-	22,016	22,016
Total liabilities	-	596	22,016	22,612

23. Fair value measurement (continued)

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 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.

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.

Level 3 assets and liabilities

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

	Contingent consideration \$'000
Balance at 1 July 2020	-
Additions - acquisition of Lion Mining Pty Ltd	(19,623)
Unwinding of discount recognised through net finance costs	(795)
Balance at 30 June 2021	(20,418)
Unwinding of discount recognised through net finance costs	(1,598)
Balance at 30 June 2022	(22,016)

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	7.0%	A change in the discount rate by 100 bps would increase/decrease the fair value by \$0.469 million.
	Expected revenues	\$550 - \$600 million	If expected revenues were 10% higher or lower, the fair value would increase/decrease by \$4.7 million.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

23. Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2022	2021
	\$	\$
Short-term employee benefits	3,353,225	3,316,323
Post-employment benefits	110,002	87,500
Long-term benefits	31,126	41,913
Share-based payments	529,032	630,303
	<u>4,023,385</u>	<u>4,076,039</u>

25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, and its network firms:

	2022 \$	2021 \$
<i>Audit services – PricewaterhouseCoopers</i>		
Audit or review of the financial statements	394,740	481,043
<i>Other services – PricewaterhouseCoopers</i>		
Tax advisory	327,909	214,013
Tax compliance	90,066	237,204
	417,975	451,217
Total remuneration of PricewaterhouseCoopers Australia	812,715	932,260
<i>Other services – network firms</i>		
Tax compliance	-	12,601

It is the consolidated entity's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the consolidated entity are important. These assignments are principally for taxation advice.

26. Contingent liabilities

Aeris provides environmental bonding in relation to its operations in Queensland and New South Wales. During the year ended 30 June 2022, Aeris transferred its cash back bank guarantees, to the ANZ CI facility, returning \$20.8 million in cash held against bank guarantees. As at 30 June 2022, Aeris has \$31.0 million in bank guarantees.

Please refer to note 33 for additional information regarding events after the report period that impact the above arrangements.

27. Commitments

	2022 \$'000	2021 \$'000
<i>Exploration and mining leases</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,662	18,744
One to five years	18,762	3,838
	24,424	22,582

The items disclosed in the table above represent the minimum lease expenditure requirements of the consolidated entity.

28. Related party transactions

Parent entity

Aeris Resources Limited is the parent entity.

28. Related party transactions (continued)

Subsidiaries

Interests in subsidiaries are set out in note 30.

Joint operations

Interests in joint operations are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

HopgoodGanim Lawyers (HG)

Mr Michele Muscillo, an independent Non-executive Director is a partner of HG. Invoices totalling \$1,532,185 (2021: \$893,718) were received from HG on normal commercial terms during the year.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2022 \$	2021 \$
Current payables:		
Trade payables - HopgoodGanim Lawyers	155,101	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2022 \$'000	2021 \$'000
Loss after income tax	(45,100)	(22,349)
Other comprehensive income for the year, net of tax	2,132	(2,387)
Total comprehensive income	(42,968)	(24,736)

29. Parent entity information (continued)

Statement of financial position

	Parent	
	2022 \$'000	2021 \$'000
Total current assets	114,260	63,423
Total non-current assets	126,571	132,919
Total assets	240,831	196,342
Total current liabilities	4,734	13,007
Total non-current liabilities	583	789
Total liabilities	5,317	13,796
Net assets	235,514	182,546
Equity		
Issued capital	604,910	509,888
Hedging reserve - cash flow hedges	(417)	(2,549)
Share-based payments reserve	5,259	4,349
Accumulated losses	(374,238)	(329,142)
Total equity	235,514	182,546

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has provided financial guarantees in respect of performance bonds for work commitments on mining and mineral exploration tenements, for the parent entity and its subsidiaries, secured by cash deposits amounting to \$nil (2021: \$39,000) with other cash backed financial guarantees of \$nil (2021: \$230,244), which together totalled \$nil (2021: \$269,244).

The parent has provided guarantees under the facility agreement with Australia and New Zealand Banking Group Limited (ANZ) that comprises of:

- a \$35 million Contingent Instrument Facility;
- a \$20 million Working Capital Facility; and
- unsecured hedging lines for gold (refer to note 16 for information regarding utilisation of this facility as at 30 June 2022).

