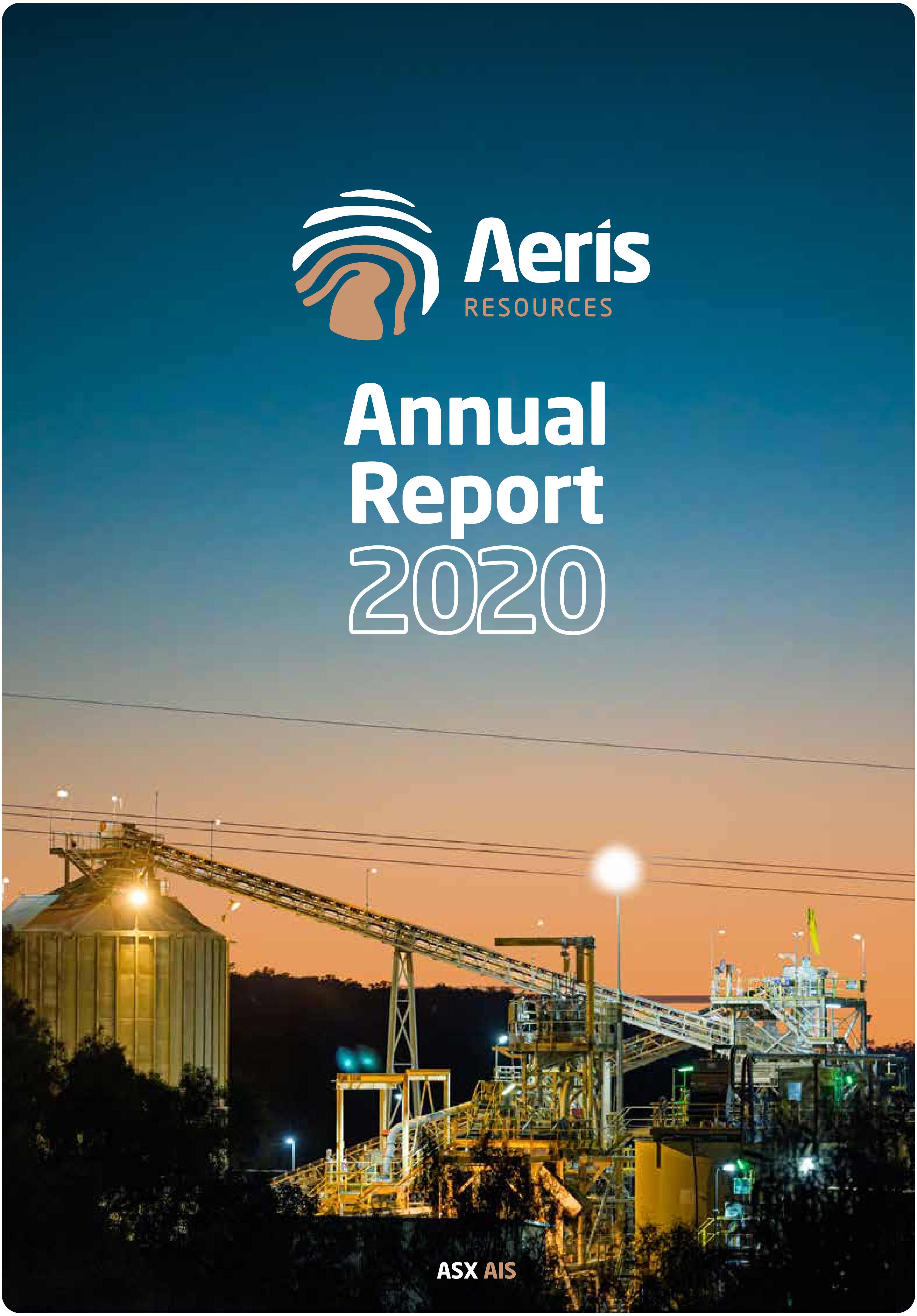
Aeris
RESOURCES

Annual Report 2020



ASX AIS

Contents

We are Aeris Resources

Aeris Resources is a diversified mining and exploration company listed on the Australian Securities Exchange (ASX: AIS) and headquartered in Brisbane, Queensland.

Aeris Resources (Aeris or the Company) has two operational assets, the Tritton Copper Operations (Tritton) in New South Wales and the Cracow Gold Operations (Cracow) in Queensland. The acquisition of Cracow was completed on 1 July 2020.

Tritton produced 25,041 tonnes of copper in FY2020, about 2% above the upper limit of FY2020 guidance of 23,500 and 24,500 tonnes and is targeting production of between 23,500 and 24,500 tonnes in FY2021.

Tritton includes multiple underground mines (Tritton and Murrawombie) and a 1.8 million tonne per annum processing plant. Tritton also has a pipeline of advanced mining projects and a highly prospective tenement package covering 2,160 kilometres^2, on which to date over 750,000 tonnes of copper has been discovered.

On 1 July 2020, Aeris completed the acquisition of the Cracow Gold Operations in Queensland. Cracow is a high-grade, low cost gold mine that has been operating continuously since 2004. Production guidance for FY2021 is between 70,000 and 75,000 ounces of gold.

Cracow consists of multiple ore bodies that are accessed by a single decline to the surface. Current activities extend to a depth of 860 metres below surface. Cracow also has a pipeline of highly prospective near-mine brownfield and greenfield exploration targets on its tenement package.

Aeris holds 70% of the promising Torrens Copper/Gold Exploration Project (Torrens) in South Australia. Torrens is defined by a coincident magnetic and gravity anomalous zone with a footprint larger than Olympic Dam. The Company also owns 100% of the Yandan (Gold) exploration project in the Drummond Basin in Queensland.

The Board and executive team have a strategy to grow Aeris into a mid-sized, multi-mine company. The Company's growth strategy includes:

- Continued brownfield and greenfields exploration within the highly prospective Tritton and Cracow tenement packages;
- Seeking opportunities to add value for shareholders through mergers and acquisitions, with a focus on base metals and gold; and
- Reviewing opportunities to progress the Torrens and Yandan exploration projects.

FY2020 Highlights

Producing

25,041t of copper at Tritton Copper Operations

@ C1 Cash cost $2.86/lb copper

Exploring

High-grade intersections at Murrawombie deposit

Discovery of Anomaly K on the Tritton tenement package

Growing

On 1 July 2020 Aeris completed the transformational acquisition of the Cracow Gold Operations (Cracow) in Queensland.

Acquisition

- Cracow is located approximately 500 kilometres north west of Brisbane, nearby to the communities of Cracow and Theodore.
- The mine sits in a highly endowed goldfield and has a strong record of ore reserve and mineral resource replacement.
- Total Mineral Resource at 30 June 2020 was 2.3 million tonnes at 4.0 grams per tonne gold (300,000 ounces of contained gold) with Ore Reserve of 0.55 million tonnes at 5.1 grams per tonne gold (89,000 ounces of contained gold).

Tritton Copper Operations

- Copper production for FY2020 was 25,041t copper at a C1 cash cost of $2.86/lb, exceeding original guidance of 24,500 tonnes (at a C1 cash cost between $2.80/lb and $2.95/lb); and
- Secured fresh water supply to Tritton by completing a spur pipeline from the Nyngan–Cobar water pipeline to the Tritton processing plant. In addition, as at the end of August 2020, the water level in the Burrendong Dam, Tritton's main source of fresh water was greater then 42%.

Tritton Exploration

- Completion of ground based electromagnetic (MLTEM) surveying over a priority airborne EM anomaly identified within the northern half of the tenement package. Anomaly K was confirmed as a bedrock conductor with further exploration activities on Anomaly K, including drilling, planned in FY2021;
- Additional mineralised lodes were identified at Murrawombie, peripheral to the main mineralised bodies and further into the Hanging Wall (HW). The drilling data has resulted in the delineation of three new mineralised bodies;
- Completion of a three-hole drilling campaign within the Murrawombie to Avoca Tank prospective corridor, identifying downplunge mineralised extensions at the Caribou Prospect; and
- At Tritton, a new exploration licence (EL) EL8987 was granted. EL8987 covers a potential extension of the Anomaly K off the current Tritton tenements.

Successful equity raising

- The Company completed a $40 million equity raising consisting of a $7.3 million Institutional Placement and a $32.7 million 2.02 for 1 pro-rata, accelerated, renounceable entitlement offer. The funds from the equity raise were primarily used for the acquisition of the Cracow Gold Operations.

Letter from the Executive Chairman

Dear shareholder,

The 2020 financial year truly has been one of the most transformative for Aeris Resources. Some of these notable events include:

1. The drought in NSW and subsequent water issues felt by many, and managed well at our Tritton Copper Operations in NSW;
2. The devastating bush fires at the start of FY2020;
3. COVID-19 – perhaps the most far-reaching event of the past year, but one which I'm proud to say the company managed well and with very little impact; and
4. The Company's transformational acquisition of the Cracow Gold Operations in July 2020.

Our Tritton Copper Operations in NSW were not impacted by the bushfires but some of our employees with properties in the region were affected. Fortunately, our employees remained safe, and we are very proud to say that a number of our staff participated in volunteer fire brigades and provided emergency response support to the region. There was widespread devastation however, and Aeris has continued to provide support to employees and local communities recovering from this natural disaster.

While the bushfires raged, and as a result of the drought, we were concerned about the availability of water to continue safe and consistent operations at Tritton. The Burrendong dam, which is Tritton's main source of fresh water was below 2% capacity at 30 December 2019 and, with water security at critical levels, we saw it fit to construct a water pipeline and pumping facility, drawing from the Nyngan-Cobar pipeline across to our Tritton Copper Operations (approximately 20 kilometres). This pipeline provided the high security water we needed to continue operating at Tritton. With the assistance from state and local governments, the pipeline was installed by the Tritton team in record time and started pumping water in January 2020. Since the beginning of 2020, consistent rain events in the Macquarie River catchment has resulted in capacity at Burrendong Dam increasing to approximately 42% by the end of August.

COVID-19 has thrust us all into unprecedented circumstances. Globally, we have seen some communities come together, while others fracture and split under the stress of the virus and the corresponding pressure to the economy. Early in March 2020, we began planning how we would continue to operate under a lockdown situation, should that be implemented. Our workforce at Tritton is largely local, so we did not have to plan for the added complications that those with a predominantly fly-in, fly-out workforce had to consider. We continued operating uninterrupted through the COVID-19 isolation and lockdown periods and did not record any cases onsite. We followed Government guidelines and installed all requisite additional sanitation aids to keep our people safe. We continue to operate under these guidelines and support the NSW and Federal Governments' push to get the virus under control. We were able to continue operating, meeting targets and did not have to entertain reducing our workforce or their hours.

Last year we told you that Aeris' strategy was to look for growth both organically and through acquisitions. This year, I am proud to say we have absolutely delivered on both of these strategic objectives. At an operational level, we exceeded our production guidance for the Tritton Copper Operations while dealing with interruptions from water and fire and also COVID-19. We also have had significant exploration success at Tritton in FY2020 through the extension of mineralisation at the Murrawombie mine, and the detection of a bedrock conductor (Anomaly K) from the MLTEM survey.

Our successful acquisition of the Cracow Gold Operations also fulfilled one of our strategic objectives for growth. We said last year that we were looking for either copper or gold operations that fit the company well, and Cracow is a very good fit for Aeris. It has always been a very well managed operation and with a significantly upsized exploration budget of some $13 million over the next two years, we will focus on extending the mine's life through brownfield and greenfield exploration.

We have added 250 employees at Cracow to our Aeris team. We are delighted to have them on board and are excited to see how their input and expertise will realise the growth opportunities present at Cracow and Tritton.

We are also pleased to have the opportunity to use our operational expertise across the two assets making us stronger and our operations more efficient.

I'd like to take this opportunity to thank our existing shareholders for their continued support through our acquisition and capital raising. I'd also like to welcome new shareholders to our register. I look forward to seeing as many of you in person as possible, once the COVID-19 situation is under control and we are able to travel freely again.

Over the next year, all shareholders will be updated on our operational performances, our strategy and our plans for continued growth to deliver shareholder value. As always, I welcome your contact and feedback, so please don't hesitate to get in touch.

Thank you for your support.

Andre Labuschagne,
Executive Chairman

Review of Operations

Financial Results

The Group recorded a loss after tax for the financial reporting year to 30 June 2020 of $38.351 million, compared with a loss after tax for the year ended 30 June 2019 of $12.673 million.

The June 2020 financial result for the Group was impacted by a number of key factors, including:

- Revenue from contracts with customers was $227.313 million, compared to $232.338 million for the prior corresponding period. This decrease was driven by lower copper production of 25,041 tonnes compared to 26,852 tonnes in the prior corresponding period, partially offset by higher Australian dollar copper prices achieved (A$8,300/t), compared to the prior corresponding period (A$8,015/t);
- Cost of goods sold of $217.303 million decreased from the prior year (2019: $218.525 million) due to the volume impact of lower tonnes mined, processed and shipped, and lower treatment and refining costs;
- Foreign exchange impacts, mainly on foreign exchange movements on interest bearing liabilities and USD denominated receivables resulted in a loss of $3.027 million for the year ended 30 June 2020 (a loss of $2.820 million for the year ended 30 June 2019). The AUD/USD exchange rate at 30 June 2020 was $0.6848 compared to $0.7020 at 30 June 2019;
- Transaction costs of $3.126 million were recognised for the year ended 30 June 2020 in relation to the acquisition of the Cracow gold mine;
- A loss of $1.2 million was recognised for the year ended 30 June 2020 (30 June 2019: $nil) in relation to a movement in the fair value of the investment in Australian listed equity held at fair value through the profit or loss; and
- An impairment loss of $23.127 million was recognised during the year ended 30 June 2020. This impairment loss was recognised in respect of the Tritton Copper Operations using a fair value less costs to dispose methodology.

Financial results	30 June 2020 ($M)	30 June 2019 ($M)
Revenue from contracts with customers	227.3	232.3
Gross Profit	10.0	13.8
Loss before income tax	(38.0)	(8.3)
Loss for the year	(38.4)	(12.7)

Financial Position

At 30 June 2020, the Group had a positive net asset position of $73.649 million (30 June 2019: $76.890 million).

The June 2020 net asset position for the Group was impacted by a number of key factors, including:

- As noted above, an impairment loss of $23.127 million was recognised during the year ended 30 June 2020. This impairment loss was recognised in respect of the Tritton Copper Operations using a fair value less costs to dispose methodology. The impairment loss was applied to the mine properties in use asset.
- In connection with the acquisition of Cracow, the Group conducted a $40.016 million entitlement offer and placement. $33.752 million in proceeds, net of transaction costs, were received from this entitlement offer and placement prior to 30 June 2020. Additional information regarding this equity transaction is outlined below.
- On 27 December 2019, Aeris announced that it had reached agreement with its financier and major shareholder, Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG) to extend the maturity dates for its Tranche A and Tranche B debt facilities to 1 July 2021 (previously 14 March 2020).

The Company's net cash inflow from operating activities during the financial year was $30.238 million, with net cash outflows from investing activities of $25.885 million and net cash inflows from financing activities of $27.555 million.

Costs

For FY2020 at Tritton Copper Operations, the C1 cash cost and All-in-Sustaining Costs (ASIC) averaged $2.86/lb and $3.49/lb respectively.

Significant Events After The Balance Date

Acquisition of Lion Mining Pty Ltd (Cracow Gold Mine)

On 1 July 2020, Aeris Resources Limited, through its wholly owned subsidiary Aeris Regional Holdings Pty Ltd, acquired 100% of the issued shares in Lion Mining Pty Ltd, owner and operator of the Cracow Gold Operations (Cracow). Cracow is an established, high grade, low cost gold mine located 500 kilometres north-west of Brisbane in Queensland, Australia.

The financial effects of this transaction have not been recognised at 30 June 2020. The operating results and assets and liabilities of the acquired Company will be consolidated from 1 July 2020.

The purchase consideration for the acquisition includes the following components:

- Cash payment on settlement of $60 million;
- Deferred cash payment payable on 30 June 2022 of $15 million; and
- A contingent consideration arrangement that requires the Group to pay the former owners of Lion Mining Pty Ltd a 10% net value royalty from 1 July 2022 to 30 June 2027, up to a maximum undiscounted amount of $50 million.

Acquisition-related costs of $3.126 million have been recognised in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2020.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Lion Mining Pty Ltd. 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.

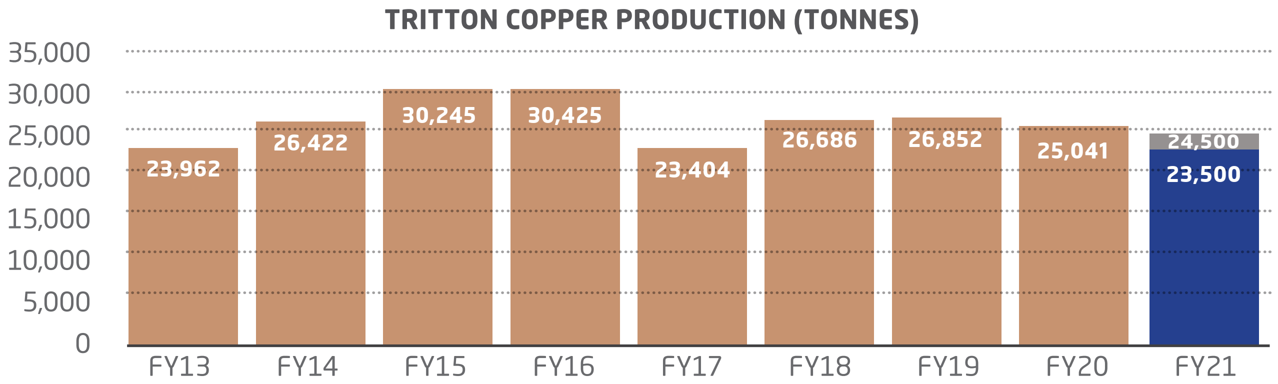
Amendment and extension of debt facility

Effective 1 July 2020, the terms of the Group's Senior Loan Note Subscription Agreement with Special Portfolio Opportunity V Limited (SPOV) were amended, resulting in the following changes:

- Extension of the maturity dates for its Tranche A (Working Capital Facility) and Tranche B (Term Loan) debt facilities to 1 July 2023 (previously 1 July 2021);
- Quarterly loan amortisation payments of US$2.5 million on Tranche B, commencing 1 July 2021;
- Quarterly loan amortisation payments of US$2.5 million on Tranche A, to commence after the repayment of Tranche B;
- Establishment of the Tranche C Acquisition Bridging Facility for $30 million, to facilitate the acquisition of Cracow, with a maturity date of 1 July 2021 and quarterly loan amortisation payments of $7.5 million; and
- Establishment of a $15 million Contingent Instrument facility to be used for the replacement of financial assurances relating to Cracow.

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. Fortunately, the impact of COVID-19 on Aeris' operations has been modest in comparison to businesses in industries that have been more directly impacted. In response to the pandemic, the Group moved swiftly to implement a COVID-19 Management Plan, which it continues to review, update and communicate as additional information becomes available. Current measures undertaken by the Group include limiting access to operational sites to essential personnel only, limiting employee travel, adjusting work arrangements for site and corporate teams, and increased communication to our workforce and partners.



FY2021 Outlook

Tritton Copper Operations:

The copper production guidance at Tritton Copper Operations for the year ending 30 June 2021 is between 23,500 tonnes and 24,500 tonnes at a C1 cash cost of between A$2.80/lb and A$2.95/lb.

Cracow Gold Operations:

Gold production guidance for the year ending 30 June 2021 at Cracow Gold Operations is between 70,000 and 75,000 ounces at a C1 Cash Cost of A$980/oz.

Tritton Copper Operations

	Units	FY20	FY19	FY18	FY17
Mined	Tonnes	1,610,504	1,673,066	1,615,855	1,457,406
Grade	Cu (%)	1.63%	1.67%	1.76%	1.66%
Ore milled	Tonnes	1,640,680	1,669,274	1,592,165	1,467,244
Grade milled	Cu (%)	1.63%	1.69%	1.75%	1.67%
Recovery	Cu (%)	93.49%	94.73%	95.23%	94.84%
Copper concentrate produced	DMT	121,398	118,576	118,366	99,567
Copper concentrate grade	Cu (%)	20.60%	22.60%	22.45%	23.35%
Contained copper in concentrate	Tonnes	25,004	26,795	26,576	23,253
Copper cement produced	Tonnes	37	57	110	151
Total copper produced	**Tonnes**	**25,041**	**26,852**	**26,686**	**23,404**

During FY2020 the Group's primary asset, the Tritton Copper Operations, produced 25,041 tonnes of copper, exceeding the guidance of between 23,500 and 24,500 tonnes.

Copper ore was sourced from the Tritton underground mine and the Murrawombie underground mine and combined ore was treated through the Tritton processing plant. Ore from the Murrawombie mine is hauled 25 kilometres by road train to the ore processing plant, while Tritton ore is tipped directly on to the run off mine ore pad by mining trucks.

Tritton was impacted by drought conditions in central NSW that lasted into early 2020. Water NSW ceased supply of water to Gunningbar Creek, the draw point to Tritton to access water from the Macquarie River system, in November 2019. Supply of fresh water to Tritton is from Burrendong Dam through the Macquarie River system. From mid-November 2019, Tritton commenced utilising water stored on-site whilst a new water pipeline between the Tritton processing plant and the Nyngan-Cobar pipeline was completed. The new pipeline was completed in mid-January 2020 with the first water being delivered to the Tritton processing plant in late January 2020. The pipeline ensured that the remaining water allocation for the financial year could be delivered.

A series of rain events from early February significantly improved the water supply conditions in the Macquarie River valley catchment with Burrendong Dam currently at greater than 42% of capacity (up from 1.5% capacity as at end of December 2019). Tritton's current water supply sources (allocations and stored water) secures the operational water requirements for the financial year ending 30 June 2021.