The ANZ facilities have subsequently been renewed with the Contingent Instrument Facility increased to A\$45 million.

The parent entity and all its wholly-owned subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

29. Parent entity information (continued)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 37, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 37:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Straits Mining Pty Ltd	Australia	100%	100%
Girilambone Copper Company Pty Ltd ⁽¹⁾	Australia	-	100%
Tritton Resources Pty Ltd ⁽²⁾	Australia	100%	100%
Straits Exploration (Australia) Pty Ltd	Australia	100%	100%
Straits Mine Management Pty Ltd	Australia	100%	100%
Templar Resources Pty Ltd ⁽¹⁾	Australia	-	100%
Straits Mineral Investments Pty Ltd	Australia	100%	100%
Aeris Regional Holdings Pty Ltd	Australia	100%	100%
Lion Mining Pty Ltd	Australia	100%	100%
Aeris HoldCo Pty Ltd ⁽³⁾	Australia	100%	-

(1) Girilambone Copper Company Pty Ltd and Templar Resources Pty Ltd were de-registered on 7 July 2021.

(2) Straits Mining Pty Ltd and Aeris Resources Limited hold 25.68% and 74.32% respectively, of the ordinary share capital of Tritton Resources Pty Ltd.

(3) Aeris HoldCo Pty was established on 14 April 2022 and will purchase 100% of the interests in Round Oak Minerals Pty Ltd.

All subsidiaries have entered into a deed of cross guarantee with Aeris Resources Limited (refer note 32).

31. Interests in joint operations

The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. The consolidated entity has interests in the following joint operations:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Torrens joint venture located in South Australia	Australia	70%	70%
Canbelago joint venture located in NSW	Australia	30%	30%

32. Deed of cross guarantee

Aeris Resources Limited has entered into a Deed of Cross Guarantee (the Deed) with its wholly-owned subsidiaries as listed in note 30. The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 provides relief to parties to the Deed from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports and Directors' reports, subject to certain conditions as set out therein.

The consolidated statement of comprehensive income and consolidated statement of financial position are substantially the same as the consolidated entity and therefore have not been separately disclosed.

33. Events after the reporting period

Acquisition of Round Oak Minerals Pty Limited

On 1 July 2022, Aeris Resources Limited acquired 100% of the issued shares in Round Oak Minerals Pty Limited (Round Oak) from Washington H. Soul Pattinson Limited for a total consideration of \$234 million. Round Oak is the owner of a diverse portfolio of high-quality Australian copper and zinc assets. The addition of these assets to the existing Aeris portfolio will transform the Company into a diversified, mid-tier producer with significant high-grade ore reserve tonnes and further organic growth opportunities. The transaction was approved by Aeris shareholders at an Extraordinary General Meeting held on 24 June 2022.

The financial effects of this transaction have not been recognised at 30 June 2022. The operating results and assets and liabilities of the acquired company will be consolidated from 1 July 2022.

The purchase consideration for the acquisition includes the following components:

- cash payment on settlement of \$80 million; and
- the issue and allotment of fully paid ordinary shares in Aeris at a deemed issue price of \$0.105 per share to a total value of \$154 million, being 1,466,666,667 shares.

Acquisition-related costs of \$1.951 million have been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2022.

At the time the financial statements were authorised for issue, the consolidated entity had not yet completed the accounting for the acquisition of Round Oak. In particular, independent valuations of the fair value of the assets and liabilities acquired are still being finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Issue of shares under conditional placement

On 1 July 2022, the Company issued 162,781,913 fully paid ordinary shares in Aeris to an existing Institutional shareholder, Paradise Investment Management Pty Ltd (Paradise), at \$0.105 per share to raise \$17.1 million. The issue of the shares was subject to:

- the Company obtaining shareholder approval to issue the shares to Paradise; and
- completion of the acquisition of Round Oak Minerals Pty Limited (Round Oak).

The acquisition of Round Oak was approved by Aeris shareholders at an Extraordinary General Meeting held on 24 June 2022 and the acquisition was completed on 1 July 2022.

Consolidation of share capital

On 8 July 2022, the Company completed a share consolidation. Aeris shares were consolidated at the ratio of 7 fully paid ordinary shares into 1 fully paid ordinary share. Performance rights were also consolidated at the same ratio as the ordinary shares.

33. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2022 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.

34. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	2022 \$'000	2021 \$'000
Profit after income tax expense for the year	6,010	61,240
Adjustments for:		
Depreciation and amortisation	74,334	86,200
Impairment of exploration assets	4,349	-
Share-based payments	910	1,003
Net loss on disposal of non-current assets	-	2,250
Fair value losses on financial assets at fair value through profit or loss	1,439	444
Unrealised foreign exchange losses	898	(1,948)
Finance costs - non-cash	3,116	3,845
Change in operating assets and liabilities:		
Decrease in trade and other receivables	4,953	3,589
Decrease/(increase) in inventories	3,166	(7,988)
Increase in prepayments	(54)	(1,187)
Increase/(decrease) in trade and other payables	(5,786)	19,833
Decrease in employee benefits	(66)	-
Increase/(decrease) in other provisions	(269)	2,369
Net cash from operating activities	<u>93,000</u>	<u>169,650</u>

Changes in liabilities arising from financing activities

	Borrowings \$'000	Leases \$'000	Total \$'000
Balance at 1 July 2020	49,018	7,147	56,165
Net cash used in financing activities	(18,933)	(4,422)	(23,355)
Acquisition of plant and equipment by means of leases	-	5,544	5,544
Exchange differences	(4,821)	-	(4,821)
Other changes	2,128	-	2,128
Balance at 30 June 2021	27,392	8,269	35,661
Net cash used in financing activities	(27,611)	(6,510)	(34,121)
Acquisition of plant and equipment by means of leases	-	13,715	13,715
Exchange differences	577	-	577
Balance at 30 June 2022	<u>358</u>	<u>15,474</u>	<u>15,832</u>

35. Earnings per share

	2022 \$'000	2021 \$'000
Profit after income tax attributable to the owners of Aeris Resources Limited	6,010	61,240
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	338,631,120	272,866,890
Adjustments for calculation of diluted earnings per share:		
Options and rights over ordinary shares	7,780,845	12,331,764
Weighted average number of ordinary shares used in calculating diluted earnings per share	346,411,965	285,198,654
	Cents	Cents
Basic earnings per share	1.8	22.4
Diluted earnings per share	1.7	21.5

Share consolidation after the reporting period and impact on weighted average number of shares

On 8 July 2022, the Company completed a share consolidation at the ratio of 7 fully paid ordinary shares into 1 fully paid ordinary share (refer note 33). The weighted average number of ordinary shares for 30 June 2022 and 30 June 2021 have been adjusted for the effect of the share consolidation, in accordance with AASB 133 *Earnings per share*.

Performance rights

The outstanding performance rights (exercisable at \$nil each with an expiry date of 30 June 2023) have been included in the calculation of diluted earnings per share for the years ended 30 June 2022 and 30 June 2021.

Management options

The weighted average of outstanding unlisted management options have been included in the calculation of diluted earnings per share for the year ended 30 June 2021. There were no outstanding unlisted management options at 30 June 2022.

Share transactions after the reporting period

On 1 July 2022, the Company issued 1,466,666,667 fully paid ordinary shares in Aeris to acquire Round Oak Minerals Pty Limited, and 162,781,913 fully paid ordinary shares in Aeris to an existing Institutional shareholder, Paradise Investment Management Pty Ltd (refer note 33). These share issues would have changed significantly the number of ordinary shares outstanding at 30 June 2022 if these transactions had occurred before the end of the reporting period. The issue of these shares has not been retrospectively adjusted in the calculation of earnings per share.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Aeris Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

36. Share-based payments

Aeris Equity Incentive Plan

The Equity Incentive Plan is designed to provide an incentive to the Company's employees and executive Directors to achieve the long term objectives of the Company and to attract employees of experience and ability. The Equity Incentive Plan provides the Company with the ability to grant options or performance rights (each an Award). An Award is an entitlement to receive a share upon satisfaction of the applicable vesting or exercise conditions, the exercise (or deemed exercise) of the Award and the payment of an exercise price (if applicable).