Tritton Underground Mine (Tritton)

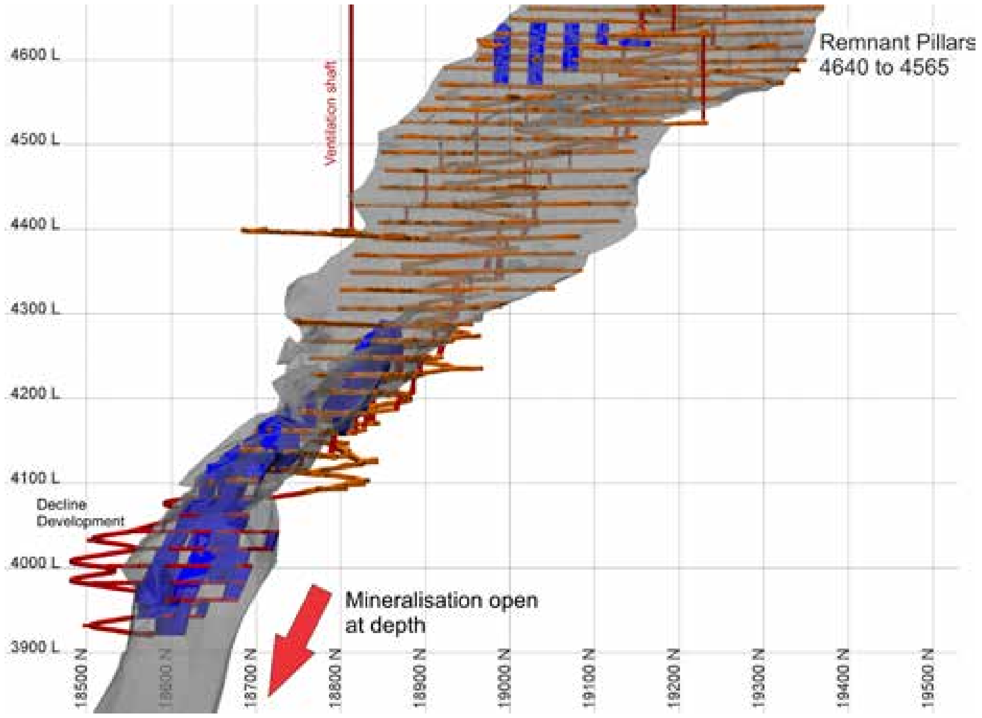
FY2020 was another year of steady production performance with Ore production of 1.1 million tonnes of copper at Tritton in-line with guidance.

The stope extraction is now focussed at the lower 200 metres of the mine from 4100mRL to 4300mRL. The checker board stope extraction sequence has performed well. The sequence was orientated to manage ground stress and the resultant rock movement that can slow drilling and blasting activities. Very few of these problems have been experienced since the stopes were re-orientated. Attention to schedule compliance and rapid paste backfilling is important to achieving the production plan since there are only two active stoping fronts in the retreating extraction sequence. There were some problems, including a blockage of the paste fill reticulation, but the mine team were successful in achieving the plan.

Mine development at depth below 4100mRL was suspended for the year. This was to allow time for resource drilling and modelling and to manage capital expenditure while water supply was uncertain and the copper price was low.

Mine design options for the extraction of mineralisation below the 4100mRL are being considered. A narrow barren zone associated with sericite rock in a fault structure has been identified and modelled at about the 4100mRL level. This structure will change the stope and mine infrastructure designs. Only preliminary stope designs have been completed pending a broader mining option review.

Mining of an exploration decline to access the Budgerygar deposit commenced late in the financial year. The Budgerygar deposit is located 600 metres to the north east of the Tritton mine. The access drive is being mined from the Tritton decline at 270 metres below the surface using the same services and ventilation as the Tritton mine. Once the access drive has been established a drilling program will be undertaken. A full feasibility study will be undertaken in 2021 to establish Budgerygar as a satellite producer within the Tritton copper operations complex.



Tritton Mine long section view

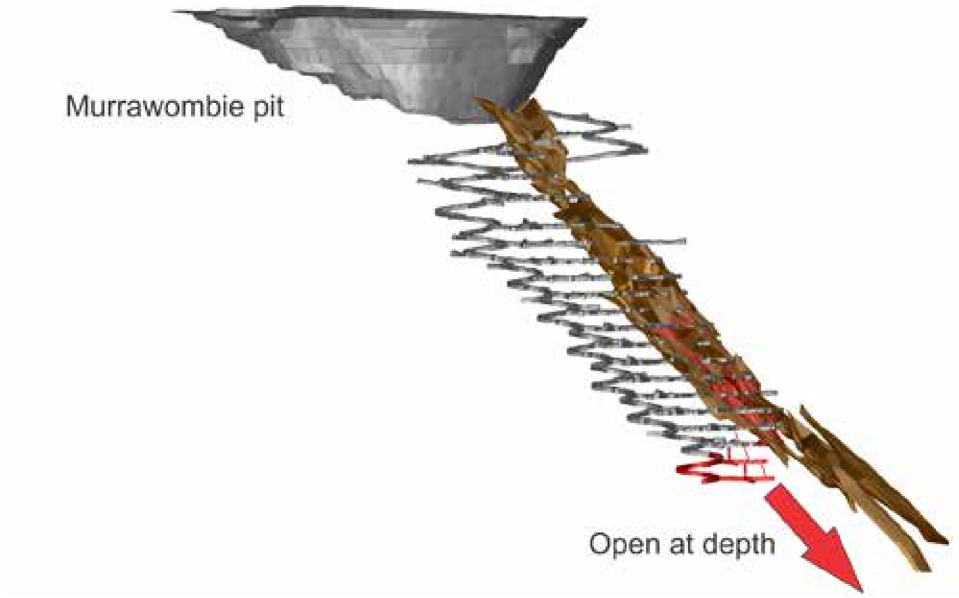
Murrawombie Underground Mine

Murrawombie is the secondary production source for the Tritton Copper Operations. It delivered 500,000 tonnes of ore at ~2% copper for the year in review. Production from Murrawombie provided a higher-grade source of ore to the processing plant due to selective mining of the higher-grade mineralisation in the mine.

Mining operations were impacted on several occasions due to a shortage of good quality water in early January 2020, causing damage to pumping infrastructure and to radiators on drilling equipment.

The mining methods employed at Murrawombie are either small open stopes, or bench stopes, with a combination of cemented and dry rock backfill. Stopes are sequenced in panels for mining from the bottom upwards towards small crown pillars separating the panels. Stope stability and ore extraction have met expectations, with the exception of where the graphite filled shears were found close to the hanging wall of some stopes. Small stopes are being mined so that mining extraction is flexible in consideration of the often-complex detailed geology, with the mining design selected to achieve the optimum balance of grade and resource extraction. The detailed deposit geology is typical for the area with multiple lenses of mineralisation running roughly in parallel at a modest dip of 40 to 50 degrees. There are three significant mineralised lodes included in the underground mining plan – 102, 105 and 108 lodes – with current production focused on the 102 and 108 lodes that are higher-grade and in close proximity to each other.

Geology mapping, drilling, and detailed modelling has been a focus throughout the financial year at Murrawombie. Underground drilling continued at Murrawombie throughout the period. In total, 80 drill holes were completed, with a majority focused on constraining the southern extents of the main mineralised system (102 and 108 lodes). The drill holes were extended further into the Hanging Wall (HW), testing the upper extensions of mineralisation previously intersected beyond the main Murrawombie mineralised system. The updated geological interpretation has culminated in the identification of three new copper sulphide lodes.



Murrawombie Mine section view

Processing

Ore processed during the financial year ended 30 June, 2020 was slightly lower at 1,640,680 tonnes, compared to 1,669,274 tonnes in the prior corresponding period. Copper recovery for the period of 93.5% was below the 94.7% achieved during the period ended 30 June 2019. Three major planned shutdowns were completed during the financial year with no material disruption to operations.

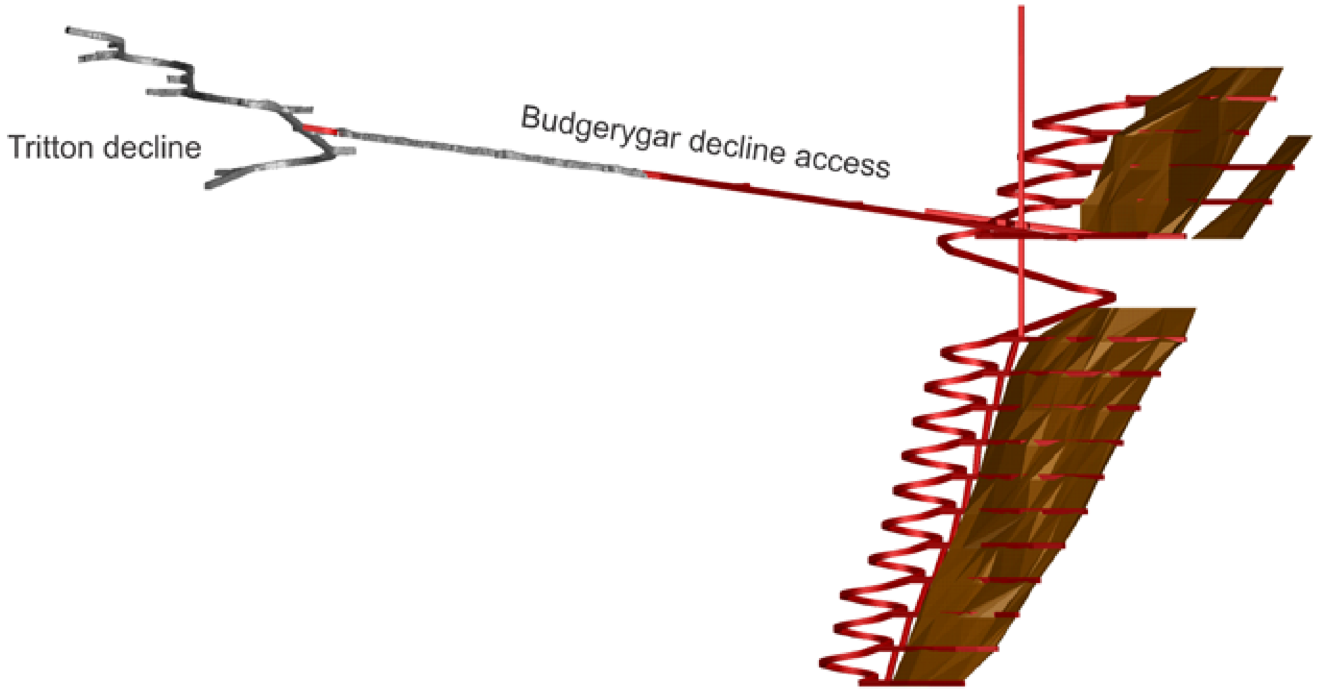
Throughput and copper recoveries were impacted by lower water quality from mid-November through to February as operations transitioned from fresh water to water stored on-site. Production rates and recoveries returned to normal levels by the end of the March quarter as the newly completed pipeline enabled access to fresh water supplies.

Mining Project – Budgerygar Underground

The Budgerygar deposit is hosted within the Tritton stratigraphic package and is located some 600 metres to the north east of the Tritton deposit. It has an Inferred Mineral Resource estimate of 2.3 million tonnes at 1.5% copper. There are low grade gossanous mineralisation outcrops at surface and portions of the deposit were mined intermittently during the early 1900s.

The mineralisation is very similar to the Tritton deposit and is characterised by a large pyrite-dominant sulphide envelope, striking north-south and dipping moderately east. Copper mineralisation within the broader pyrite envelope is dominated by chalcopyrite.

The copper rich zone is known over a strike length of 300 metres and has been traced 800 metres down dip, remaining open at depth. Development of an exploration and access decline drive to the Budgerygar deposit has commenced. The access drive is being mined from the Tritton decline at 270 metres below surface to provide a diamond drilling position, and eventually access for production. The exploration drive will allow for rapid diamond drilling to improve the resource estimate to Indicated Mineral Resource status.



Budgerygar Underground Mine project - conceptual design

Mining Project – Murrawombie Open Pit

The expansion of the old Murrawombie Open Pit, which entails a small push back of the eastern wall to increase the pit depth, will allow Aeris to mine an estimated additional 1.6 million tonnes of ore. The pit expansion project has secured Local and State Government approvals and, from a regulatory perspective, can proceed at any time. In the Life of Mine plan, the project is scheduled as the last mining activity on the Murrawombie deposit, with subsequent waste mined from the pit to be used for site rehabilitation and closure works. Use of the pit waste as capping for the adjacent heap leach pads substantially reduces the closure cost for the Murrawombie mine site.

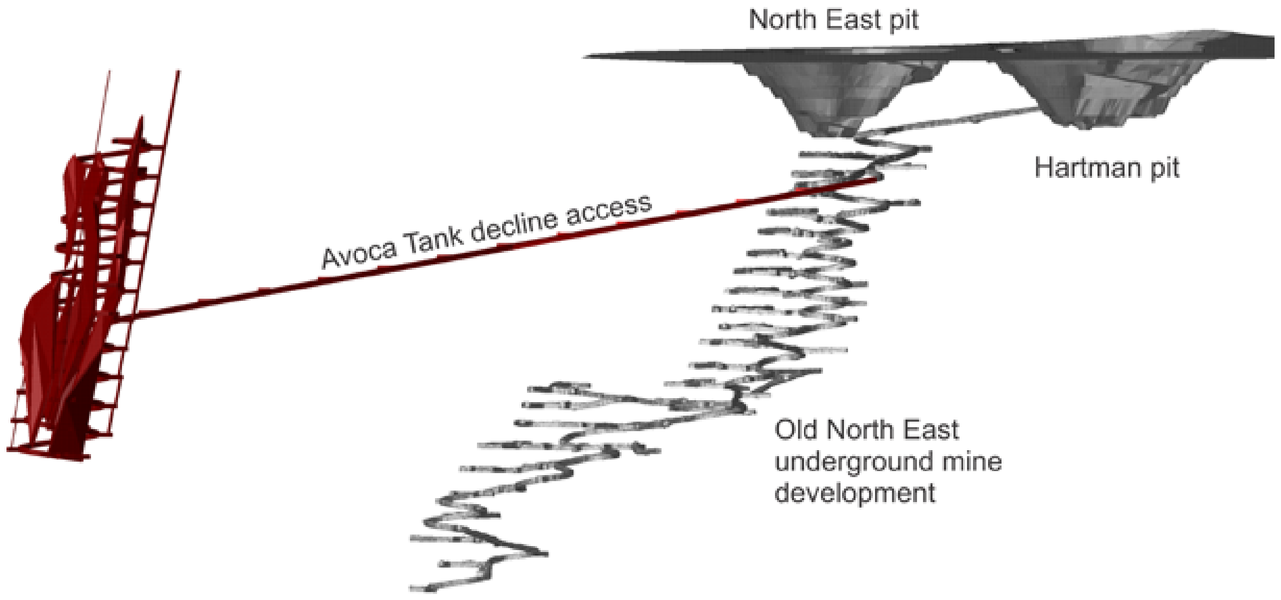
The expanded pit will mine through the upper levels of the underground mine to recover stope pillars and remnants of the 101 and 103 lodes. These activities will destroy underground mine ventilation and backfill infrastructure, so mining of these areas is scheduled for after completion of the underground mining, or with minimal overlap in time.

Mining Project – Avoca Tank Underground

Avoca Tank is a small, high-grade deposit located five kilometres to the north of Murrawombie for which an application for a Mining Lease has been submitted. The current planned life of Avoca Tank is some four years including construction, however there is a realistic expectation that exploration drilling may increase the size and life of the deposit. Avoca Tank has multiple lenses of mixed chalcopyrite and pyrite mineralisation and it is likely that the complex structural character has contributed to its high grades. The deposit is unusual for the region due to its vertical dip, and it has an uncharacteristically high gold content at 0.8g/t.

As a small scale, high-grade mine Avoca Tank is planned to be mined as a supplementary ore source to top up production from the larger Tritton and Murrawombie mines. While a pre-feasibility study has already been completed, additional studies will be reviewed in FY2021 to optimise the mine access design, exploration drilling program, and to minimise environmental impact and closure costs. The pre-feasibility plan assumes a box cut and portal for a decline excavated from the surface located directly above the deposit. Mine infrastructure and waste dumps would be established next to the box cut, which requires the clearing of land and civil works.

The alternative concept for the Avoca Tank Underground Mine Project is to drive an access decline underground from the old North-East mine, using the existing portal in the Hartman pit. This underground access route would eliminate the surface disturbance, thereby reducing the costs associated with environmental impact and infrastructure development.



Avoca Tank Underground project - conceptual design

Mining Project – Budgery Deposit Open Pit

The Budgery deposit is approximately 20 kilometres south of the Tritton ore processing plant, close to the Hermidale township. It is located within the same geological setting as the Tritton and Murrawombie deposits and again, displays similar characteristics.

Significant exploration drilling has been conducted to support a concept study for an open-pit project, however additional resource drilling, metallurgy studies, environmental studies and native title negotiations are required before a pre-feasibility study can be completed.

The proposed open-pit would mine a combination of oxide and sulphide ore types with the treatment method for the near-surface oxide portion of the ore body requiring additional technical work. One option for the treatment of the oxide ore is by heap-leaching, a process with which Tritton Copper Operations is very familiar.

A possible second option is treatment through the Tritton ore processing plant with a sulphidisation pretreatment. Both of these possibilities will be considered.

The Budgery mineralised system is significant and known to continue at depth. There has been limited drilling completed at depth, and this presents an opportunity to increase the Mineral Resource down-dip from the current reported Mineral Resource, which extends some 250 metres vertically. Options for selective underground mining of possible deposit extensions will be tested as drilling information becomes available.

Cracow Gold Operations

On 4 June 2020, Aeris announced the acquisition of the Cracow Gold Mine from Evolution mining. The acquisition was completed on 1 July 2020. Cracow is an established, high grade, low cost underground gold mining and processing facility. The mine has been operating continuously since 2004, producing more than 1.4 million ounces over its life, with a consistent track record of profitability and reserve replacement.

Cracow is located approximately 500 kilometres north-west of Brisbane, nearby to the communities of Cracow and Theodore and on the traditional lands of the Wulli Wulli. The mine is accessible by sealed roads connecting to Biloela and major regional highways via Theodore and is supplied with reliable power from the grid and water under licence from the Dawson River.

The mine is in a highly endowed goldfield with gold mineralisation hosted in steeply dipping, structurally controlled low sulphidation epithermal veins. Total Mineral Resource at 30 June 2020 was 2.55 million tonnes at 4.21 grams per tonne gold (345,000 ounces of contained gold) with Ore Reserve of 0.61 million tonnes at 5.78 grams per tonne gold (114,000 ounces of contained gold).

The underground mine is accessed through a single decline from surface with ore primarily mined via open stoping through a modified Avoca mining sequence. Processing is via a 570,000 tpa capacity facility involving conventional crushing and grinding, followed by a leaching / CIP circuit to recover gold and silver doré.

Cracow has a strong track record of ore reserve and mineral resource replacement and Aeris plans to aggressively invest in brownfield and greenfield exploration with the aim of growing the resource base to extend mine life. Multiple near term opportunities for resource conversion have been identified with some $13 million budgeted over the next two years for exploration, with key priorities including both underground near mine extensions (e.g. Killarney) as well as nearby open pit deposits (e.g. the Golden Plateau and Roses Pride).

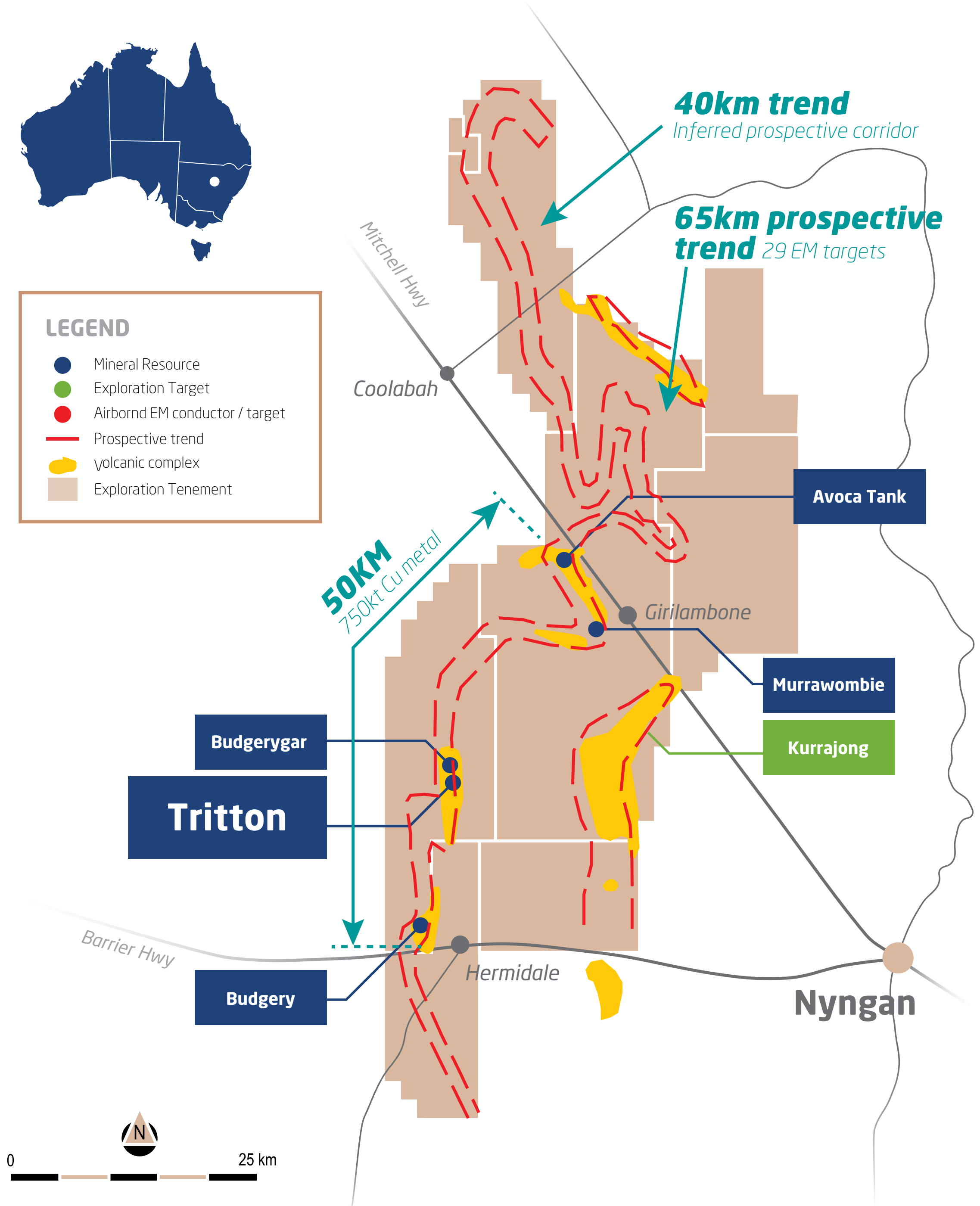
Cracow delivered its first gold pour under the Aeris ownership on Sunday 3 July 2020, delivering 2,156oz.

EXPLORATION

Tritton Copper Operations

Aeris Resources' FY2020 exploration strategy was focused on greenfields and brownfields exploration at its wholly owned Tritton Copper Operations in New South Wales (NSW) including:

- Expansion of the Tritton mine;
- Extension of the Murrawombie mine; and
- Exploration of the Murrawombie Avoca corridor.



Greenfields and Brownfields Exploration at the Tritton Copper Operations (NSW)

The Tritton tenement package in New South Wales comprises seven exploration and mining licences covering 2,160 kilometres^2 of highly prospective ground for base metal deposits within the Girilambone Basin. Since modern exploration commenced in the 1980s, more than 750,000 tonnes of copper, has been discovered within the 100% Aeris-owned Tritton tenement package. Geological mapping has extended the known extents of the Budgery Sandstone unit a further 65 kilometres through the northern half of the tenement package, with the potential to extend a further 40 kilometres.

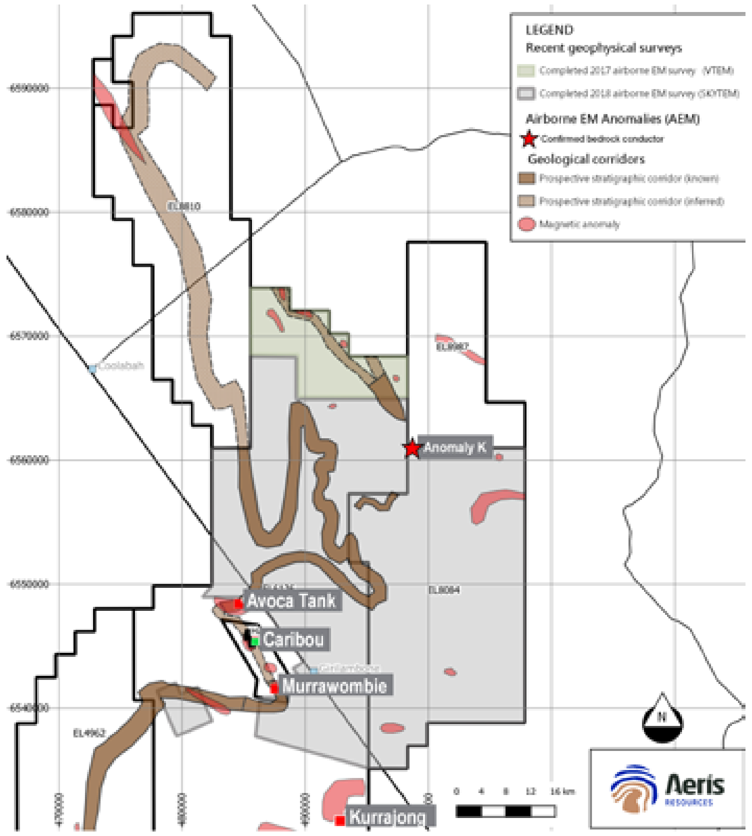
The nearby Canbelego Project (Aeris 30%) is held through a Joint Venture with Helix Resources.

Aeris' exploration strategy within the Tritton tenement package is based on growing the operations through the extension of mineralisation at the current Mineral Resource deposits, principally at Tritton and Murrawombie, and focussing on the potential discovery of new copper sulphide deposits.

Recent greenfields exploration has been focused on the under-explored northern half of the tenement package above and east from Avoca Tank. The principal form of exploration was via the utilisation of airborne and ground-based electromagnetic (EM) survey techniques. The EM technology is designed to detect for massive sulphide deposits to 500 metres (ground) and 300 metres (airborne) below surface. Advancements in the genetic understanding of the mineralised system have continued to focus on structural and mineralogical relationships. Copper sulphide mineralisation is considered to occur along late stage structural fabrics in regions containing secondary magnetite.

Exploration activities in FY2020 included:

- Underground drilling at the Murrawombie deposit further extended the limits of the known mineralized envelopes, with variable quantities of sulphides intersected, culminating in the identification of three new copper sulphide lodes;
- Completion of ground-based electromagnetic (MLTEM) surveying over each priority airborne EM anomaly within the northern half of the tenement package. Anomaly K was confirmed as bedrock conductor;
- Completion of MLTEM surveying between the Murrawombie and Avoca Tank prospective corridor;
- Completion of a modest drill campaign, totalling three drill holes within the Murrawombie to Avoca Tank prospective corridor – which confirmed downplunge extension of mineralisation at the Caribou Prospect; and
- Exploration licence (EL) EL8987 was granted and covers a potential extension of Anomaly K off the current Tritton tenement package.



Plan view showing the airborne EM survey coverage and potential bedrock conductors through the northern extents of the Tritton tenement package

Regional Geology Compilation

Exploration work across the Tritton tenement package has historically been focused around the current Mineral Resource deposits. The amount of greenfield exploration further afield was historically focused, primarily along the Budgery Sandstone stratigraphic corridor between the Budgery and Avoca Tank deposits and along the Kurrajong – Birrimba magnetic complex. From 2018 onwards, there has been renewed interest in the northern half of the tenement package with the understanding that the prospective Budgery-Sandstone unit extends throughout the field, with regional mapping confirming an additional 65 kilometres and the potential for a further 40 kilometres within EL8810. Known mineralisation discovered within the Tritton tenement package to date located proximal to the Budgery-Sandstone unit is approximately 750,000 tonnes of copper metal along a 50 kilometre section of the Budgery-Sandstone corridor.

Since 2018, two airborne EM surveys have been completed over the northern half of the tenement package (excluding EL8810 and EL8987). From the surveys follow-up ground MLTEM surveying was completed over the higher priority anomalies to confirm whether they represent legitimate bedrock conductors. One anomaly (Anomaly K) has been confirmed as a legitimate bedrock conductor.

A separate ground MLTEM survey was completed within the highly prospective Murrawombie to Avoca corridor. In total, seven copper sulphide bodies have been discovered within the 7.5 kilometre strike corridor to date. A modest drill campaign was completed within the corridor after the completion of the MLTEM survey. A drillhole at the Caribou prospect intersected low grade copper mineralisation downplunge and also detected an off-hole EM conductor (Murrawombie North). Both warrant additional work.

Aeris will focus it's exploration efforts at Tritton on the most prospective areas throughout the tenement package in FY2021. Regional surface geochemical sampling programs will be completed over high priority regions which may host either massive sulphide deposits analogous to the style of mineralisation which characterises Tritton and Murrawombie and non-conductive mineralisation styles analogous to the north-east deposit. Additional ground MLTEM surveying will be completed over the bedrock conductor (Anomaly K) discovered from the most recent airborne EM survey. Regulatory approvals have been submitted and approved to complete a first pass drill program over Anomaly K once the modelled conductor location / dimensions are finalised.

Tritton - Budgerygar Corridor

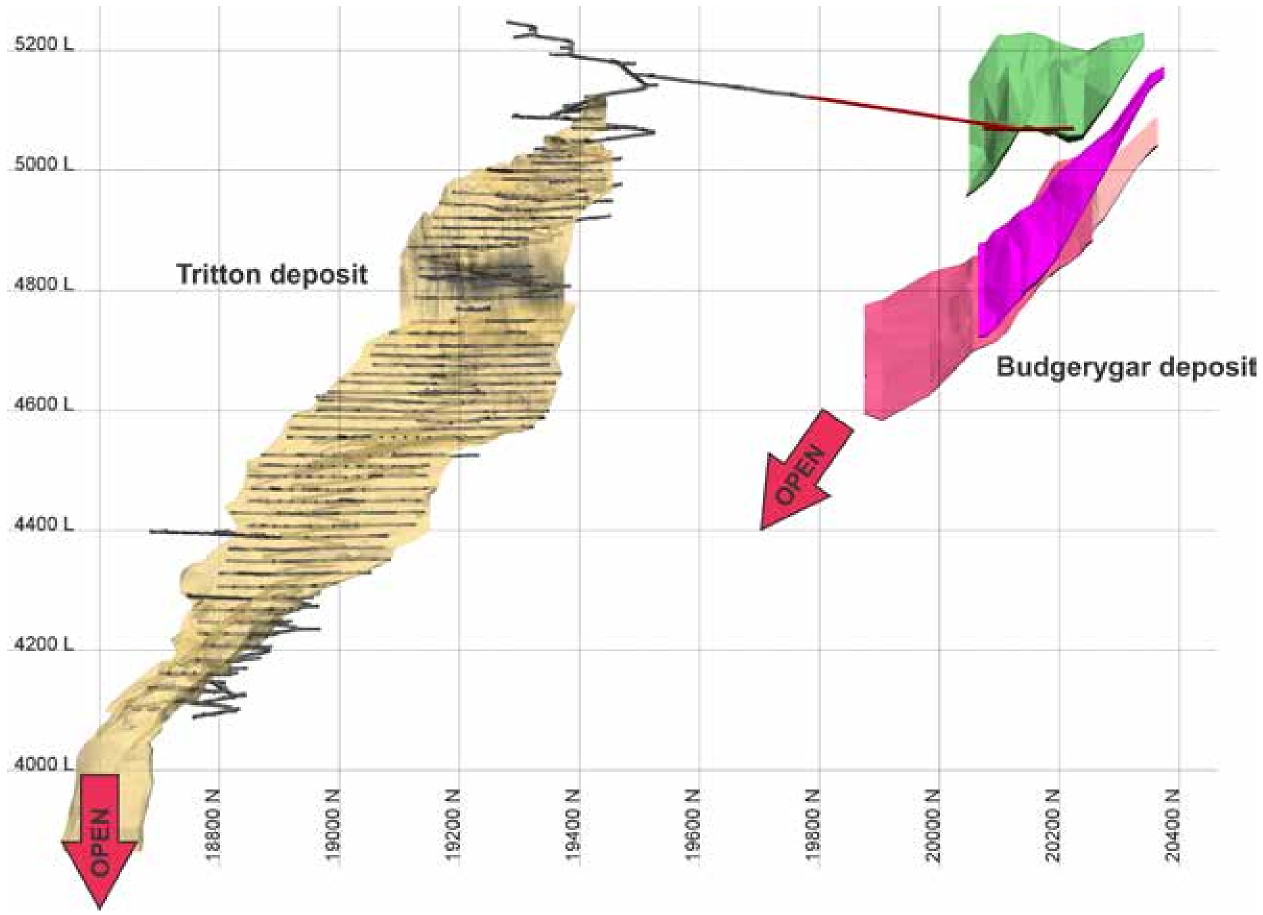
In the context of base metal deposits within the Girilambone basin, the Tritton deposit represents a very large mineralised system. The copper sulphide mineralised footprint has been traced over 1.9 kilometres down plunge based on current drilling data, and the deposit remains open down plunge.

Following a focus on geological interpretation work undertaken during FY2020, the Tritton geology model was updated to reflect the changing geology at depth below the 4,300mRL. Whilst the macro scale geometry change was clear, controls on the internal distribution of high-and-low grade copper mineralisation and their spatial continuity has taken longer to unravel.

The updated geology model provides an improved understanding of the potential grade profile below the current mining front (4,110mRL level) and the spatial location of potential higher-grade corridors. Drill coverage becomes progressively sparse down to the limit of drill coverage at the 3,850mRL level.

Importantly, the Tritton mineralised system remains open at depth with drill holes continuing to exhibit high grade and low grade copper horizons. The revised geological model will be used to assist with a FY2021 drill program designed to target extensions to the known Tritton mineralisation down plunge from current drilling. Downhole electromagnetic (DHEM) surveying will be completed on some drill holes to assist with vectoring toward mineralisation.

The Budgerygar deposit is located approximately 600 metres along strike (north) from Tritton. The mineralised system is defined by four discrete lodes which cover a footprint of 250 metres (strike) by 800 metres down plunge. An exploration access drive is currently being developed toward the deposit to provide a drill platform for resource definition drilling planned to commence in FY2021. Planned drilling off the exploration drive will target the upper extensions of all four lodes within a 30 metre vertical window from 5,250mRL to 4,900mRL. Drilling will also target sporadic copper intersections in the footwall the Mineral Resource from historical drill holes completed in the late 1990s to early 2000s.



Tritton and Budgerigar deposits showing current underground planned development an down plunge opportunities

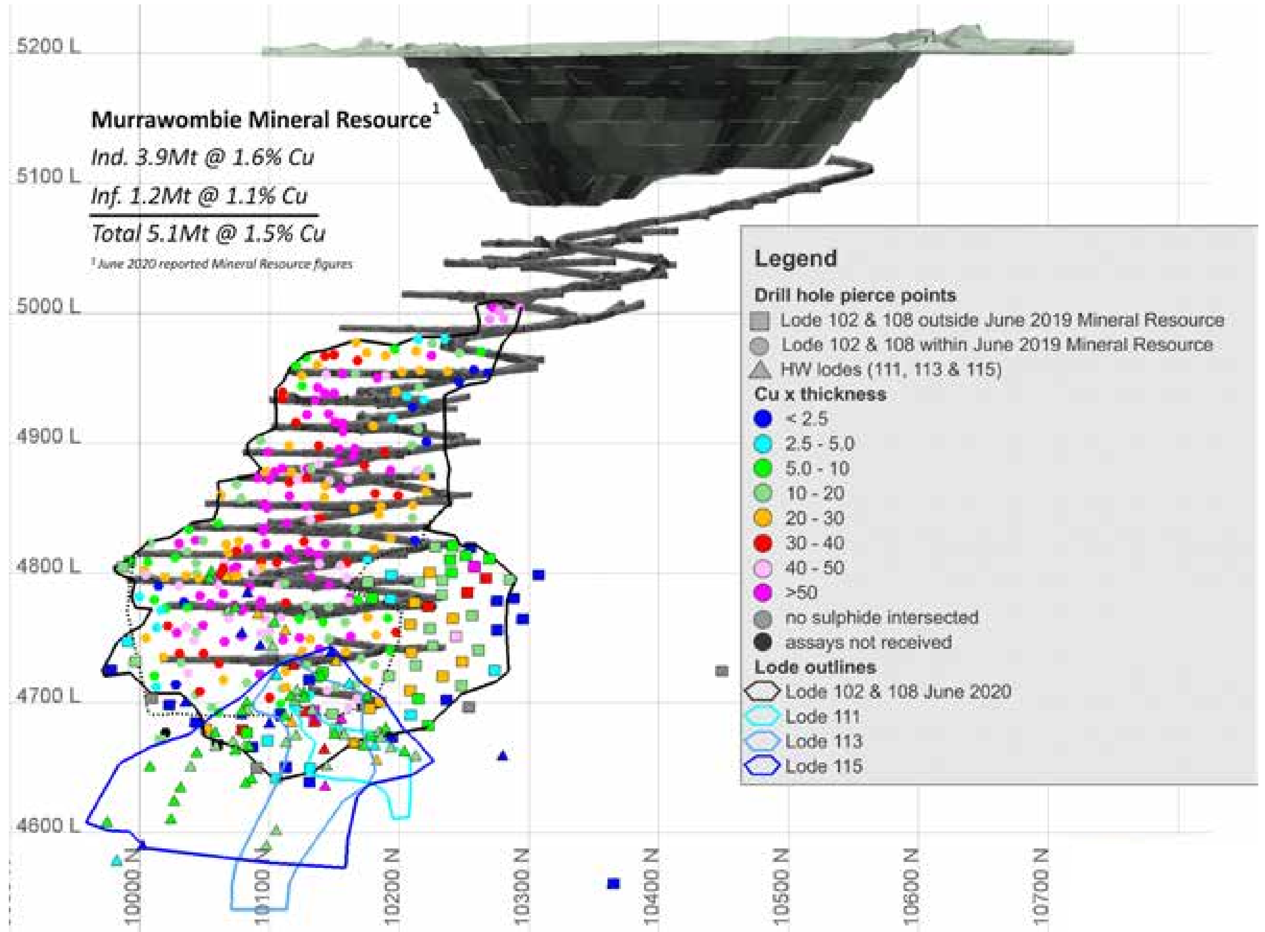
Murrawombie Deposit

At the Murrawombie deposit, underground drilling continued throughout the year with a focus on extending the mineralised footprint further along strike and down plunge.

A total of 80 drill holes were completed during FY2020, with a majority intersecting sulphide mineralisation. Drilling through the main mineralised bodies (lode 102 and 108) resulted in the delineation of additional mineralisation along strike and down plunge. The majority of the drill holes were extended further into the hangingwall (HW) testing extensions / continuity to mineralisation previously intersected beyond the 102 and 108 lodes.

Drilling through the HW horizon consistently intersected copper sulphide mineralisation. Drilling density was sufficient to enable an updated geological interpretation which delineated three new copper sulphide lodes in the HW to the main Murrawombie lodes. The HW lodes are an exciting discovery which highlights the prospectivity of the field and potential to increase the Mineral Resource base with the delineation of new sulphide bodies from additional near mine exploration.

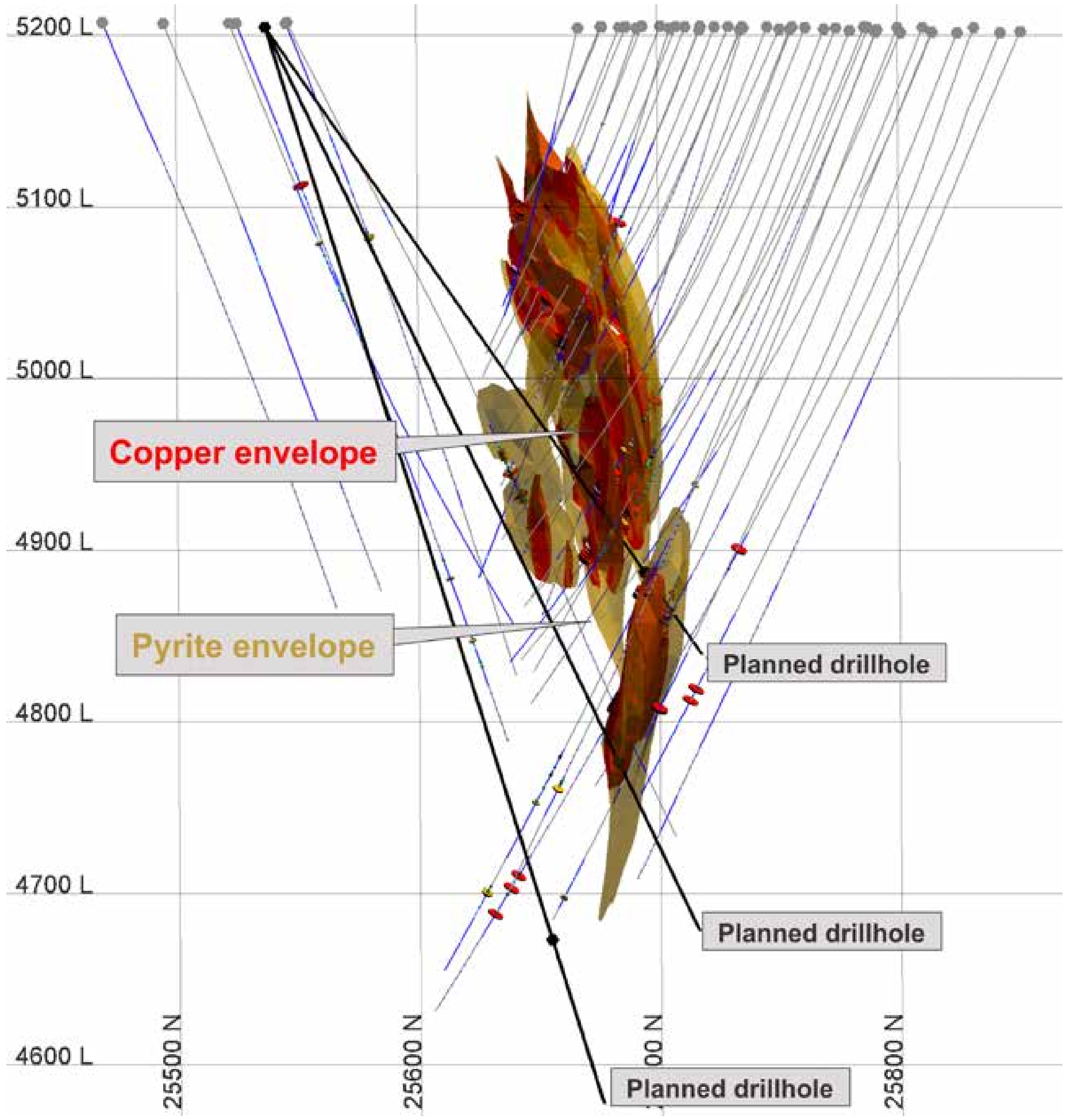
During FY2021, two deep surface holes (~1,000 metres each) are planned to test the interpreted down plunge continuity (~300 metres below current Mineral Resource) to the mineralised system. Underground drilling will continue to drill-test incremental extensions to the currently defined mineralised system. DHEM will be completed on both drill holes to assist with vectoring toward mineralisation.