At the Company's Annual General Meeting held on 26 November 2020, the shareholders approved the Company's Equity Incentive Plan. 35,777,281 and 17,462,443 performance rights were granted to employees of Aeris Resources Limited, Lion Mining Pty Ltd and Tritton Resources Pty Ltd under this plan on 26 November 2020 and 25 November 2021 respectively.

The performance rights are split into 4 equal tranches and vest over a three-year term in accordance with the following performance criteria:

Tranche	Percentage of rights	Grant date	Performance criteria
1	25%	26/11/2020	Total shareholder return performance relative to a group of peer companies for the period 1 July 2020 to 30 June 2023.
		25/11/2021	Total shareholder return performance relative to a group of peer companies for the period 1 July 2021 to 30 June 2024.
2	25%	26/11/2020	Total share price increase for the period 1 July 2020 to 30 June 2023.
		25/11/2021	Total share price increase for the period 1 July 2021 to 30 June 2024.
3	25%	26/11/2020	Gold Ounces Reserve increase for the period 1 July 2020 to 30 June 2023.
		25/11/2021	Gold Ounces Reserve increase for the period 1 July 2021 to 30 June 2024.
4	25%	26/11/2020	Copper Ounces Reserve increase for the period 1 July 2020 to 30 June 2023.
		25/11/2021	Copper Ounces Reserve increase for the period 1 July 2021 to 30 June 2024.

Set out below are summaries of performance rights granted under the Aeris Equity Incentive Plan:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
26/11/2020	30/06/2023	\$0.000	35,777,281	-	-	(2,619,889)	33,157,392
25/11/2021	30/06/2024	\$0.000	-	17,462,443	-	(1,837,342)	15,625,101
			35,777,281	17,462,443	-	(4,457,231)	48,782,493

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.30 (2021: 1.97) years.

Subsequent to 30 June 2022, the performance rights were consolidated at the ratio of 7 performance rights into 1 performance right (refer note 33).

36. Share-based payments (continued)

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/11/2020	30/06/2023	\$0.000	-	35,777,281	-	-	35,777,281
			-	35,777,281	-	-	35,777,281

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/11/2021	30/06/2024	\$0.1632	\$0.00	90.922%	-	0.950%	\$0.14

Each Right consists of 4 Tranches (Tranche 1: TSR, 2: Share price, 3: Gold ore reserve and 4: Copper ore reserve). Tranche 1 and 2 were fair valued at \$0.12 per share and Tranche 3 and 4 at \$0.16 per share.

Management options

Management options (Options) were approved by shareholders at an EGM held on 15 December 2015 with a completion date of 31 December 2015. The options were issued to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

The Options were granted for no consideration and carry no dividend or voting rights.

When exercisable, each Option is convertible into one ordinary share issued within 10 business days after the Company receives an exercise notice. The options have a \$nil exercise price.

The Options may only be exercised so as to not result in that holder having a voting power in the Company in excess of 19.99%. If a holder is unable to exercise their remaining vested Options the Company must use its best and all reasonable endeavours to obtain any approval or consent to allow such exercise.

Upon exercise the shares will be subject to a period of voluntary escrow, with the shares being released from escrow in progressive tranches from the third anniversary of the restructure date (31 December 2015).

Options that have not been exercised will expire 6 years after issue date (31 December 2021), or termination date whichever is earlier. To the extent the Options have not previously vested, they will be deemed immediately vested upon a Change of Control Event.

The number of options granted on 15 December 2015 totalled 93,410,609 at a \$nil exercise price. As at 30 June 2021 all options had vested.

The assessed fair value at grant date in circumstances where there is a \$nil exercise price, the value per Option on a fully marketable basis is equal to the value of the underlying share price less dividend (\$0.04).