Long section view showing drillhole pierce points through the Murrawombie main and emerging lobes

Avoca Tank

The deposits discovered on the Tritton tenement package typically have a long down plunge extent and the same is expected to be true at the Avoca Tank deposit. Future exploration drilling of the deposit will be most efficient from an underground platform. However, to assist with feasibility studies, a small drilling program of up to three drill holes to test the vertical extension of the deposit is planned. This program aims to help to improve the understanding of the deposit's structural controls to optimise future underground drilling locations.



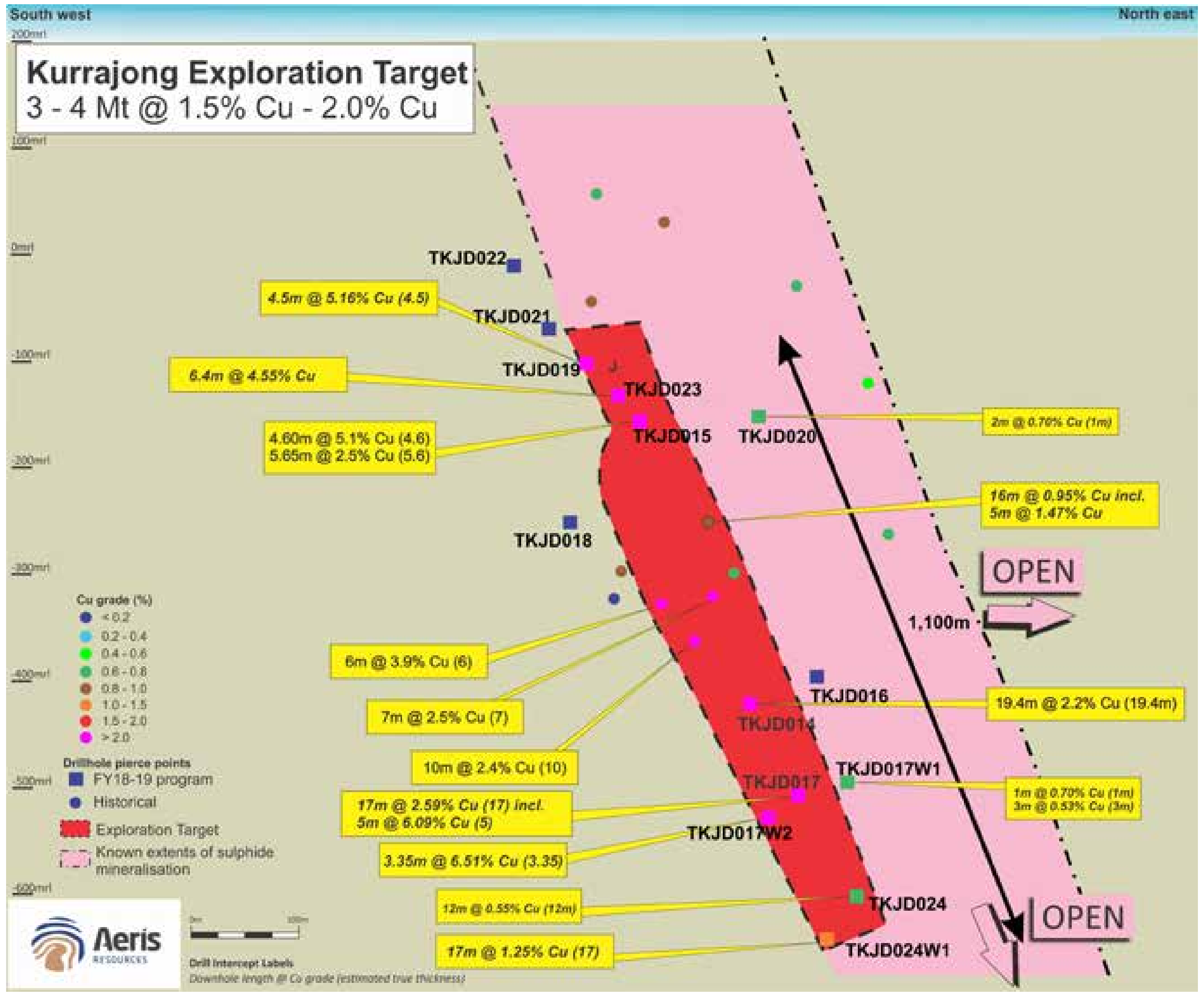
ACCOG Tank planned drill hole below ACCOCC Tank image should go under Mining Project – Avoca Tank Underground.

Kurrajong

Kurrajong Deposit

Following the completion of a 14 hole drill program, an initial Exploration Target for the Kurrajong deposit, ranging between 3 to 4 million tonnes at a copper grade between 1.5% to 2.0% was defined in the September quarter of FY2020. 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. With additional drilling there is potential to increase the size of the Exploration Target and define a higher grade (+2% copper) core as evidenced by the wide spaced alignment of high-grade copper drill intersections completed to date.

The geometry of the modelled Kurrajong Exploration Target is similar to other copper deposits discovered within the Tritton tenement package. A feature, common to each known deposit is a long down plunge dimension, which at Tritton has been traced to in-excess of 1.9 kilometres. Drilling at Kurrajong has traced the copper sulphide system 1,100 metres down plunge to date and remains open below this. Additionally, sulphide mineralisation, albeit at lower copper grades (≤0.5% Cu), continues along strike to the north indicating there is potential for further higher-grade copper systems to develop. Clustering of deposits is common in other areas within the Tritton tenement package, with multiple deposits occurring within several kilometres of each other.



Long section view of the Kurrajong Deposit highlighting the exploration target

Cracow Gold Operations

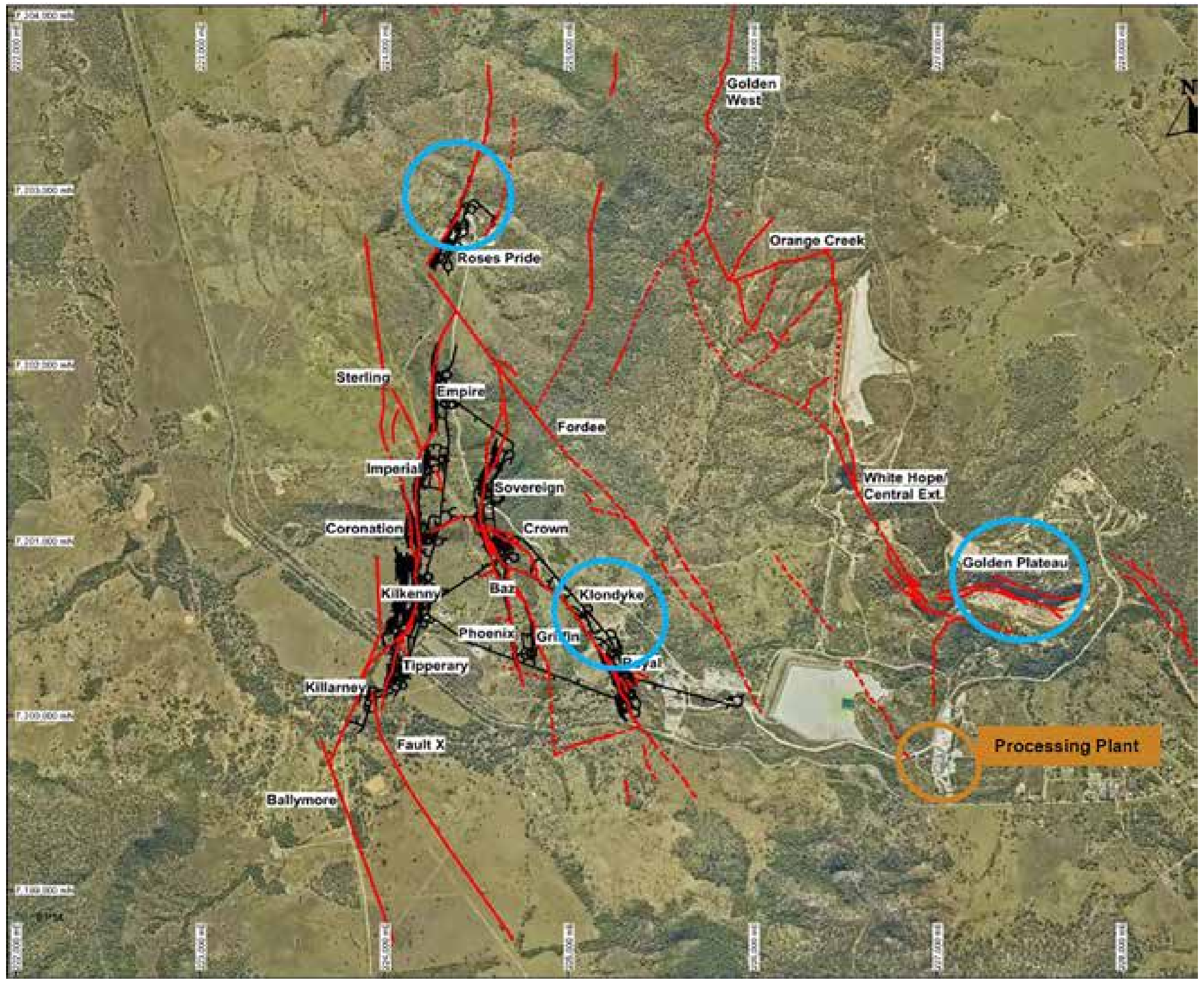
The Cracow Gold Operations are located in a highly endowed goldfield with gold mineralisation hosted in steeply dipping structurally controlled low sulphidation epithermal veins. Total Mineral Resource at 30 June 2020 was 2.3 million tonnes at 4.0 grams per tonne gold (300,000 ounces of contained gold) with Ore Reserve of 0.55 million tonnes at 5.1 grams per tonne gold (89,000 ounces of contained gold).

All mining is currently by underground narrow vein methods. Historically, there have been open pit mines at several locations on the property with future production likely to come from a combination of underground mining and open pit operations.

The open pit projects being taken forward to pre-feasibility study are:

- Roses Pride pit (extension of an old pit);
- Klondyke pit; and
- Golden Plateau pit (extension of an old pit).

Underground mine production is from several of the known deposits in the field all connected by underground drives to the one portal at surface. Ore is produced using narrow vein bench stoping, occasional cut and fill stopes, and up-hole retreat benching. Dry rock fill is used as the most common backfill. Where required, a cemented rock fill will be placed to allow for pillar recovery. The stoping method is described as Avoca or Modified Avoca depending on the access constraints.



Cracow Mine Open Pit Projects

Exploration has been successful over many years in extending the known deposits and finding new deposits. Current in-mine exploration targets are:

- Kenneth target, located close to the Kilkenny and Killarney deposits;
- Killarney depth extension; and
- Sterling deposit extensions.

The Ballymore fault structure is also a target for exploration to find new underground deposits. This is described as a greenfield exploration target, although if proved, could be accessed from the existing underground mine.

Cracow has a strong track record of ore reserve and mineral resource replacement and Aeris plans to aggressively invest in brownfield and greenfield exploration with the aim of growing the resource base to extend mine life. Multiple near-term opportunities for resource conversion have been identified with some A$13 million budgeted over the next two years for exploration, with key priorities including both underground near mine extensions (e.g. Killarney) as well as nearby open pit deposits (e.g. the Golden Plateau and Roses Pride).

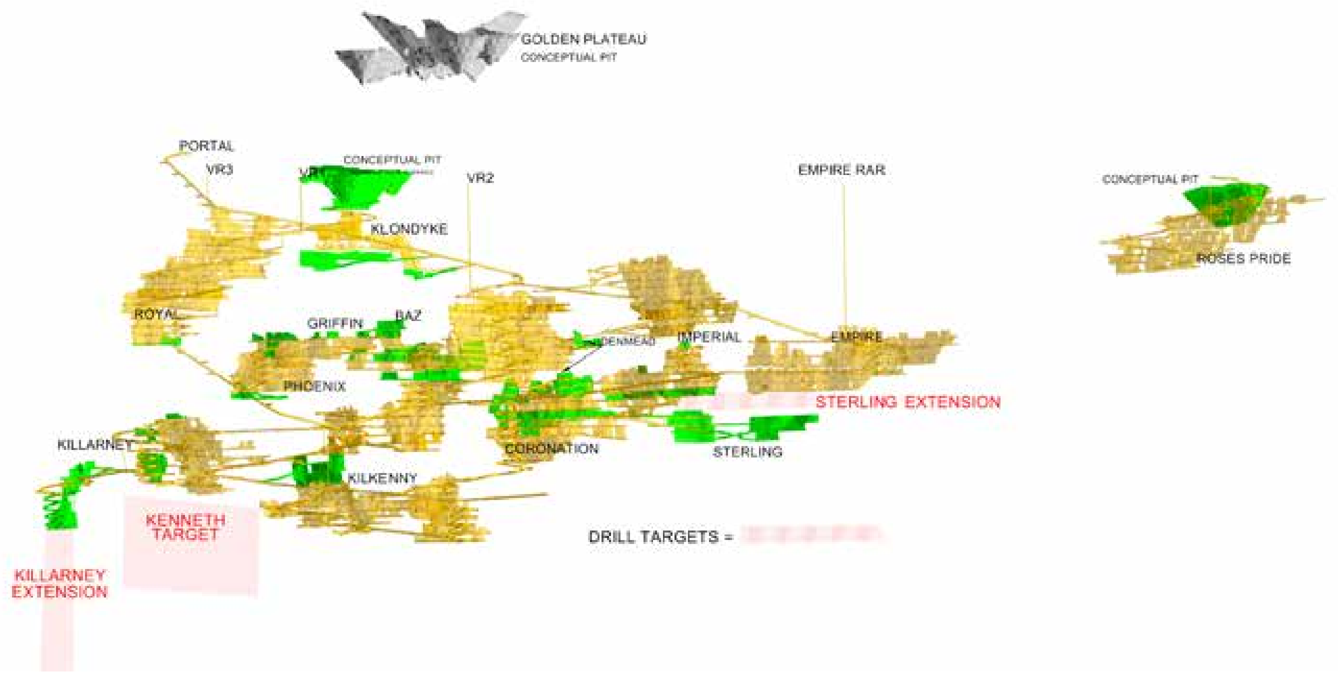
Ore is processed in a conventional gold leach plant with a nominal capacity 570,000 tonne per annum. The process is:

- Three-stage crushing;
- Grinding with a combination of ball mills (two off) and finishing in a HIG mill;
- Leaching with cyanide;
- Gold absorption in carbon in pulp tanks;
- Carbon strip, electrowinning to recover the precious metals; and
- Production of a gold – silver Doré.

Cracow delivered its first gold pour under the Aeris ownership on Sunday 3 July, delivering 2,156 ounces.

The plan for future open pit mining will require processing capacity to be increased to keep gold production steady, as open pit can be mined at a lower cut-off grade. Plant reviews and concept studies are being commissioned, following on with concepts investigated by Evolution during their ownership, and new ideas. The concepts to be considered include ore sorting, tailing retreatment and pre-treatment of ore to remove clays that restrict plant capacity.

Construction of a new tailing storage facility is planned to commence in late 2020 and will be operational in 2021. This is a new facility for the operation and is designed to support a long life with staged construction.



Long section view of the Cracow Deposit highlighting the mine targets

Torrens Project (Aeris 70%)

Aeris' South Australian greenfield exploration project, the Torrens Project, is a joint venture between Aeris (70% interest) and Kelaray Pty Ltd (a wholly owned subsidiary of Argonaut Resources NL). The joint venture is exploring for iron-oxide copper-gold (IOCG) systems within exploration tenement EL6407.

No on-ground exploration activities were completed within the tenement during FY2020.

Assay results from drill hole TD10 were returned in early FY2020. Drill hole TD10 targeted a significant co-incident gravity and magnetic anomaly with a footprint of approximately 3 kilometres^2, situated about 9 kilometres from the western edge of Lake Torrens.

Key pathfinder elements recognised as having an association with IOCG systems did not report levels which reflect an IOCG alteration / mineralisation signature. The density and magnetic susceptibility data collected from TD10 was reviewed by an independent geophysist.

The geophysical data supports the current geophysical model and indicates at a regional context the magnetic and gravity anomalies are satisfactorily explained. Within the tenement there remains many untested geophysical anomalies which will be the focus of ongoing geological investigations. The additional geophysical surveys would be designed to refine geological models in preparation for drill targeting.

During the September quarter, the exploration licence (EL5614) expired and was subsequently renewed with a new additional exploration licence issued (EL6407). Upon receiving a new exploration licence the joint venture are required to have an updated Program of Environment Protection and Rehabilitation (PEPR) and Native Title summary determination to conduct mining operations approved. Both applications have been submitted to the appropriate regulatory bodies and are expected to be approved in the FY2021 period.

Customised drill platform and infrastructure on Lake Torrens

Resources and Reserves

Aeris updated its Mineral Resource and Ore Reserve estimates for its Tritton Copper and Cracow Gold Operations as at 30 June 2020.

Aeris' Statement of Mineral Resources and Ore Reserves as at 30 June 2020 for the Tritton and Cracow Operations have been reported in accordance with the guidelines in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012). Full documentation of the estimates can be found on the Company website.

Operations

Tritton Copper Operations

Total reported Measured and Indicated Mineral Resource estimate, after mining depletions, are 11.0 million tonnes at 1.6 per cent copper for 170,000 tonnes of contained copper metal. Inferred Mineral Resource is 6.5 million tonnes at 1.3 per cent copper for 82,000 tonnes of contained copper.

This represents an 8% net decrease in contained copper compared with the 30 June 2019 estimate.

Total reported Proved and Probable Ore Reserves, after mining depletions, are estimated at 6.7 million tonnes at 1.5% copper for 100,000 tonnes of contained copper metal. The Ore Reserve has been reduced by 30,000 tonnes of copper since the last estimate at 30 June 2019, a 23% net decrease in contained copper.

Actual copper production was 25,041 tonnes in concentrate. Processing recoveries estimated at 93.5%, equivalent to 26,700 tonnes of copper in ore. Ore Reserve depletion in excess of production is due to change in:

- Cut-off grade;
- Mineral Resource models; and
- Change in mining designs.

Cracow Gold Operations

Total reported Measured, Indicated and Inferred Mineral Resource estimate, after mining depletions, are 2.3 million tonnes at 4.0 grams per tonne gold for 300 ounces of contained gold metal. This represents a 14% net decrease in contained gold compared with the 31 December 2019 estimate.

Total reported Proved and Probable Ore Reserves, after mining depletions, are estimated at 0.55 million tonnes at 5% grams per tonne gold for 89,000 ounces of gold. The Ore Reserve has been reduced by 25,000 ounces of gold since the last estimate dated 31 December 2019, a mine depletion of 45,000 ounces of gold from the Ore Reserve during this period was partially replaced by 20,000 ounces of gold added due to design changes and revised gold price assumptions, and an additional 3,000 ounces of gold mined outside the previous Ore Reserve.

Mineral Resource

Aeris' Mineral Resource inventory is focused at the Tritton Copper Operations, located 45 kilometres north-west of Nyngan in central western New South Wales and Cracow Gold Operations, located about three kilometres from the town of Cracow located 500 kilometres north-west of Brisbane, Queensland.

An additional gold Mineral Resource is located in the Drummond Basin (Yandan gold project) in Queensland. This project is not considered significant to the Company.

Tritton Copper Operations

The Tritton Copper Operations area is host to a cluster of deposits. Mineralisation across the Tritton Copper Operations deposits are hosted within Ordovician aged turbidite sequences from the Girilambone basin which forms part of the Lachlan fold belt. The deposits are characterised by massive to semi-massive pyrite and chalcopyrite sulphide occurrences. Deposit geometries are characterised as tabular systems. Dimensions vary depending on the size of the system and range between 15 metres to 250 metres (strike), 90 metres to more than 2,000 metres (down dip) and 2 metres to 80 metres (width). Mineralised assemblages are dominated by pyrite with lesser chalcopyrite, gold and silver concentrations. Primary copper mineralisation occurs as banded and stringer chalcopyrite within pyritic rich units.

The Tritton Copper Operations area deposits' Mineral Resource estimates are defined by diamond drilling and some reverse circulation percussion drilling. Holes are geologically logged and assayed. Mineral Resource volumes are developed from geology interpretation of the drill hole data at nominal copper cut-off grades between 0.4% to 0.5% copper (varies with the deposit). Quality assurance and control procedures are in place for the assay information used in the resource estimation. The deposits are all located on a granted Mining Lease or Exploration Lease. Resource modelling and grade interpolation within the interpreted mineralised volumes uses Ordinary Kriging with careful domain control to limit the influence of high-grade data.

Reconciliation of Mineral Resource estimates against mined and processed ore for the Tritton and Murrawombie deposits mined during the year shows a similar grade and slight increase in tonnes after allowance for dilution and ore loss. Details of the Mineral Resource estimates can be found in the reports on the Company's website.

Tritton Deposit Changes

During FY2020, the Tritton deposit's Measured and Indicated Mineral Resource has been reduced by an estimated 23,000 tonnes of contained copper metal. Changes to the Mineral Resource include depletions associated with mining and sterilisation of the Mineral Resource surrounding mined stopes and along the margins of the orebody as mineralised thicknesses thin and pinch out. An updated geology model was also implemented which led to a minor reduction in contained copper metal. Measured Mineral Resource additions have occurred from grade control drilling targeting the conversion of Indicated Mineral Resource below the mining front. Measured Mineral Resource was extended a further 30 metres vertically to the 4,000mRL level. A limited amount of grade control drilling below 4,000mRL level was completed down to the 3,950mRL level enabled the Indicated Mineral Resource to be extended an additional 20 metres vertically.