The shares are however subject to various escrow periods and as such a discount for lack of marketability to the Options was applied to take into consideration the escrow period. A discount for lack of marketability was applied as below:

- 25 % for Tranche 1 (\$0.03)
- 20% for Tranche 2 (\$0.032)
- 15% for Tranche 3 (\$0.034)
- 10% for Tranche 4 (\$0.036)
- 0% for Tranche 5 (\$0.04)

36. Share-based payments (continued)

Set out below are summaries of options granted:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/12/2015	31/12/2021	\$0.000	47,228,407	-	(47,228,407)	-	-
			<u>47,228,407</u>	<u>-</u>	<u>(47,228,407)</u>	<u>-</u>	<u>-</u>

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/12/2015	31/12/2021	\$0.000	93,410,609	-	(46,182,202)	-	47,228,407
			<u>93,410,609</u>	<u>-</u>	<u>(46,182,202)</u>	<u>-</u>	<u>47,228,407</u>

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2022 was \$0.178 (2021: \$0.087).

The weighted average remaining contractual life of options outstanding at 30 June 2021 was 0.5 years. There were no outstanding options at 30 June 2022.

Employee Share Acquisition Plan (ESAP)

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by the Board on 23 May 2011 and the ASIC exemption relief was published in the ASIC Gazette A045/11 on 7 June 2011.

The ESAP operates by allowing participants to obtain shares in the Company at market price, which are funded by a limited recourse interest free loan provided by the Company. The shares are held in trust with vesting of the shares subject to service conditions. If vesting conditions are satisfied, the shares continue to be held in trust subject to a holding lock until the underlying loan is repaid in full. The trust is currently dormant and there are no shares issued or allocated under the ESAP Plan.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2022 \$'000	2021 \$'000
Employee performance rights issued under the Aeris Equity Incentive Plan	910	704
Management options	-	299
	<u>910</u>	<u>1,003</u>

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

36. Share-based payments (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

37. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, 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 year.

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

37. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 38.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Resources Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Aeris Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

37. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the consolidated entity documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The consolidated entity documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 16. Movements in the hedging reserve in shareholders' equity are shown in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity are immediately reclassified to profit or loss.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

37. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

37. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

38. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Mineral Resources and Ore Reserve estimates

In order to calculate Mineral Resources and Ore Reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of the Mineral Resources and Ore Reserves requires the size, shape and depth of mineral and ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The consolidated entity is required to determine and report Mineral Resources and Ore Reserves in Australia under the principles incorporated in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate Mineral Resources and Ore Reserves.

As the economic assumptions used to estimate Mineral Resources and Ore Reserves change from year to year, and as additional geological data is generated during the course of operations, estimates of Mineral Resources and Ore Reserves may change from year to year. Changes in reported Mineral Resources and Ore Reserves may affect the consolidated entity's financial results and financial position in a number of ways, including the following:

- Recognition of deferred tax on mineral rights and exploration recognised on acquisitions;
- Recoverable amount of deferred mining expenditure and capitalisation of development costs; and
- Units of production method of depreciation and amortisation.

38. Critical accounting judgements, estimates and assumptions (continued)

Estimation for the provision for rehabilitation and dismantling

Provision for rehabilitation and dismantling of property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration time value. This requires the use of estimates and judgements in relation to a range of inputs including:

- Mineral Resources and Ore Reserves, and mine planning scheduling;
- Production costs; and
- Discount rates.

Impairment of non-financial assets

The consolidated entity considers annually whether there have been any indicators of impairment and then tests whether or not non-current assets have suffered an impairment, in accordance with the accounting policy stated in note 37.

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

- Commodity prices;
- Exchange rates;
- Mineral Resources and Ore Reserves, and mine planning scheduling;
- Production costs; and
- Discount rates.

Refer to note 11 for additional detail regarding the estimates and judgements applied to impairment testing carried out during the year ended 30 June 2022.

Recoverability of deferred tax assets

In determining the recoverability of deferred tax assets, management prepare and review an analysis of estimated future results which support the future realisation of the deferred tax assets. The estimated future results are derived from estimates also used for impairment assessments referred to in the notes to the consolidated financial statements. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the consolidated entity to realise recognised deferred tax assets would be impacted.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 37 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Andre Labuschagne
Executive Chairman

25 August 2022
Brisbane



Independent auditor's report

To the members of Aeris Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aeris Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$1.9 million, which represents approximately 5% of the Group's average profit before tax of the past 2 years adjusted for impairment charge and transaction costs. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose average Group profit before tax of the past 2 years adjusted for impairment charge and transaction cost because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group has exploration and production assets at the Tritton mine in New South Wales and the Cracow mine in Queensland. The accounting processes are structured around the head office finance function at the Group's corporate office in Brisbane. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Carrying value of mine properties Carrying value of exploration and evaluation assets These are further described in the <i>Key audit matters</i> section of our report.



Due to fluctuations in profit, impairment charges and transaction costs from business combinations, we chose a two year average adjusted for these items.

- We utilised the threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of mining assets <i>(Refer to note 10 and note 11)</i></p> <p>As at 30 June 2022, the Group recognised \$88.1m of Property, Plant and Equipment and \$119.6m of Mine Properties on the consolidated statement of financial position (together the mining assets).</p> <p>As required by Australian Accounting Standards, the Group performed an impairment indicator assessment for Tritton and Cracow Cash Generating Units (CGU's) as at 30 June 2022 and concluded that there were no impairment indicators.</p> <p>The carrying value of mining assets was a key audit matter due to its financial significance at year end, and because significant judgement is required by the Group when assessing the information that might be an indicator of impairment per Australian Accounting Standards.</p>	<p>We considered the Group's impairment indicator assessment and conclusion for the mining assets that no impairment indicators existed at balance sheet date.</p> <p>In respect of the impairment indicator assessment, we performed the following procedures, amongst others:</p> <ul style="list-style-type: none">• Evaluated the Group's indicator of impairment assessment of its Tritton and Cracow CGUs as at 30 June 2022 by comparing the key considerations included in the Group's assessment to the requirements of Australian Accounting Standards.• Evaluated the Group's consideration of the relevant internal and external factors which might be an indicator of impairment, in light of Australian Accounting Standards.• Developed an understanding of the key impacts of the latest life of mine plan significant assumptions and assessed the competence and objectivity of the Group's internal technical experts in preparing this plan.• Evaluated the reasonableness of the relevant disclosures in accordance with the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 481 793 568">Carrying value of exploration and evaluation assets <i>(Refer to note 12)</i></p> <p data-bbox="277 600 780 658">The Group's exploration and evaluation assets amount to \$51.5m at 30 June 2022.</p> <p data-bbox="277 689 842 898">As required by Australian Accounting Standards, the Group performed an impairment indicator assessment of its exploration and evaluation tenements assets based on areas of interest at 30 June 2022 and determined that there were no impairment indicators apart from the Torrens area of interest.</p> <p data-bbox="277 929 799 987">The carrying value of exploration and evaluation assets was a key audit matter due to:</p> <ul data-bbox="328 1010 836 1160" style="list-style-type: none">• the financial significance of the exploration and evaluation assets.• the financial significance of the impairment charge recognised in the current year in relation to Torrens area of interest.	<p data-bbox="884 481 1449 629">To evaluate the Group's assessment of the carrying value of the exploration and evaluation assets, we evaluated the Group's impairment indicator assessment by performing the following procedures, amongst others:</p> <ul data-bbox="884 660 1471 1133" style="list-style-type: none">• Held discussions with key operational and finance staff to develop an understanding of the current status and future exploration intentions for each area of interest, inspecting the budgets for each area of interest to assess future expenditure.• Identified where the Group's right to explore is at expiry through reference to the tenements' lease expiry dates as per the appropriate state government database. We inspected copies of applications for renewal of the leases submitted to the relevant authorities.• Evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures for exploration and evaluation assets. <p data-bbox="884 1160 1471 1247">To evaluate the impairment charge recognised in the current year, we performed the following procedures, amongst others:</p> <ul data-bbox="884 1279 1471 1630" style="list-style-type: none">• Compared the valuation of the impaired asset per the Group's expert report to its carrying value in the financial reports. Obtained the independent valuation report from the Group's expert that relates to the impaired asset and considered the valuation of the relevant asset and compared it to its carrying value.• Considered the competency, qualifications, experience and objectivity of the expert.• Evaluated the reasonableness of the disclosures made in note 12, in light of the requirements of Australian Accounting Standards.



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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Corporate Directory and Director's report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:



https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 26 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Aeris Resources Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'MG', with a long horizontal flourish extending to the right.

Marcus Goddard
Partner

Brisbane
25 August 2022

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