Tritton Upper Level Remnant Pillars

The Tritton upper level remnant pillars are a small portion of the Tritton deposit Indicated Mineral Resource estimate, (140,000 tonnes). They are the remnant blocks of mineralisation left between mined out stopes that have not been filled with cemented paste backfill. Due to the higher risk nature of pillar mining, these blocks of mineralisation are critically reviewed to ensure they have a reasonable likelihood of successful extraction to qualify for inclusion in the Mineral Resource estimate.

Mining of the pillars continued in FY2020, depleting the Indicated Mineral Resource by an estimated 1,000 tonnes of contained copper metal.

Murrawombie Deposit Changes

During FY2020, the Murrawombie deposit's Indicated Mineral Resource has been reduced by an estimated 11,000 tonnes of contained copper metal. During the year, grade control drilling extended further into the hanging wall to known mineralisation and intersected three new mineralised lodes which have been incorporated into the updated Inferred Mineral Resource inventory. The Mineral Resource mined depletions have exceeded the incremental additions made to the Indicated and Inferred Mineral Resource.

Cracow Gold Operations

The Cracow Gold Operation is host to a series of low sulphidation epithermal gold deposits. Mineralisation is associated with several major north-northwest, north and north-east trending steeply dipping fault structures. These structures are hosted in Early Permian andesitic lavas of the Camboon Volcanics. Along each mineralised fault structure high grade gold shoots develop at sites of increased dilation associated with particular brittle andesitic host rocks. Dimensions of high grade gold shoots range between 90 metres to 500 metres (strike), 90 metres to 250 metres (down dip) and from 2 metres to in-excess of 10 metres thick. Gold mineralisation is associated with discrete epithermal veins and/or stockwork veining and are composed of quartz +/- adularia +/- carbonate veins. Sulphide percentages in the veins are generally low (<3%) primarily composed of pyrite, with minor occurrences of hessite, sphalerite and galena. Vein textures include banding (colloform, crustiform, cockade and moss), breccia channels and massive quartz.

The Cracow Gold Operations area deposits' Mineral Resource estimates are defined by diamond drilling. Drill holes are geologically logged, identifying key features to aid with interpretation. Mineral Resource volumes are defined from a combination of veining information and gold grade. Both discrete "vein/lode" domains, mineralised halo or stockwork domains are interpreted based off a combination of epithermal vein percentage, vein texture and gold grade. Quality assurance and control procedures are in place for the assay information used in the resource estimation. The deposits are all located on a granted Mining Lease. Ordinary Kriging was the preferred method of estimation used. In some cases, other estimation techniques have been applied such as Inverse Distance (squared or cubed) or categorical indicator kriging. Details of the Mineral Resource estimates can be found in the reports on the Company's website.

Cracow Deposit Changes

Since the previous Mineral Resource update on 31 December 2019, the Cracow Mineral Resource deposits have collectively been reduced by an estimated 49,000 ounces of contained gold metal. Changes to the Mineral Resource are exclusively depletions associated with mining and sterilisation of the Mineral Resource surrounding mined stopes and along the margins of the orebody.

Other Projects

There were no changes to the Mineral Resource estimates at the Yandan gold project (Drummond Basin).

2020 Mineral Resource Tritton Tenement Package

June 2020

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
TRITTON UNDERGROUND							
Measured	3,800	1.5	56	0.1	12	4.3	520
Indicated	700	1.4	10	0.1	1	2.3	52
Total M + I	4,500	1.5	66	0.1	13	4.0	570
Inferred	2,600	1.2	31	0.1	11	4.1	340
TOTAL	**7,100**	**1.4**	**97**	**0.1**	**25**	**4.0**	**920**
TRITTON PILLARS (RECOVERABLE)							
Measured	-	-	-	-	-	-	-
Indicated	140	2.2	3	0.3	1	10.7	48
Total M + I	140	2.2	3	0.3	1	10.7	48
Inferred	-	-	-	-	-	-	-
TOTAL	**140**	**2.2**	**3**	**0.3**	**1**	**10.7**	**48**
MURRAWOMBIE							
Measured	-	-	-	-	-	-	-
Indicated	3,900	1.6	62	0.3	38	5.1	640
Total M + I	3,900	1.6	62	0.3	38	5.1	640
Inferred	1,200	1.1	13	0.3	10	4.8	180
TOTAL	**5,100**	**1.5**	**75**	**0.3**	**48**	**5.0**	**820**

June 2020 (Continued)

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
AVOCA TANK							
Measured	-	-	-	-	-	-	-
Indicated	770	2.9	23	0.9	21	15.6	390
Total M + I	770	2.9	23	0.9	21	15.6	390
Inferred	130	1.0	1	0.2	1	3.2	13
TOTAL	**900**	**2.6**	**24**	**0.8**	**22**	**13.8**	**400**
BUDGERYGAR							
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total M + I	-	-	-	-	-	-	-
Inferred	2,300	1.5	34	0.2	15	5.2	380
TOTAL	**2,300**	**1.5**	**34**	**0.2**	**15**	**5.2**	**380**
BUDGERY							
Measured	-	-	-	-	7	-	-
Indicated	1,700	1.1	19	0.1	7	-	-
Total M + I	1,700	1.1	19	0.1	7	-	-
Inferred	280	0.9	3	0.1	1	-	-
TOTAL	**2,000**	**1.1**	**22**	**0.1**	**8**	**-**	**-**
STOCKPILES							
Measured	11	1.4	0.2	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total M + I	11	1.4	0.2	-	-	-	-
Inferred	-	-	-	-	-	-	-
TOTAL	**11**	**1.4**	**0.2**	**-**	**-**	**-**	**-**
TOTAL							
Measured	3,800	1.5	56	0.1	12	4.3	520
Indicated	7,300	1.6	120	0.3	69	4.8	1,130
Total M + I	11,000	1.6	170	0.2	81	4.7	1,650
Inferred	6,500	1.3	82	0.2	38	4.4	920
TOTAL	**17,500**	**1.5**	**250**	**0.2**	**120**	**4.6**	**2,570**

June 2019

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
TRITTON UNDERGROUND							
Measured	4,700	1.5	68	0.1	15	4.6	690
Indicated	980	1.3	12	0.1	2	2.3	74
Total M + I	5,600	1.4	80	0.1	17	4.2	770
Inferred	3,400	1.2	41	0.1	14	3.9	430
TOTAL	**9,000**	**1.3**	**120**	**0.1**	**31**	**4.1**	**1,190**
TRITTON PILLARS (RECOVERABLE)							
Measured	-	-	-	-	-	-	-
Indicated	170	2.2	4	0.3	1	10.9	58
Total M + I	170	2.2	4	0.3	1	10.9	58
Inferred	-	-	-	-	-	-	-
TOTAL	**170**	**2.2**	**4**	**0.3**	**1**	**10.9**	**58**
MURRAWOMBIE							
Measured	-	-	-	-	-	-	-
Indicated	4,600	1.6	73	0.3	46	5.3	780
Total M + I	4,600	1.6	73	0.3	46	5.3	780
Inferred	830	1.3	10	0.3	7	5.4	140
TOTAL	**5,400**	**1.5**	**83**	**0.3**	**53**	**5.3**	**930**
AVOCA TANK							
Measured	-	-	-	-	-	-	-
Indicated	770	2.9	23	0.9	21	15.6	390
Total M + I	770	2.9	23	0.9	21	15.6	390
Inferred	130	1.0	1	0.2	1	3.2	13
TOTAL	**900**	**2.6**	**24**	**0.8**	**22**	**13.8**	**402**
BUDGERYGAR							
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total M + I	-	-	-	-	-	-	-
Inferred	2,300	1.5	34	0.2	15	5.2	380
TOTAL	**2,300**	**1.5**	**34**	**0.2**	**15**	**5.2**	**380**

June 2019 (Continued)

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
BUDGERY							
Measured	-	-	-	-	-	-	-
Indicated	1,700	1.1	19	0.1	7	-	-
Total M + I	1,700	1.1	19	0.1	7	-	-
Inferred	280	0.9	3	0.1	1	-	-
TOTAL	**2,000**	**1.1**	**22**	**0.1**	**8**	**-**	**-**
STOCKPILES							
Measured	40	1.6	0.6	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total M + I	40	1.6	0.6	-	-	-	-
Inferred	-	-	-	-	-	-	-
TOTAL	**40**	**1.6**	**0.6**	**-**	**-**	**-**	**-**
TOTAL							
Measured	4,700	1.5	68	0.1	15	4.6	690
Indicated	8,300	1.6	130	0.3	77	4.9	1,310
Total M + I	12,900	1.5	200	0.2	92	4.8	2,000
Inferred	6,900	1.3	89	0.2	37	4.4	970
TOTAL	**19,800**	**1.5**	**290**	**0.2**	**130**	**4.7**	**2,960**

Note: 1. Mineral Resource cut-off grades: 0.6% Cu Tritton, 0.6% Cu Murrawombie, 0.6% Cu Avoca Tank, 0.8% Cu Budgerygar and 0.5% Cu Budgery.
2. Gold and silver grades have been reported for the FY2020 Mineral Resource estimates at Tritton, Murrawombie, Avoca Tank, Budgerygar and Budgery (gold only). The Mineral Resource estimate for Budgery does not include silver estimates. Consequently, silver grade and metal figures are omitted from the Total Reported Figures.
3. Discrepancy in summation may occur due to rounding.

Competent Person Statement

The Mineral Resource statement has been prepared by Mr Brad Cox.

Mr Cox confirms that he is the Competent Person for all the Mineral Resources estimates summarised in this Report and he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Cox is a Competent Person as defined by the JORC Code, 2012 Edition, having relevant experience to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Cox is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM No. 220544). Mr Cox has reviewed the Report to which this Consent Statement applies. Mr Cox is a full-time employee of Aeris Resources Limited.

With respect to the sections of this report for which Mr Cox is responsible – Tritton Copper Operations Mineral Resource estimates – Mr Cox consents to the release of the Mineral Resources Statements as at 30 June 2020 by the Directors of Aeris Resources Limited.

2020 Mineral Resource Cracow Tenement Package

June 2020

	Tonnes (kt)	Au (g/t)	Au (koz)	Cu (g/t)	Cu (koz)
CRACOW					
Measured	200	7.8	53	5.2	37
Indicated	690	5.9	130	4.4	95
Total M + I	890	6.3	180	4.6	130
Inferred	1,400	2.6	120	1.6	73
TOTAL	**2,300**	**4.0**	**300**	**2.8**	**200**

December 2019

	Tonnes (kt)	Au (g/t)	Au (koz)	Cu (g/t)	Cu (koz)
CRACOW					
Measured	330	8.0	84	5.0	53
Indicated	740	5.9	140	4.4	110
Total M + I	1,100	6.5	220	4.6	160
Inferred	1,500	2.5	120	1.6	76
TOTAL	**2,500**	**4.2**	**350**	**2.9**	**230**

Note: 1. Mineral Resource cut-off grade: 2.2g/t Cracow.
2. Discrepancy in summation may occur due to rounding.

Competent Person Statement

The Mineral Resource statement for Cracow Gold Operations has been prepared by Mr Michael Smith.

Mr Smith confirms that he is the Competent Person for the Cracow Mineral Resources estimates summarised in this Report and he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Smith is a Competent Person as defined by the JORC Code, 2012 Edition, having relevant experience to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Smith is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM, 206201) and Chartered Professional Geologist. Mr Smith has reviewed the Report to which this Consent Statement applies and is a full-time employee of Aeris Resources Limited.

With respect to the sections of this report for which Mr Smith is responsible – Cracow Gold Operations Cracow Mineral Resource estimates – Mr Smith consents to the release of the Mineral Resource Statement in the form and context in which it appears as at 30 June 2020 by the Directors of Aeris Resources Limited.

Other Projects

There were no changes to the Mineral Resource estimates at the Yandan gold project (Drummond Basin).

The Yandan Project is the only outside deposit to have a Mineral Resource estimate.

June 2020

	Tonnes (kt)	Au (g/t)	Au (koz)	Cu (g/t)	Cu (koz)
YANDAN PROJECT					
Measured					
Indicated					
Total M + I	-		-		-
Inferred	4,000	-	2.4	-	300
TOTAL	**4,000**	**-**	**2.4**	**-**	**300**

December 2019

	Tonnes (kt)	Au (g/t)	Au (koz)	Cu (g/t)	Cu (koz)
YANDAN PROJECT					
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Total M + I	-	-	-	-	-
Inferred	4,000	-	2.4	-	300
TOTAL	**4,000**	**-**	**2.4**	**-**	**300**

Note: 1. Reported Mineral Resource figures for the Yandan project are reported from three domains which represent high grade epithermal vein systems. All block estimates within each domain have been reported (0g/t Au cut-off).
2. Discrepancy in summation may occur due to rounding.

Ore Reserves

Tritton Copper Operations

The 30 June 2020 Ore Reserves estimate is a revision of the 30 June 2019 estimate that accounts for changes in the Mineral Resource, depletion due to mining, changes to cut-off grades and mine design changes.

The mining method assumed in the Ore Reserve estimate varies with the deposit. At the Tritton deposit, the method is sub-level open stoping with cemented paste fill. At the Murrawombie deposit, the ore is extracted using underground bench stopes and small open stopes with cemented rockfill. Future mining of the shallow remnant portion of the Murrawombie deposit will be by open pit, as the final extraction stage. The yet-to-be developed Avoca Tank deposit project is planned to use up-hole benching with dry rock fill.

The Tritton deposit Ore Reserve estimate has decreased from depletion due to mining. There has been no change in the Ore Reserve cut-off grade at Tritton during 2020. It remains at 1.2% copper. The Mineral Resource is reported using a lower cut-off grade of 0.6% copper. The significant difference in cut-off grade between Ore Reserve and Mineral Resource, combining with change in the character of the deposit at depth, means that a large portion of the available Mineral Resource has not converted to Ore Reserve due to economic constraints.

Significant improvement to the detail modelling of structure and mineralisation within the geology block model followed from additional drilling and a considerable geological interpretation and modelling effort. This allowed the estimation of additional Probable Ore Reserve at the bottom of the mine to partially off-set depletion due to mining. These new Probable Ore Reserves are based on use of selective mining at a preliminary design cut-off grade of 1.4% copper and a final diluted cut-off grade of 1.2% copper. The rate of Mineral Resource converting to Ore Reserve at these cut-off grades is low. Further optimisation of the mine design and testing of alternative mining methods is planned and so there may be significant changes to future estimates for the bottom of the mine. The residual Mineral Resource remains available for future mining review. Tritton deposit has changed with depth from a single, bulk mineralised system of massive to stringer ore with a small halo of lower grade disseminated mineralisation, into multiple smaller lenses of massive to stringer ore within a much larger volume of disseminated mineralisation. This change in deposit character makes the estimate of Mineral Resource and Ore Reserves sensitive to cut-off grade selection, where it has not been historically.

The Murrawombie deposit Ore Reserve has decreased from a combination of depletion due to mining and an increase in the cut-off grade. Diamond drilling and geological modelling has added to the available Mineral Resource to partially offset depletion.

The Murrawombie deposit contains several discrete lenses, with the 101, 102, 105, 108 and 109 lodes being included in the underground mine Ore Reserve estimate. A cut-off grade of 1.2% copper is used to estimate Ore Reserve in the higher-grade 102, 108 and 109 lodes. A cut-off grade of 0.9% copper is used for the lower grade 101 and 105 lodes that are to be mined in retreat at end of mine life.

The cut-off grade criteria applied at all deposits is copper grade, (% copper). The cut-off grade is applied as a whole of stope average grade after dilution factors are applied. There are no significant deleterious elements in the ore and the by-product value of gold and silver is of modest economic importance. Where considered appropriate, the precious metal value is managed by applying a small copper equivalent credit to the cut-off grade.

All Ore Reserve estimates for the underground mines are entirely sulphide mineralisation. This ore will be treated in the Tritton processing plant by flotation techniques. An average recovery of copper to concentrate of 93% to 95% is assumed, consistent with historical plant performance.

Ore Reserves are estimated following the application of modifying factors that account for dilution and ore loss. The factors applied vary with the deposit, detailed design of the stopes, fill exposures and planned extraction sequence.

In this report, the Ore Reserve estimates for the Tritton and Murrawombie deposits include gold and silver and gold only for Avoca Tank. There is no silver reported for the Avoca Tank deposit Ore Reserve, since at the time the estimate was prepared in 2013, it was not Aeris' practice to report silver in Ore Reserves. Gold and silver are not reported for the end of year stockpiles and so it is not reported in the total figures.

Details of the Ore Reserve estimates can be found in the Mineral Resource and Ore Reserve reports on the Aeris website. All estimates are reported according to the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Cracow Gold Operations

The 30 June 2020 Ore Reserves estimate is a revision of the 31 December 2019 estimate published by Evolution Mining, and accounts for depletion due to mining, changes to cut-off grades driven by updated gold price assumptions and mine design changes.

Several mining methods are used for the extraction of stopes at Cracow:

- Modified Avoca – this is the primary method of extraction at Cracow. Bottom up method working on top of backfilled (rockfill) stopes.
- Uphole retreat – used on the top level of an orebody or in a sill pillar. Stopes remain open as there is no backfill horizon.
- Benching – used on the bottom level of an orebody to extract ore that would not be economic to mine conventionally (capital costs associated with another level below).
- Transverse stoping – used in wider (>15m) areas to ensure maximum recovery.

The Cracow Ore Reserve estimate has decreased overall due to mining depletion adjustments. Design changes based on a revised reserve gold price assumption have been made which have resulted in a significant offset of the mining depletion. Mineral Resources remain available for future review.

The gold price assumption has been increased to AUD $1,750 per ounce from the December 2019 Reserves assumption of AUD $1,450 per ounce. This was adjusted after a review of reserve gold prices applied by industry peers. The reserves subject to the AUD $1,750 per ounce price assumption are extremely low risk; less than 800 metres of additional lateral capital and waste development is required to establish these ore sources. These ore sources can be accessed in a short period of time, limiting exposure to any changes in the gold price.

Ore Reserves are estimated following the application of modifying factors that account for dilution, recoveries and total mining costs. The factors applied vary with the deposit, detailed design of the stopes and planned extraction sequence. The criteria include specific recovery factors unique to each ore body consistent with historical plant performance.

Details of the Ore Reserve estimates can be found in the Mineral Resource and Ore Reserve reports on the Aeris website. All estimates are reported according to the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Cracow Ore Reserve estimate in this report has been prepared as a revision of the previous estimate by Evolution Mining, using their modelling, cut-off grade and design practices, except for the small change in assume gold price. Aeris plans a full review of estimation practice and a rebuild of the Ore Reserve estimate under new assumptions in the coming year.

2020 Ore Reserves Tritton Tenement Package

June 2020

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
TRITTON UNDERGROUND							
Proved	1,200	1.5	17	0.1	4	5.4	200
Probable	1,100	1.6	17	0.1	3	3.5	120
TOTAL	**2,200**	**1.6**	**34**	**0.1**	**7**	**4.5**	**320**
MURRAWOMBIE UNDERGROUND							
Proved	-	-	-	-	-	-	-
Probable	1,100	1.7	19	0.4	13	8.1	205
TOTAL	**1,100**	**1.7**	**19**	**0.4**	**13**	**8.1**	**205**
MURRAWOMBIE OPEN PIT							
Proved	-	-	-	-	-	-	-
Probable	1,600	0.9	14	0.1	8	2.8	150
TOTAL	**1,600**	**0.9**	**14**	**0.1**	**8**	**2.8**	**150**
AVOCA TANK							
Proved	-	-	-	-	-	-	-
Probable	700	2.5	18	0.8	18	-	-
TOTAL	**700**	**2.5**	**18**	**0.8**	**18**	**-**	**-**
STOCKPILES							
Proved	11	1.4	0.2	-	-	-	-
Probable	-	-	-	-	-	-	-
TOTAL	**11**	**1.4**	**0.2**	**-**	**-**	**-**	**-**
TOTAL							
Proved	1,200	1.5	17	-	-	-	-
Probable	4,500	1.5	68	-	-	-	-
TOTAL	**5,700**	**1.5**	**86**	**-**	**-**	**-**	**-**

June 2019

	Tonnes (kt)	Cu (%)	Cu (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
TRITTON UNDERGROUND							
Proved	2,400	1.5	37	0.1	8	5.2	400
Probable	600	1.4	8	0.1	57	4.4	81
TOTAL	**3,000**	**1.5**	**45**	**0.1**	**65**	**5.1**	**480**
MURRAWOMBIE UNDERGROUND							
Proved	-	-	-	-	-	-	-
Probable	1,400	1.8	24	0.3	15	5.9	260
TOTAL	**1,400**	**1.8**	**24**	**0.3**	**15**	**5.9**	**260**
MURRAWOMBIE OPEN PIT							
Proved	-	-	-	-	-	-	-
Probable	1,600	0.9	14	0.1	230	2.8	150
TOTAL	**1,600**	**0.9**	**14**	**0.1**	**230**	**2.8**	**150**
AVOCA TANK							
Proved	-	-	-	-	-	-	-
Probable	700	2.5	18	0.8	18	-	-
TOTAL	**700**	**2.5**	**18**	**0.8**	**18**	**-**	**-**
STOCKPILES							
Proved	40	1.6	0.6	-	-	-	-
Probable	-	-	-	-	-	-	-
TOTAL	**40**	**1.6**	**0.6**	**-**	**-**	**-**	**-**
TOTAL							
Proved	2,400	1.5	37	-	-	-	-
Probable	4,300	1.5	65	-	-	-	-
TOTAL	**6,700**	**1.5**	**100**	**-**	**-**	**-**	**-**

Note: 1. Discrepancy in summation may occur due to rounding.
2. Cut-off grades vary between deposits and are selected based on economic analysis. They are not a break-even cut-off.
3. Mineral Resources are quoted as INCLUSIVE of the Ore Reserve estimate.
4. All Mineral Resource that is available for conversion to Ore Reserve has been evaluated and is included in the Ore Reserve estimate where it meets economic and other criteria.

Competent Person Statement

Mr Ian Sheppard, confirms that he is the Competent Person for all the Ore Reserves estimates summarised in this Report and Mr Sheppard has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Sheppard is a Competent Person as defined by the JORC Code, 2012 Edition, having sufficient year experience that is relevant to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Sheppard is a Member of The Australasian Institute of Mining and Metallurgy, No. 105998. Mr Sheppard has reviewed the Report to which this Consent Statement applies. Mr Sheppard is a full time employee of Aeris Resources Limited.

Mr Sheppard has disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Specifically, Mr Sheppard has rights to 22,418,546 share options that were issued on 15 December 2015 that will vest over five years from the issue date and may be converted to shares over time when various conditions are met.

With respect to the sections of this report for which Mr Sheppard is responsible – Ore Reserve estimates – Mr Sheppard consents to the release of the Mineral Resources and Ore Reserves Statements as at 30 June 2019 by the Directors of Aeris Resources Limited.

2020 Ore Reserves Cracow Tenement Package

June 2020

	Tonnes (kt)	Au (g/t)	Au (koz)
CRACOW			
Proved	280	5.2	46
Provable	270	4.9	43
TOTAL	**550**	**5.1**	**89**

December 2019

	Tonnes (kt)	Au (g/t)	Au (koz)
CRACOW			
Proved	400	5.8	76
Provable	210	5.7	38
TOTAL	**610**	**5.8**	**114**

Note: 1. Discrepancy in summation may occur due to rounding.
2. Cut-off grades vary between areas and are selected based on economic analysis. They are not a break-even cut-off.
3. Mineral Resources are quoted as inclusive of the Ore Reserve estimate.
4. All Mineral Resource that is available for conversion to Ore Reserve has been evaluated and is included in the Ore Reserve estimate where it meets economic and other criteria.

Competent Person Statement

Mr Matthew Gray confirms that he is the Competent Person for the Cracow Gold Operations Ore Reserves estimates summarised in this Report and Mr Gray has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Gray is a Competent Person as defined by the JORC Code, 2012 Edition, having sufficient years' experience that is relevant to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Gray is a Member of The Australasian Institute of Mining and Metallurgy, No. 225170. Mr Gray has conducted the evaluation to which this Consent Statement applies. Mr Gray is a full-time employee of Aeris Resources Limited. With respect to the sections of this report for which Mr Gray is responsible – Cracow Gold Operations Ore Reserve estimates – Mr Gray consents to the release of the Ore Reserves Statement for Cracow Gold Operations as at 30 June 2020 by the Directors of Aeris Resources Limited.

Health, Safety and Environment

Tritton Copper Operations

Health And Safety

The Tritton Copper Operations had a challenging year in the management of safety. There were five lost time injuries during the year, each one of low or moderate severity. They contributed to a modest increase in the Total Reportable Injury Frequency Rate (TRIFR) to 34 for FY2020. This reverses the trend of gradual decline in TRIFR over prior years.

The safety management system used is a modern resources industry framework which focuses on the control of Catastrophic Potential Events (CPEs) – those events that have the potential to cause life changing injuries. Experience shows that most serious events are associated with failure to effectively implement known controls, rather than not knowing what the risks and controls should be. The safety system contains management control plans for all the principal hazards. These plans describe the critical controls required for each of the principal hazards and how they can be applied. The management plans are the body of knowledge used to control the CPEs.

The Safety Management System includes a continuous improvement framework. In FY2020 the process of new risk assessment for individual CPEs and then a review of the relevant management plan and its critical controls was commenced as the first round of improvement to the system. The complete cycle to review and improve the management control plans is expected to be completed over a two-year cycle. As each review is completed the site risk assessment and register is updated and checked for inconsistencies.

Involvement of operations team members in the review of the risk assessment and the management control plans is an important part of the training and learning required to embed the safety system as a behavior.

The principals applied when reviewing the management plans are to:

- Consolidate – by mapping related critical controls into groups with similar location, responsible persons, or technical knowledge. Hence improving the efficiency of monitoring, and assisting supervisors and managers to audit the critical controls in a practical way;
- Clarify – through review of the risk assessments with a broad range of people from across the workforce, building a better, clear understanding of the critical controls across all levels of the organisation, and
- Coordinate – a better understanding of critical controls will lead to more productive and insightful "visible leadership" interactions between leadership and the workforce. This happens because of the review and preparation of the improved documentation, making it easier for leadership to have meaningful discussions. All leadership will have the detail to ask good quality questions about critical controls, even if the subject matter is outside their expertise.

Continuous improvement of the safety management system under the principals of consolidate, clarify and coordinate is a key tactic in building an effective safety culture at Tritton Operations. Other methods of improving the safety culture from simple compliance approach to an active self-regulating and improving approach are being trialled. Our objective is to encourage a change in the behaviors that are contributing to the low severity injuries that are holding back improvement in the site TRIFR rate.

Operations training systems will be refreshed in FY2021 with the application of new technology solutions for the delivery of learning. We aim to improve the student experience and learning retention with an effective learning management system. At the same time the new technology will save effort in the management of training records, freeing staff time for on the job training and behavior coaching. training documents are reviewed simultaneously with the continuous improvement review of safety management plans and critical control verification. Improving the quality of the training material and the student experience will we believe have a positive impact on behavior and safety outcomes over time.

Tritton was audited on a regular basis during the year by the State Regulator, as part of the State strategy for targeted risk-based assessment programs. Each audit focusses on a single critical hazard and the effectiveness of the control plans at the operation. Pleasingly, the audits showed a high level of compliance, reaffirming the effectiveness of the critical controls in our safety management system.

A hazardous manual task education program that commenced in 2018 is to continue. Training the teams in manual handling to avoid sprains and strains has made a difference and we need to continue this intervention as new employees enter the workforce. The program has involved training in manual handling and regular on-site support from a physiotherapist.

Emergency Response

Tritton's Emergency Response Team (ERT) use highly specialised training to assist in the event of emergencies. The teams regularly train for competitions at the regional and national levels. These competitions simulate critical rescue missions that test and hone skills in first aid, search and rescue, firefighting, road accident rescue, ventilation and breathing apparatus.

Committing to mine rescue competitions requires hours of personal training time on behalf of participants, including strenuous physical and mental exercise.

A strong commitment from the workforce to get involved is supported by an investment in training and leadership by the Company. When required, the emergency response team of volunteer employees have provided excellent service.

Environment

Aeris continues to entrench environmental monitoring throughout its operations, creating keen environmental awareness behaviours with its employees. This is achieved through regular toolbox talks and environmental induction programs, paired with established environmental management systems and processes.

At the Tritton Copper Operations, environmental impacts and mine closure requirements are actively managed. Research into improving the methods for final mine closure and rehabilitation at the Murrawombie heap leach site are being conducted.

Tritton has relined the heap leach drainage ponds as a first step in closure of the site. Revised closure designs have been prepared for the heaps, following extensive testing of soils and rock materials at the site, targeted for use as rehabilitation covers. Similar research will now be conducted to refine design for the final closure and rehabilitation of the Tritton Tailings Storage Facility.

Community

Aeris aims to develop genuine and lasting relationships with stakeholders and the communities in which it operates. Never more so than during this very challenging past year, has Aeris valued it's relationships with the communities in which it operates.

The Company seeks to be an active participant in the economic and social wellbeing of its communities, and to contribute to long-term community prosperity by providing programmes which will thrive long into the future. The active programme of community participation near Aeris' Tritton Copper Operations and Cracow Gold Operations includes support of (but not limited to) the following areas:

- Education
- Health
- Sport and recreation
- Community and social
- Environmental

Examples of active community development initiatives include providing local apprentices with practical experience; provision of funding for local school activities; and sponsoring local sporting teams.

Budgets for Aeris' community support programs are set at a site level in consultation with the corporate office in Brisbane. The committee members are all Aeris employees and meet on a regular basis to consider applications for funding and sponsorship using the Company's values as the guide for areas of focus.

Case Studies

Tritton Copper Operations

Duck Creek Races

The Duck Creek Races is one of the biggest community events of the year, and Aeris is proud to support events such as these that help support to local businesses and the wider community.

This year thousands of racegoers, including many Aeris employees, flocked to Nyngan from surrounding regional centres.

Aeris was a bronze sponsor of the event in 2020 and looks forward to supporting it for many years to come.

Girilambone public school project

Mill Maintenance Plant Superintendent Col Wright and his team worked alongside the Girilambone Public School to procure materials for the school's new play area through one of Aeris' suppliers.

The team assisted the Girilambone School with the welding of the equipment and installed PVC on site for them.

Bra Speak Students visit Tritton

The HSET Team hosted nine Bra Speak indigenous students from years 7-10 and their English teacher Mr Toby Miles for a tour of Tritton.

Students completed a site induction followed by an overview of the mining operations and a career talk. After an introduction to Tritton's major landmarks and attractions (ROM Pad, TSF, Processing Plant, Waste Dump, Box Cut, etc.) they visited the Emergency Response Team (ERT) training complex.

The ERT room was used for a simulated emergency exercise, filled with smoke and as the students made their way through it as best they could, they were also introduced to the training refuge chamber and its function in an emergency underground. The students said that this was the highlight of the day.

The program was a great success for the students, and it is just one of the many ways that Aeris tries to promote and include the local community in its operations.

NSWRL Young Achievers tour Papua New Guinea

In 2008, a group of young Rugby League Players from the western area of NSW was invited to be part of the NSWRL Young Achievers Squad Tour to Papua New Guinea. Mill Maintenance Superintendent Col Wright is Head Coach of the 20 players, two of whom are from Nyngan, who travelled to PNG.

During the tour the Young Achievers watched the Popondetta Rugby League Grand Finals and played two games there themselves. The team was the first touring side to play in the Oro Province, which lies on the northern side of Kokoda. The Young Achievers also visited the War Memorial Park, the Buna Battlefield and historical sites of WW2.

Tritton Apprentices

Gryphon Psychology employee assistance program

Aeris offers all employees and their families access to our Employee Assistance Program (EAP) via Gryphon Psychology.

Gryphon Psychology has recently begun conducting online presentations covering a range of topics. All presentations are offered as online in a broadcast only format – so no interaction is required. The individual session lengths range from 30 minutes to 60 minutes.

As well as the online services, Aeris offers all staff and their families a free and confidential counselling service through Gryphon Psychology.

Cracow Gold Operations

Theodore Public School

The Cracow team is proud to continue its ongoing involvement with the Theodore State School through assistance with the STEM program, trade information, hosting students for site visits and the annual P&C motorbike trail ride.

Cracow provided five team members for the STEM day and trade challenge to assist with real life applications of STEM and trade subjects. We look forward to hosting the students again this year for a site visit to showcase the varied prospective careers available in STEM and Trade.

This year, the high school students looked to mark the transition from Primary School, by designing and voting on a new school shirt. To mark the occasion, we provided a new school shirt to every high school student.

RSL ANZAC Day Service

Like many other events, the 2020 ANZAC day ceremony was impacted by COVID-19. While the RSL was unable to host it's usual dawn and morning services, we were afforded the chance to attend the cenotaph throughout the day as individuals or household family groups, ensuring no crowds gathered and social distancing was maintained.

It is always a sombre occasion and this year has given us all much more to think about, to be thankful for, and to appreciate the sacrifices made by others to keep us safe.

Cracow has been supporting the RSL sub-branch and the ANZAC Day services annually for many years and we look forward to supporting this important community event well into the future.

Meals on Wheels

For more than 7 years, the Cracow team has been providing Meals on Wheels for elderly residents in Cracow.

This invaluable service not only provides nutritious meals, it is also a great way to check on and to keep in touch with people living alone and with minimal assistance.

Our team delivers meals three times a week to our elderly residents, and will continue this valuable community service for many years to come.

Recruiting and employing from local areas

Aeris is proud to recruit primarily from local areas for its workforce. Aeris makes it a priority to recruit from local areas and train people with the skills required to become integral members of the operation's workforce. Wherever possible, we seek to support local services and suppliers to keep the benefits of our operations local.

Directors Report

Directors' Report

The Directors present their report together with the financial statements of Aeris Resources Limited (Aeris or the Company) and its controlled entities (Consolidated Entity or the Group) for the 12 months to 30 June 2020.

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	Appointed/ Resigned
Andre Labuschagne	
Chairman and Non-Executive Director 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. Other current directorships (ASX listed entities): Magontec Limited Former directorships in the past 3 years (ASX listed entities): None	Appointed: 20-Dec-2012
Alastair Morrison	
Independent Non-Executive Director & Member of the Audit Committee 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. Other current directorships (ASX listed entities): None Former directorships in the past 3 years (ASX listed entities): None	Appointed: 10-Dec-2010
Michele Muscillo	
Independent Non-Executive Director & Chairman of the Audit Committee 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. Other current directorships (ASX listed entities): Cardinal Resources Limited; Xanadu Mines Limited and Mako Gold Limited Former directorships in the past 3 years (ASX listed entities): None	Appointed: 2-May-2013

Name, experience and other directorships	Appointed/ Resigned
Marcus Derwin	
Non-Executive Director Mr Derwin is a highly experienced corporate executive and Board director, with an extensive background in corporate restructuring. He brings international experience, across a diverse range of industry sectors. His professional career has encompassed a combination of advisory and principal executive capacities, including managing a $A2Bn global Alternative Assets portfolio over 5 years and also the formation and management of a $A550m LIC. Additionally, he has advised boards – both public and private and worked within and alongside executive teams on implementation, stakeholder management and recapitalisation strategies. Mr Derwin's professional background includes senior roles at AMP, National Australia Bank, Allco Equity Partners, PwC and KPMG. Other current directorships (ASX listed entities): None. Former directorships in the past 3 years (ASX listed entities): None	Appointed: 18-April-2016 Resigned: 27-July-2020
Colin Moorehead	
Independent Non-Executive Director 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. A geologist by training, is 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) and Executive Chairman of Sihayo Gold Limited (ASX: SIH). Other current directorships (ASX listed entities): Xanadu Mines Limited and Sihayo Gold Limited. Former directorships in the past 3 years (ASX listed entities): Finders Resources Limited.	Appointed: 27-July-2020

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, 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 15 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	18	18	2	2
Alastair Morrison	18	18	2	2
Michele Muscillo	18	18	2	2
Marcus Derwin	18	18	2	2

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 only four Directors, 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.

Corporate Governance

The Company's Corporate Governance Statement for the year ended 30 June 2020 may be accessed from the Company's website at https://aerisresources.com.au/investor-centre/#corporate-governance.

Principal Activities

The principal activities of the Consolidated Entity for the year ended 30 June 2020 were the production and sale of copper, gold and silver and the exploration for copper. Other than as referred to on pages 50 and 51, there were no significant changes in those activities during the financial year.

Operating And Financial Review

During the year ended 30 June 2020, the primary operational asset of Aeris Resources (Aeris or the Company) was its Tritton Copper Operations located near the town of Nyngan in central New South Wales.

On 4 June 2020, Aeris announced the acquisition of the Cracow gold mine (Cracow) from Evolution Mining Limited. The acquisition was completed on 1 July 2020. Cracow is an established, high grade, low cost underground gold mining and processing facility located in Queensland, Australia. The mine has been operating continuously since 2004, producing more than 1.4 million ounces over its life, with a consistent track record of profitability and reserve replacement.

Financial Results

The Group recorded a loss after tax for the financial reporting year to 30 June 2020 of $$38.351 million, compared with a loss after tax for the year ended 30 June 2019 of $12.673 million.

The June 2020 financial result for the Group was impacted by a number of key factors, including:

- Revenue from contracts with customers was $227.313 million, compared to $232.338 million for the prior corresponding period. This decrease was driven by lower copper production of 25,041 tonnes compared to 26,852 tonnes in the prior corresponding period, partially offset by higher Australian dollar copper prices achieved (A$8,300/t), compared to the prior corresponding period (A$8,015/t);
- Cost of goods sold of $217.303 million decreased from the prior year (2019: $218.525 million) due to the volume impact of lower tonnes mined, processed and shipped, and lower treatment and refining costs;
- Foreign exchange impacts, mainly on foreign exchange movements on interest bearing liabilities and USD denominated receivables resulted in a loss of $3.027 million for the year ended 30 June 2020 (a loss of $2.820 million for the year ended 30 June 2019). The AUD/USD exchange rate at 30 June 2020 was $0.6848 compared to $0.7020 at 30 June 2019;
- Transaction costs of $3.126 million were recognised for the year ended 30 June 2020 in relation to the acquisition of the Cracow gold mine. Please refer to page 51 for more information regarding this post balance date event;
- A loss of $1.2 million was recognised for the year ended 30 June 2020 (30 June 2019: $nil) in relation to a movement in the fair value of the investment in Australian listed equity held at fair value through the profit or loss; and
- An impairment loss of $23.127 million was recognised during the year ended 30 June 2020. This impairment loss was recognised in respect of the Tritton Copper Operations using a fair value less costs to dispose methodology.

Financial Position

At 30 June 2020, the Group had a positive net asset position of $73.649 million (30 June 2019: $76.890 million).

The June 2020 net asset position for the Group was impacted by a number of key factors, including:

- As noted above, an impairment loss of $23.127 million was recognised during the year ended 30 June 2020. This impairment loss was recognised in respect of the Tritton Copper Operations using a fair value less costs to dispose methodology. The impairment loss was applied to the mine properties in use asset.
- In connection with the acquisition of Cracow, the Group conducted a $40.016 entitlement offer and placement. $33.752 million in proceeds, net of transaction costs, were received from this entitlement offer and placement prior to 30 June 2020. Additional information regarding this equity transaction is outlined below.
- On 27 December 2019, Aeris announced that it had reached agreement with its financier and

major shareholder, Special Portfolio Opportunity V Limited (SPOV) (a subsidiary of a fund managed by PAG) to extend the maturity dates for its Tranche A and Tranche B debt facilities to 1 July 2021 (previously 14 March 2020).

The Company's net cash inflow from operating activities during the financial year was $30.238 million, with net cash outflows from investing activities of $25.885 million and net cash inflows from financing activities of $27.555 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. Fortunately, the impact of COVID-19 on Aeris' operations has been modest in comparison to businesses in industries that have been more directly impacted.

In response to the pandemic, the Group moved swiftly to implement a COVID-19 Management Plan, which it continues to review, update and communicate as additional information becomes available. Current measures undertaken by the Group include limiting access to operational sites to essential personnel only, limiting employee travel, adjusting work arrangements for site and corporate teams, and increased communication to our workforce and partners.

Tritton Copper Operations

During the year ended 30 June 2020 the Group's primary asset, the Tritton Copper Operations, produced 25,041 tonnes of copper, exceeding the guidance of between 23,500 and 24,500 tonnes.

The Tritton Operations were impacted during the financial year by drought conditions in central NSW that lasted into early 2020. Supply of fresh water to the Tritton Operations is from Burrendong Dam through the Macquarie River system. WaterNSW ceased supply of water to Gunningbar Creek, the draw point for Tritton to access water from the Macquarie River system, in November 2019. From mid-November 2019 the Tritton Operations commenced utilising water stored on-site whilst a new water pipeline between the Tritton processing plant and the Nyngan-Cobar pipeline was completed. The new pipeline was completed in mid-January 2020 with the first water being delivered to the Tritton processing plant in late January 2020. The pipeline ensured that the remaining water allocation for the financial year could be delivered.

A series of rain events from early February significantly improved the water supply conditions in the Macquarie River valley catchment with Burrendong Dam currently at greater than 42% of capacity (~1.5% capacity as at end of December 2019). Tritton's current water supply sources (allocations and stored water) secure the operation's water requirements for the financial year ending 30 June 2021.

Tritton Underground Mine (Tritton)

Ore production of 1.1 million tonnes at Tritton was in-line with the tonnage produced in the prior year.

Changes to the stope design and extraction sequence introduced in prior financial years performed well during the year, delivering stable production. As mining at Tritton moves to deeper levels, the mine is increasingly impacted by variations in timing of production stopes availability. Scheduling of mining activities has therefore become increasingly important and an area of great focus to ensure planned production levels are achieved.

Mining of an exploration decline to access the Budgerygar deposit commenced late in the financial year. The Budgerygar deposit is located 600 metres to the North East of the Tritton mine. The access drive is being mined from the Tritton decline at 270 metres below the surface using the same services and ventilation as the Tritton mine. Once the access drive has been established a drilling program will be undertaken. A full feasibility study will be undertaken during the year ending 30 June 2021 to establish Budgerygar as a satellite operation to the Tritton mine.

Murrawombie Underground Mine (Murrawombie)

Murrawombie is the secondary production source for the Tritton Copper Operations. Geology mapping, drilling, and detailed modelling has been a focus throughout the financial year at Murrawombie. Production from Murrawombie in the current financial year provided a higher-grade source of ore to the processing plant due to selective mining of the higher-grade mineralisation in the mine.

Mining operations were impacted on several occasions due to a shortage of good quality water in early January 2020, causing damage to pumping infrastructure and to radiators on drilling equipment. Graphite on shear structures located in the hanging wall of some stopes in the 102 and 108 lodes have also caused both geotechnical and metallurgical challenges during the year.

Underground drilling continued at Murrawombie throughout the period. In total, 80 drill holes were completed, with a majority focused on constraining the southern extents of the main mineralised system (102 lode and 108 Lodes). The drill holes were extended further into the Hanging Wall (HW), testing the upper extensions of mineralisation previously intersected beyond the main Murrawombie mineralised system. The updated geological interpretation has culminated in the identification of three new copper sulphide lodes.

Processing

Ore processed during the financial year ended 30 June 2020 was 1,640,679 tonnes, compared to 1,669,274 tonnes in the prior corresponding period. Copper recovery for the period of 93.5% was below that achieved 94.7% during the period ended 30 June 2019. Three major planned shutdowns were completed during the financial year with no material disruption to the operations.

Throughput and copper recovery were impacted by poor water quality from mid-November through to February as operations transitioned from fresh water to water stored on-site. Production rates and recoveries recovered to normal levels by the end of the March quarter as the newly completed pipeline enabled access to fresh water supplies.

Cracow Gold Operations

On 4 June 2020, Aeris announced the acquisition of the Cracow gold mine from Evolution mining. This acquisition was completed on 1 July 2020. Cracow is an established, high grade, low cost underground gold mining and processing facility. The mine has been operating continuously since 2004, producing more than 1.4 million ounces over its life, with a consistent track record of profitability and reserve replacement. Please refer to page 51 for more information regarding this post balance date event.

Cracow is located approximately 500 kilometres north-west of Brisbane, nearby to the communities of Cracow and Theodore and on the traditional lands of the Wulli Wulli. The mine is accessible by sealed roads connecting to Biloela and major regional highways via Theodore and is supplied with reliable power from the grid and water under licence from the Dawson River.

The mine is located in a highly endowed goldfield with gold mineralisation hosted in steeply dipping, structurally controlled low sulphidation epithermal veins. Total Mineral Resource at 31 December 2019 was 2.55 Mt @ 4.21 g/t Au (345 koz gold) with an Ore Reserve of 0.61 Mt @ 5.78 g/t Au (114 koz gold) (114 koz gold)[1].

The underground mine is accessed through a single surface decline with ore primarily mined via open stoping through a modified Avoca mining sequence. Processing is via a 570 ktpa capacity facility involving conventional crushing and grinding, followed by a leaching / CIP circuit to recover gold and silver doré.

Cracow has a strong track record of ore reserve and mineral resource replacement and Aeris plans to aggressively invest in brownfield and greenfield exploration with the aim of growing the resource base to extend mine life. Multiple near-term opportunities for resource conversion have been identified with some $13 million budgeted over the next two years for exploration. Key priorities include both underground near mine extensions (e.g. Killarney) as well as nearby open pit deposits (e.g. the Golden Plateau and Roses Pride).

Cracow exceeded expectations during the first month of ownership, producing 8,138 oz of gold.

Torrens Project

The Torrens Project (Torrens), a joint venture between Aeris (70%) and Argonaut Resources NL (30%) (ASX: ARE) is exploring for iron-oxide copper-gold systems for iron-oxide copper-gold systems within the highly prospective Stuart Shelf Region of South Australia, and in February 2018 secured the final approval required to proceed with on-ground exploration activities, including a major drilling program.

The Torrens Project lies within 50 kilometres of Oz Minerals' Carrapateena deposit and 75 kilometres from BHP's Olympic Dam mine. It covers a large magnetic and gravity anomalous zone with a footprint greater than Olympic Dam.

Another major milestone was achieved in January 2019 when drilling began at Torrens. By the end of the year ended 30 June 2019, two holes had been drilled to target depth and two others had to be abandoned due to issues drilling through an aquifer. The drilling program has now been paused to enable the processing of the geological data collected during the program, in conjunction with reviewing the finalised geophysical interpretation work completed during the year.

Geological work will focus on re-evaluating and refining geological target areas for future drill campaigns.

1 Full details of the Cracow Mineral Resource and Ore Reserve are provided in the report entitled Annual Mineral Resources and Ore Reserves Statement released on 12 February 2020 and available to view at www. evolutionmining.com.au. See also Slide 61 of Aeris' Investor Presentation released to ASX on 4 June 2020 and available at https://www.aerisresources.com.au/investor-centre/#asx-announcements.

Exploration

The highly prospective Tritton Copper Operations tenement package covers 2,160km^2 in central western New South Wales. To date over 750,000 tonnes of copper has been discovered within the bottom half of the tenement package, within a 50 kilometre corridor adjacent to a stratigraphic unit referred to as the Budgery Sandstone. Geological mapping has extended the known extents of the Budgery Sandstone unit a further 65 kilometres through the northern half of the tenement package, with potential to extend for a further 40 kilometres.

Exploration activities during the financial year included:

- Underground drilling at the Murrawombie deposit further extended the limits of the known mineralized envelopes, with variable quantities of sulphides intersected, culminating in the identification of three new copper sulphide lodes;
- Ground based electromagnetic (MLTEM) survey within the northern half of the tenement package was completed in the middle of 2019. MLTEM surveying over an anomaly toward the northern margin of the Company's exploration tenement boundary confirmed the presence of a bedrock conductor (Anomaly K). Current modelling indicates plate dimensions varying from 200 metres x 200 metres to 325 metres x 325 metres with modelled conductance ranging between 100 S to 150 S. The modeled body is positioned approximately 150 metres below surface. The conductive plate is interpreted to extend beyond the northern boundary of the Company's exploration tenement. An exploration licence (EL) application was submitted to the Department of Planning, Industry and Environment to cover the full extent of Anomaly K. This EL (EL8987) was granted in early FY2021; and
- A modest drill campaign, totalling three drill holes was completed within the Murrawombie to Avoca Tank prospective corridor, including one drill hole (TCBD010) at the Caribou Prospect. Drill hole TCBD010 intersected a broad zone of pyrite +/- chalcopyrite disseminations and minor stringer veins 100 metres down plunge to the known mineralised system. Copper assays over the broad interval reported 36.0m @ 0.10% Cu. Strong chlorite alteration was observed throughout the sulphide interval, which is commonly observed in close association to known mineralised systems elsewhere in the region. A downhole EM (DHEM) survey was completed down TCBD010 and detected an off-hole conductor above the drill hole, which corresponds with the mineralised zone intersected from previous drilling. The modelled plate extends further down plunge than previously modelled DHEM plates (combined total plunge extent 200 metres). The drill results and modelled DHEM plates at the Caribou prospect are encouraging.

Aeris Resources' future exploration strategy will be focused on:

- Greenfields and brownfields exploration at its wholly owned Tritton Copper Operations in New South Wales (NSW);
- A two-year, $13 million exploration program at its newly acquired Cracow Gold Operations in Queensland, seeking to bring additional material into JORC category through identified brownfield targets; and
- The Torrens greenfields exploration project in South Australia (SA), 70% owned by Aeris.

Conversion and cancellation of Convertible Redeemable Preference Shares

On 2 April 2020, Aeris announced that Tudor Court Limited (TCL) had acquired 83,665,000 Convertible Redeemable Preference Shares (CRPS) in the Company from Standard Chartered Bank.

On 8 April 2020, the 83,665,000 CRPS held by TCL were converted to fully paid ordinary shares, resulting in the issue of 83,665,000 new shares.

The remaining 9,745,609 CRPS held by Standard Chartered Bank were redeemed by the Company for US$1.00 (Redemption) and cancelled. For the purposes of section 254K of the Corporations Act 2001, the Company issued 1 ordinary fully paid share in the Company raising gross proceeds of AUD$2.00 for the purposes of the Redemption.

Accelerated Renounceable Entitlement Offer and Placement

On 4 June 2020, Aeris announced the acquisition of the Cracow gold mine, which included 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 Cracow (refer note 17); and
- The transaction costs associated with the equity raise and acquisition.

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 was completed 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 Balance Sheet and Consolidated Statement of Changes in Equity as at 30 June 2020 as Prepaid Contributed Equity. The prepaid proceeds were transferred to Contributed equity on 1 July 2020. The remainder of the proceeds were received and recorded to Contributed Equity on 1 July 2020.

Extension of debt facility

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

The key terms of the extension also included:

- The capitalisation of all interest due and payable between 14 December 2019 and 30 June 2020;
- The cancellation of the undrawn component of the Tranche A Facility; and
- The inclusion of additional Review Events related to completion of the water pipeline and availability of water.

Additional amendments to the Group's debt facilities became effective 1 July 2020. Please refer to the below section on significant events after the balance date for additional details on these post balance date amendments.

Significant Events After The Balance Date

Acquisition of Lion Mining Pty Ltd (Cracow Gold Mine)

On 1 July 2020, Aeris Resources Limited, through its wholly owned subsidiary Aeris Regional Holdings Pty Ltd, acquired 100% of the issued shares in Lion Mining Pty Ltd, owner and operator of the Cracow Gold Operations (Cracow). Cracow is an established, high grade, low cost gold mine located 500 kilometres north-west of Brisbane in Queensland, Australia.

The financial effects of this transaction have not been recognised at 30 June 2020. The operating results and assets and liabilities of the acquired Company will be consolidated from 1 July 2020.

The purchase consideration for the acquisition includes the following components:

- Cash payment on settlement of $60 million;
- Deferred cash payment payable on 30 June 2022 of $15 million; and
- A contingent consideration arrangement that requires the Group to pay the former owners of Lion Mining Pty Ltd a 10% net value royalty from 1 July 2022 to 30 June 2027, up to a maximum undiscounted amount of $50 million.

Acquisition-related costs of $3.126 million have been recognised in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2020.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Lion Mining Pty Ltd. 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.

Amendment and extension of debt facility

Effective 1 July 2020, the terms of the Group's Senior Loan Note Subscription Agreement with Special Portfolio Opportunity V Limited (SPOV) were amended, resulting in the following changes:

- Extension of the maturity dates for its Tranche A (Working Capital Facility) and Tranche B (Term Loan) debt facilities to 1 July 2023 (previously 1 July 2021);
- Quarterly loan amortisation payments of US$2.5 million on Tranche B, commencing 1 July 2021;

- Quarterly loan amortisation payments of US$2.5 million on Tranche A, to commence after the repayment of Tranche B;
- Establishment of the Tranche C Acquisition Bridging Facility for $30 million, to facilitate the acquisition of Cracow, with a maturity date of 1 July 2021 and quarterly loan amortisation payments of $7.5 million, commencing 1 October 2020; and
- Establishment of a $15 million Contingent Instrument facility to be used for the replacement of financial assurances relating to Cracow.

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 and Expected Results

The copper production guidance at Tritton Copper Operations for the year ending 30 June 2021 is between 23,500 tonnes and 24,500 tonnes at a C1 cash cost of between A$2.80/lb and A$2.95/lb.

Gold production guidance for the year ending 30 June 2021 at Cracow Gold Operations is 70,000 – 75,000 ounces at a C1 Cash Cost of A$980/oz.

Dividend

The Directors have not recommended payment of a dividend for the year ended 30 June 2020. No dividend was paid during the current year.

Environmental Regulations

The Company'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 Company's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

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 and will expire six years after the issue date (31 December 2021). There were no ordinary shares of the Company issued during the 12 months to 30 June 2020 on the exercise of Options.

There were no additional shares issued under option nor any shares under option cancelled as at 30 June 2020.

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 Group. 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 2020 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 20 to the accounts.

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 20 to the accounts, 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 63.

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.

Remuneration Report

The Directors are pleased to present your Company's 2020 Remuneration Report which sets out remuneration information for Aeris Resources Limited's Non-executive Directors, Executive Directors and other Key Management Personnel.

Remuneration Principles And Overview

In establishing the executive reward framework the Board has adopted a remuneration strategy intended to support the delivery of long-term shareholder value and to ensure executive rewards reflect achievement.

As a Company developing resource assets in highly cyclical markets, financial results can differ significantly from year to year, dependent on the development stage of assets and on pricing of commodities in international markets. It is important to the Company that its remuneration philosophy enables the Company to retain and motivate its executive team to manage through these cycles.

In terms of developing a remuneration strategy the Board has adopted the following remuneration principles:

- Strong relationship between performance and reward;
- Recognition of calibre and skills of executives;
- Transparency of remuneration philosophy; and
- Policy and practice are consistent with industry and community standards.

To support the remuneration principles, our remuneration and benefits strategy aims to:

- Maintain fair, consistent and equitable total remuneration practices in alignment with core values, vision and mission;
- Be competitive with the market;
- Build in individual differentiation based on performance and contribution;
- Reward superior performance;
- Reward by aligning remuneration achievement to the success of the Company and individual achievement;
- Attract the best potential candidate, motivate and retain our highest potential and skilled people;
- Ensure sufficient flexibility in the structure of remuneration to adjust to changing economic conditions; and
- Communicate effectively our remuneration and benefits proposition.

To achieve the strategy, Aeris will reward employees in a way that reflects the dynamics of the market and the context in which the Company operates. Remuneration will at all times be aligned to the strategic direction and business specific value drivers of Aeris.

Use Of Remuneration Consultants

During the year ended 30 June 2020, the Remuneration Committee of Aeris Resources Limited did not employ the services of a remuneration consultant to provide recommendations as defined in section 9B of the Corporations Act 2001.

Key Management Personnel

Directors of the Company during the financial year, including experience, qualification and special responsibilities are set out on pages 45 and 46 of the Directors' report.

The Key Management Personnel of the Company during the year ended 30 June 2020 are set out on pages 57 to 59.

Executive Remuneration

Remuneration packages are based around a combination of the following:

- Fixed remuneration; and
- Variable remuneration;
  - Short-term incentive; and
  - Long-term incentive.

Fixed Remuneration

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

- Base salary;
- Leased motor vehicle;
- Superannuation;
- Coverage for death and total and permanent incapacity; and
- Salary continuance insurance.

The fixed remuneration will be 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.

The Board considers that executive remuneration must be at levels to attract and retain a talented and capable senior executive team.

Variable Remuneration – Short Term Incentives (STI)

The Company's remuneration philosophy recognises the importance of 'at risk' or variable pay as an integral component of total potential reward. The Remuneration Committee (Committee) has established a Short-Term Incentive Plan (Plan) structure and review process to strongly link executive remuneration to performance and to the creation of value for shareholders.

The Company's STI Plan is an "at risk" cash award program administered by the Remuneration Committee. The Plan offers executives an opportunity to earn a lump sum cash payment of up to 30% of their base salary - the maximum target varies by particular individual role.

Award outcomes are determined through the Remuneration Committee's assessment of an executive's progress against a range of goals and specific, measurable targets established by the Committee at the start of the performance year. Performance requirements will provide for 'stretch' goals in addition to achievement of Board approved budget objectives, works programmes and strategic plans.

Aims of the STI Plan

The Remuneration Committee considers that the STI Plan, as established, will facilitate achievement of the following aims:

- Incentivising superior executive performance in areas of specific challenge;
- Ensuring total target rewards for performance are competitive and appropriate for the results delivered;
- Providing balance to total reward packages sufficient to ensure the Company attracts and retains executives of high calibre and who demonstrate the capacity to manage our operations successfully; and
- To drive successful execution of business plans and achievement of strategic aims directly aligned with enhanced shareholder value.

Establishment of goals

For each STI Plan cycle the Remuneration Committee oversees the identification of appropriate performance measures, setting of goals and endorsement of specific targets for each member of the senior executive team. The Remuneration Committee ensures that these elements clearly reflect the factors deemed critical to the Group's strategic and business plans for the relevant year.

Determination of STI outcomes

At the end of a performance cycle the Remuneration Committee determines the award of STI's to the senior executive team based on assessed performance relative to the goals established. The Remuneration Committee retains the discretion to adjust STI awards in exceptional circumstances, including determining that no award will be paid.

Timing

Awards for performance under the STI Plan will be 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 (for example – production, operating costs and safety benchmarks) are finalised and compared to the respective STI targets allocated to each eligible senior executive team member.

Variable Remuneration – Long Term Incentives (LTI)

Employee Options

Executive management options (Options) were approved by shareholders at an Extraordinary General

Meeting (EGM) held on 15 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 are granted for no consideration, have a $nil exercise price and carry no dividend or voting rights.

When exercisable, each Option is convertible into one ordinary share and will be issued within 10 business days after the Company receives an Exercise Notice.

The Options may only be exercised so as to not result in the respective Key Management Personnel (Holder) having a voting power in the Company in excess of 19.99%. If a Holder is unable to exercise their remaining vested options, due to this requirement, the Company must use its best and all reasonable endeavours to obtain any approval or consent to allow such exercise.

Upon vesting, the shares will be subject to a period of voluntary escrow, with the shares being released from escrow in progressive tranches from 31 December 2018.

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.

The number of Options granted on 15 December 2015 totalled 93,410,609. At 30 June 2020 82.5% of the options had vested.

The Options vest in five tranches as follows:

- 30.0% on 31 December 2016;
- 17.5% on 31 December 2017;
- 17.5% on 31 December 2018;
- 17.5% on 31 December 2019; and
- 17.5% on 31 December 2020.

Employee Share Acquisition Plan (ESAP)

The ESAP provided for long term incentives aligned with the creation of shareholder value, with rights being vested to shares when service and performance hurdles were met. The allocation of ESAP shares to executives is part of the Company's overall recognition and retention strategy and is intended to reward long-term value creation. There are currently no shares issued or allocated under the ESAP Share Plan.

No Hedging on LTI Grants

The Company does not permit executives to enter into contracts to hedge their exposure to performance shares granted as part of their remuneration package.

Directors and Non-executive Directors

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 Chairman is not present at any discussions relating to determination of his own remuneration.

The Board does 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.

Non-executive Directors' fees are determined within an aggregate Non-executive Directors' fee pool limit, which is currently $700,000 per annum.

The Board does not reward Non-executive Directors with variable remuneration (short term and long-term incentives).

EMPLOYMENT AGREEMENTS

Non-executive Directors are retained by way of a letter of appointment.

Remuneration and other terms of employment for Executive Directors and other Key Management Personnel are formalised in common law employment contracts in the form of a letter of appointment. Terms of appointment include the requirement to provide written notice of three or six months to terminate their employment. Termination benefits for Executive Director and other Key Management Personnel comply with the limits set by the Corporations Act 2001 that do not require shareholder approval.

In determining remuneration for Key Management Personnel, 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.

The Remuneration Committee did not meet during the year ended 30 June 2020. As the Board is comprised of only four Directors, 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.

The Board believes that it has been successful in retaining an experienced and effective executive team and that the executive team has been instrumental in negotiating the Company through a time of vulnerability in precarious financial and commodity markets, and which is currently engaged in re-positioning the Company for future growth.

The major provisions of the contracts of the Directors and Key Management Personnel are set out below.

Current Directors and Key Management Personnel

Andre Labuschagne - Executive Chairman

Andre Labuschagne entered into an employment arrangement with the Company, which commenced on 20 December 2012 and was amended as a result of the completion of a debt restructure as announced on 15 December 2015, through a deed of variation. For the year ended 30 June 2020, Mr Labuschagne's package consisted of a total fixed remuneration package of $575,025 (including superannuation), an insurance policy allowance, participation in a Short Term Incentive Plan and Employee Options.

At an Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Andre Labuschagne and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Labuschagne on 15 December 2015:

- Number of options issued - 37,364,244;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $1,264,780;
- Provided Mr Labuschagne remains employed by the Company, the Options will vest and become exercisable, for a $nil exercise price, as follows:
    - 11,209,273 Options on 31 December 2016;
    - 6,538,743 Options on 31 December 2017;
    - 6,538,743 Options 31 December 2018;
    - 6,538,743 Options 31 December 2019;
    - 6,538,743 Options 31 December 2020;
    - To the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Labuschagne's base salary is reviewed annually with such review taking into account a range of factors including performance of the individual and Company performance. As announced on 7 August 2020, Mr Labuschagne's base salary increased to $700,000 per annum plus 10% superannuation, effective 1 July 2020.

Alastair Morrison - Non-Executive Director

Alastair Morrison was appointed to the Board effective 10 December 2010. The service agreement does not contemplate a fixed term for Mr Morrison's appointment as a director.

As Non-executive Director, Mr Morrison was paid a fee of $60,000 per annum for the year ended 30 June 2020. Commencing 1 July 2020, the non-executive director fee has been increased to $80,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

Michele Muscillo - Non-executive Director

Michele Muscillo was appointed to the Board effective 1 May 2013. The appointment does not contemplate a fixed term for Mr Muscillo's appointment as a Director.

As Non-executive Director, Mr Muscillo was paid a fee of $60,000 per annum for the year ended 30 June 2020. Commencing 1 July 2020, the non-executive director fee has been increased to $80,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

Marcus Derwin - Non-executive Director

Marcus Derwin was appointed to the Board as a nominee of Standard Chartered Bank, effective 18 April 2016 and resigned effective 27 July 2020.

As Non-executive Director, Mr Derwin was paid a fee of $60,000 per annum for the year ended 30 June 2020. There are no additional fees paid for Committee responsibilities and participation.

Colin Moorehead - Non-executive Director

Colin Moorehead was appointed to the Board effective 27 July 2020.

As Non-executive Director, Mr Moorehead will be paid a fee of $80,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

Robert Brainsbury - Chief Financial Officer and Co-Company Secretary

Robert Brainsbury entered into an employment arrangement with the Company which commenced on 20 December 2012 and was amended as a result of the completion of a debt restructure on 31 December 2015, through a deed of variation. For the year ended 30 June 2020, Mr Brainsbury's package consisted of a total fixed remuneration package of $402,517 (including superannuation), an insurance policy allowance, participation in a Short Term Incentive Plan and Employee Options.

At the Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Brainsbury and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Brainsbury on 15 December 2015:

- Number of options issued 22,418,546;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $758,868;
- Provided Mr Brainsbury remains employed by the Company, the options will vest and become exercisable for a $nil exercise price as follows:
  - 6,725,564 Options on 31 December 2016;
  - 3,923,246 Options on 31 December 2017;
  - 3,923,246 Options 31 December 2018;
  - 3,923,246 Options 31 December 2019;
  - 3,923,246 Options 31 December 2020;
  - To the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Brainsbury's base salary is reviewed annually with such review taking into account a range of factors including performance of the individual and Company performance.

Ian Sheppard - Chief Operating Officer

Ian Sheppard entered into an employment arrangement with the Company which commenced on 15 March 2013 and was amended as a result of the completion of the Restructure on 31 December 2015, through a deed of variation. For the year ended 30 June 2020, Mr Sheppard's package consists of a total fixed remuneration package of $402,517 (including superannuation), an insurance policy allowance, participation in a Short Term Incentive Plan and Employee Options.

At the Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Sheppard and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Sheppard on 15 December 2015:

- Number of options issued 22,418,546;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $758,868;
- Provided Mr Sheppard remains employed by the Company, the options will vest and become exercisable for a $nil exercise price as follows:
  - 6,725,564 Options on 31 December 2016;
  - 3,923,246 Options on 31 December 2017;
  - 3,923,246 Options 31 December 2018;
  - 3,923,246 Options 31 December 2019;
  - 3,923,246 Options 31 December 2020;
  - To the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Sheppard's base salary is reviewed annually each year with such review taking into account a range of factors including performance of the individual and Company performance.

John Miller - General Manager Tritton Copper Operations

John Miller entered into an employment arrangement with the Company which commenced on 10 December 2012 and was amended as a result of the completion of the Restructure on 31 December 2015, through a deed of variation. For the year ended 30 June 2020, Mr Miller's package consists of a total fixed remuneration package of $385,329 (including superannuation), participation in a Short Term Incentive Plan and Employee Options. Mr Miller is also covered by the Company's Group Life Plan and Salary Continuance Plan.

At the Extraordinary Meeting of Shareholders held on 15 December 2015, a resolution was approved for the issue of options to Mr Miller and other Key Management Personnel as an incentive to ensure that relevant managers remain employed by the Company to deliver on the Company's stated business plan and growth strategy.

Summarised below are the details of the options issued to Mr Miller on 15 December 2015:

- Number of options issued 11,209,273;
- The options were granted for no consideration and carry no dividend or voting rights;
- Total value of options at date of issue - $379,434;
- Provided Mr Miller remains employed by the Company, the options will vest and become exercisable for a $nil exercise price as follows:
  - 3,362,782 Options on 31 December 2016;
  - 1,961,623 Options on 31 December 2017;
  - 1,961,623 Options 31 December 2018;
  - 1,961,623 Options 31 December 2019;
  - 1,961,623 Options 31 December 2020;
  - To the extent the Options have not previously vested – immediately upon a Change of Control Event.

Mr Miller's base salary is reviewed annually with such review taking into account a range of factors including performance of the individual and Company performance.

Details Of Remuneration

Details of the remuneration of the Directors and the Key Management Personnel of the Group are set out in the following tables. Elements of remuneration relating to STI's and equity are based on personal and Company performance and determined by the Remuneration Committee.

Remuneration of Key Management Personnel ('KMP') of the Group – 30 June 2020

	Short-Term Benefits						
	Salary & fees	Short-term incentive	Other	Post-employment Superannuation	Sub-total	Share based payments	TOTAL
	(A)	(B)	(C)	(D)		(E)	
DIRECTORS	$	$	$	$	$	$	$
NON-EXECUTIVE							
Michele Muscillo	60,000	-	-	-	60,000	-	**60,000**
Alastair Morrison	60,000	-	-	-	60,000	-	**60,000**
Marcus Derwin	60,000	-	-	-	60,000	-	**60,000**
	180,000	**-**	**-**	**-**	**180,000**	**-**	**180,000**
EXECUTIVE							
Andre Labuschagne^	550,025	275,012	7,212	25,000	857,249	250,299	**1,107,548**
	730,025	**275,012**	**7,212**	**25,000**	**1,037,249**	**250,299**	**1,287,548**
OTHER KMP							
Robert Brainsbury^	377,517	188,759	6,009	25,000	597,285	150,180	**747,465**
Ian Sheppard^	377,517	188,759	8,637	25,000	599,913	150,180	**750,093**
John Miller^	373,944	65,440	13,215	11,384	463,983	75,090	**539,073**
	1,128,978	**442,958**	**27,861**	**61,384**	**1,661,181**	**375,450**	**2,036,631**
	1,859,003	**717,970**	**35,073**	**86,384**	**2,698,430**	**625,749**	**3,324,179**

Notes to tables: ^ Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2020.

(A) Includes cash salary and Directors' fees.
(B) Short-term incentives reflect incentives accrued in relation to the 30 June 2020 financial year.
(C) Other relates to life insurance paid by the Company on behalf of the key management personnel. At the option of the employee this benefit is able to be reimbursed via an insurance allowance.
(D) Superannuation contributions are paid to meet the Superannuation Guarantee.
(E) The implied valuation of the options issued 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 have been applied to take into consideration the escrow period.

Remuneration of Key Management Personnel ('KMP') of the Group – 30 June 2019

	Short-Term Benefits						
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Superannuation	Sub-total	Share based payments	TOTAL
	(A)	(B)	(C)	(D)		(E)	
DIRECTORS	$	$	$	$	$	$	$
NON-EXECUTIVE							
Michele Muscillo	60,000	-	-	-	60,000	-	**60,000**
Alastair Morrison	60,000	-	-	-	60,000	-	**60,000**
Marcus Derwin	60,000	-	-	-	60,000	-	**60,000**
	180,000	**-**	**-**	**-**	**180,000**	**-**	**180,000**
EXECUTIVE							
Andre Labuschagne^	548,318	280,768	6,012	25,000	860,098	229,411	**1,089,509**
	728,318	**280,768**	**6,012**	**25,000**	**1,040,098**	**229,411**	**1,269,509**
OTHER KMP							
Robert Brainsbury^	377,502	204,749	4,887	25,000	612,138	137,647	**749,785**
Ian Sheppard^	377,502	196,821	6,550	25,000	605,873	137,647	**743,520**
John Miller^	370,338	87,470	16,316	13,924	488,048	68,823	**556,871**
	1,125,342	**489,040**	**27,753**	**63,924**	**1,706,059**	**344,117**	**2,050,176**
	1,853,660	**769,808**	**33,765**	**88,924**	**2,746,157**	**573,528**	**3,319,685**

Notes to tables: ^ Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2019.

(A) Includes cash salary and Directors' fees.

(B) Short-term incentives reflect both incentives paid in the 2019 financial year relating to the 30 June 2018 financial year and bonuses accrued but not paid in relation to the 30 June 2019 financial year.

(C) Other relates to life insurance paid by the Company on behalf of the key management personnel. At the option of the employee this benefit is able to be reimbursed via an insurance allowance. The 2019 disclosure has been restated to be consistent with the current year.

(D) Superannuation contributions are paid to meet the Superannuation Guarantee.

(E) The implied valuation of the options issued 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 have been applied to take into consideration the escrow escrow period.

The relative proportions of remuneration received that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At Risk - Short Term Incentive		At Risk - Equity	
Name	2020	2019	2020	2019	2020	2019
DIRECTORS						
Michele Muscillo	**100%**	100%	-	-	-	-
Alastair Morrison	**100%**	100%	-	-	-	-
Marcus Derwin	**100%**	100%	**-**	-	**-**	-
Andre Labuschagne	**53%**	53%	25%	26%	22%	21%
KEY MANAGEMENT PERSONNEL						
Robert Brainsbury	**55%**	55%	**25%**	27%	**20%**	18%
Ian Sheppard	**55%**	55%	**25%**	26%	**20%**	19%
John Miller	**74%**	72%	**12%**	16%	**14%**	12%

Share-Based Compensation

Employee Options

Executive management options (Options) were approved by shareholders at an Extraordinary General Meeting (EGM) held on 15 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. As part of the Restructuring approved on 15 December 2015 and completed on 31 December 2015 (Completion Date), the relevant managers in aggregate can earn, through the exercise of the Options over five years (subject to vesting conditions), a total of up to 19.99% of the Company's fully diluted capital.

The number of Options granted on 15 December 2015 totalled 93,410,609 at a $nil exercise price and will expire 6 years after the issue date (15 December 2021).

Name	Year Granted	Number of options issued	Value at Grant Date	Number of options vested	Vested	Cancelled	Maximum total value of grant yet to vest
			$		%	%	$
Andre Labuschagne	2016	37,364,244	1,264,780	30,825,501	83%	-	261,550
Robert Brainsbury	2016	22,418,546	758,868	18,495,300	83%	-	156,930
Ian Sheppard	2016	22,418,546	758,868	18,495,300	83%	-	156,930
John Miller	2016	11,209,273	379,434	9,247,650	83%	-	78,465
		93,410,609	**3,161,950**	**77,063,752**	**83%**	**-**	**653,874**

(A) The grant date for each share-based payment was 15 December 2015;

(B) The management options are granted for no consideration and carry no dividend or voting rights and have a $nil exercise price.

(C) Subject to the option holder remaining an employee of the Company for at least 12 months from the restructure, the Options will vest in five tranches as follows: 30% on first anniversary of Completion Date (31 December 2015); 17.5% for each year thereafter until the fifth anniversary (31 December 2020).

(D) 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 have been applied to take into consideration the escrow period. A discount for lack of marketability of 25%, 20%, 15% and 10% for Tranche 1($0.03), Tranche 2($0.032), Tranche 3($0.034) and Tranche 4 ($0.036) respectively.

Share-Based Compensation – 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 purpose of the plan is to attract, retain, motivate and reward key executive employees.

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.

Share-based compensation - Employee Exempt Plan

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. All Australian resident employees are eligible to participate in the scheme.

Under the scheme eligible employees may be offered up to $1,000 worth of fully paid ordinary shares in the Company annually for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price of the previous five trading days, is recognised in the balance sheet as share capital and the income statement as a share-based payment. Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment.

No shares have been issued under the scheme for the financial year ended 30 June 2020.

Shares held by Key Management Personnel

Name	Opening balance 1 July 2019	Issued and Acquired	Disposed/ Forfeited	Balance 30 June 2020
DIRECTORS				
NON-EXECUTIVE				
Michele Muscillo	21,739	-	-	21,739
Alastair Morrison	175,000	-	-	175,000
Marcus Derwin	183,500	-	-	183,500
EXECUTIVE				
Andre Labuschagne	140,000	-	-	140,000
OTHER KEY MANAGEMENT PERSONNEL				
Robert Brainsbury*	434,999	-	-	434,999
Ian Sheppard	-	-	-	-
John Miller	33,234	-	-	33,234

* Adjusted to reflect the correct amount of shares held as at 1 July 2019

Loans Given To Key Management Personnel

No loans have been provided by the Company to Key Management Personnel.

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
27 August 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Aeris Resources Limited for the year ended 30 June 2020, 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.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
27 August 2020

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Financial Report

Aeris Resources Limited ABN 30147131977
Annual Financial Report - 30 June 2020

Financial statements

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 47 to 51, which is not part of these financial statements.

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

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

Aeris Resources Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2020

	Notes	**2020 $'000**	2019 $'000
Revenue from contracts with customers	4	**227,313**	232,338
Cost of goods sold	5	**(217,303)**	(218,525)
Gross profit		**10,010**	13,813
Exploration expense	5	**(575)**	(898)
Administration and support	5	**(8,420)**	(9,638)
Net foreign exchange losses	5	**(3,027)**	(2,820)
Other expenses	5	**(1,391)**	(586)
Transaction expense	5	**(3,126)**	-
Impairment loss	5	**(23,127)**	-
Loss before net finance costs		**(29,656)**	(129)
Net finance costs	5	**(8,361)**	(8,128)
Loss before income tax		**(38,017)**	(8,257)
Income tax expense	6	**(334)**	(4,416)
Loss for the year		**(38,351)**	(12,673)
Loss for the year attributable to owners of Aeris Resources Limited		**(38,351)**	(12,673)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	9(d)	**-**	1,905
Income tax relating to components of other comprehensive income	6(d)	**-**	(572)
Other comprehensive income for the year, net of tax		**-**	1,333
Total comprehensive loss for the year		**(38,351)**	(11,340)
Total comprehensive loss for the year attributable to owners of Aeris Resources Limited		**(38,351)**	(11,340)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	21(a)	**(7.4)**	(3.1)
Diluted earnings per share	21(b)	**(7.4)**	(3.1)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Aeris Resources Limited
Consolidated Balance Sheet
As at 30 June 2020

	Notes	**2020 $'000**	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**54,303**	22,548
Trade and other receivables	7(b)	**18,142**	7,131
Inventories	8(a)	**11,202**	16,256
Financial assets at fair value through profit or loss	7(c)	**2,531**	3,722
Total current assets		**86,178**	49,657
Non-current assets			
Receivables	7(b)	**17,262**	11,729
Property, plant and equipment	8(b)	**41,851**	50,392
Exploration and evaluation	8(d)	**28,083**	26,360
Mine properties in use	8(d)	**14,394**	45,879
Total non-current assets		**101,590**	134,360
Total assets		**187,768**	184,017
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	**37,756**	30,427
Interest bearing liabilities	7(e)	**3,626**	48,919
Provisions	8(g)	**7,924**	7,997
Total current liabilities		**49,306**	87,343
Non-current liabilities			
Interest bearing liabilities	7(e)	**52,539**	7,474
Deferred tax liabilities	8(f)	**-**	397
Provisions	8(g)	**12,274**	11,913
Total non-current liabilities		**64,813**	19,784
Total liabilities		**114,119**	107,127
Net assets		**73,649**	76,890
EQUITY			
Contributed equity	9(a)	**452,313**	420,837
Prepaid contributed equity	9(b)	**7,216**	-
Preference equity	9(c)	**-**	4,208
Reserves	9(d)	**(6,097)**	(6,723)
Accumulated losses	9(e)	**(379,783)**	(341,432)
Total equity		**73,649**	76,890

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Aeris Resources Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Notes	Contributed Equity $'000	Prepaid Contributed Equity $'000	Convertible Preference Shares $'000	Other Reserves $'000	Accumulated Losses $'000	Total Equity $'000
		Attributable to owners of Aeris Resources Limited					
Balance at 1 July 2018		388,180	-	4,208	(8,630)	(328,759)	54,999
Loss for the year		-	-	-	-	(12,673)	(12,673)
Other comprehensive income	9(d)	-	-	-	1,333	-	1,333
Total comprehensive income/(loss) for the year		-	-	-	1,333	(12,673)	(11,340)
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs	9(a)	32,657	-	-	-	-	32,657
Share based payments	9(d)	-	-	-	574	-	574
		32,657	-	-	574	-	33,231
Balance at 30 June 2019		420,837	-	4,208	(6,723)	(341,432)	76,890
Balance at 1 July 2019		**420,837**	**-**	**4,208**	**(6,723)**	**(341,432)**	**76,890**
Loss for the year		**-**	**-**	**-**	**-**	**(38,351)**	**(38,351)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(38,351)**	**(38,351)**
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs	9(a)	**27,268**	**-**	**-**	**-**	**-**	**27,268**
Conversion of preference shares to ordinary shares	9(c)	**4,208**	**-**	**(4,208)**	**-**	**-**	**-**
Share based payments	9(d)	**-**	**-**	**-**	**626**	**-**	**626**
Contributions of prepaid equity net of transaction costs	9(b)	**-**	**7,216**	**-**	**-**	**-**	**7,216**
		31,476	**7,216**	**(4,208)**	**626**	**-**	**35,110**
Balance at 30 June 2020		**452,313**	**7,216**	**-**	**(6,097)**	**(379,783)**	**73,649**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Aeris Resources Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		**210,679**	234,802
Payments to suppliers and employees		**(178,870)**	(190,546)
Interest and borrowing costs paid		**(1,571)**	(8,630)
Net cash inflow from operating activities	10(a)	**30,238**	35,626
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and mine properties		**41**	-
Payments for property, plant and equipment and mine properties		**(18,642)**	(19,591)
Payments for exploration expenditure		**(1,723)**	(8,686)
Cash backed security deposits		**(5,561)**	(4,539)
Net cash outflow from investing activities		**(25,885)**	(32,816)
Cash flows from financing activities			
Proceeds from the issue of shares	9(a)	**26,536**	32,657
Prepaid proceeds from the issue of shares	9(b)	**7,216**	-
Repayment of borrowings		**(56)**	(27,985)
Repayment of leasing liabilities		**(6,141)**	(8,471)
Net cash inflow/(outflow) from financing activities		**27,555**	(3,799)
Net increase/(decrease) in cash and cash equivalents		**31,908**	(989)
Cash and cash equivalents at the beginning of the financial year		**22,548**	23,332
Effects of exchange rate changes on cash and cash equivalents		**(153)**	205
Cash and cash equivalents at the end of the year	7(a)	**54,303**	22,548

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 About the report

Aeris Resources Limited is a Company limited by shares, incorporated and domiciled in Australia and is a for profit entity for the purposes of preparing the financial statements. The financial statements are for the Consolidated Entity consisting of Aeris Resources Limited (the Company or Aeris) and its subsidiaries and together are referred to as the Group.

The financial statements were approved for issue by the Directors of Aeris Resources Limited (Directors) on 27 August 2020.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board;
- Have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- Are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with Legislative Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2019; and
- Where necessary, restates comparative information to conform with changes in presentation in the current year.

A number of new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") became mandatory for the current reporting period. The Group changed its accounting policies as a result of adopting AASB 16 *Leases*. The Group elected to apply the new leasing standard retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. The impact of this change in accounting policy is disclosed in note 25.

The adoption of the other Amendments and Interpretations did not have a significant impact on the financial performance or position of the Group. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

These financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In their assessment of going concern the Directors have considered the funding and operational status of the business, including the following:

- At 30 June 2020, the Group held cash and cash equivalents of $54.30 million, a positive net asset position of $73.65 million and working capital of $36.87 million.
- The Group had positive net cash inflows from operating activities for the year ended 30 June 2020 of $30.24 million (June 2019: $35.63 million). The projected consolidated cash flow of the Group supports the conclusion that the Group will be able to pay its debts as and when they fall due within the next twelve months from the date of the financial report.
- A new water pipeline was completed in mid-January to address the previously communicated water supply issues experienced by the Tritton Copper Operations (Tritton). The completion of the pipeline, in conjunction with rainfall received in the catchment area of the Burrendong Dam (which supplies fresh water to Tritton), have secured Tritton's fresh water supply for the next twelve months from the date of the financial report.
- On 1 July 2020 Aeris completed the acquisition of the Cracow gold mine, which included the successful completion of a $40.016 million Placement and Entitlement Offer. Refer notes 9(a) and 17 for further details.
- Effective 1 July 2020, the terms of the Group's Senior Loan Note Subscription Agreement with Special Portfolio Opportunity V Limited (SPOV) were amended, resulting in the extension of the maturity dates for its Tranche A and Tranche B debt facilities to 1 July 2023 (from 1 July 2021) and the establishment of a Tranche C acquisition bridging facility for $30 million to facilitate the acquisition of the Cracow gold mine, with a maturity date of 1 July 2021. Refer to note 17 for further details.
- Continued strong management of operating and capital expenditure across all Group operations.

2 Significant changes in the current reporting period

(a) Conversion and cancellation of Convertible Redeemable Preference Shares

On 2 April 2020, Aeris announced that Tudor Court Limited (TCL) had acquired 83,665,000 Convertible Redeemable Preference Shares (CRPS) in the Company from Standard Chartered Bank.

On 8 April 2020, the 83,665,000 CRPS held by TCL were converted to fully paid ordinary shares, resulting in the issue of 83,665,000 new shares.

The remaining 9,745,609 CRPS held by Standard Chartered Bank were redeemed by the Company for $US1.00 (Redemption) and cancelled. For the purposes of section 254K of the Corporations Act 2001, the Company issued 1 ordinary fully paid share in the Company, raising gross proceeds of AUD$2.00 for the purposes of the Redemption.

(b) Accelerated Renounceable Entitlement Offer and Placement

On 4 June 2020, Aeris announced the acquisition of the Cracow gold mine, which included 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 Cracow (refer note 17); and
- The transaction costs associated with the equity raise and acquisition.

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 was completed 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 Balance Sheet and Consolidated Statement of Changes in Equity as at 30 June 2020 as Prepaid Contributed Equity. The prepaid proceeds were transferred to Contributed Equity on 1 July 2020. The remainder of the proceeds were received and recorded to Contributed Equity on 1 July 2020.

In aggregate, 1,333,878,366 million new shares were issued under the Placement and Entitlement Offer.

As at 30 June 2020, the issued capital of Aeris comprised 1,539,996,964 ordinary shares, and 93,410,609 unlisted options (exercisable at $nil each with an expiry of 31 December 2021).

As at 1 July 2020, the issued capital of Aeris comprised 1,873,254,980 ordinary shares, and 93,410,609 unlisted options (exercisable at $nil each with an expiry of 31 December 2021).

Please refer to note 9(a) for additional detail regarding movements in Contributed Equity during the year ended 30 June 2020.

2 Significant changes in the current reporting period (continued)

(c) Debt

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

- The capitalisation of all interest due and payable between 14 December 2019 and 30 June 2020;
- The cancellation of the undrawn component of the Tranche A Facility; and
- The inclusion of additional Review Events related to completion of the water pipeline and availability of water.

Additional amendments to the Group's debt facilities became effective 1 July 2020. Please refer to note 17 for additional details on these post balance date amendments.

(d) Impact of COVID-19

The impact of the COVID-19 pandemic on the Group's operations for the year ended 30 June 2020 has been modest. The Group has implemented a COVID-19 Management Plan, which it continues to review, update and communicate as additional information becomes available. Current measures undertaken by the Group include limiting access to operational sites to essential personnel only, limiting employee travel, adjusting work arrangements for site and corporate teams, and increased communication to our workforce and partners.

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity.

3 Segment information

(a) Description of segments

Business segments

The Group's Strategic Steering Committee, consisting of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer examine the Group's performance and determined that there are two reportable segments of its business, Tritton Copper Operations; and Other, representing corporate activities and non-core exploration assets.

Geographical segments

The Consolidated Entity only operated in Australia during the periods ended 30 June 2020 and 30 June 2019.

Segment results

Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)

The Group's Strategic Steering Committee 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/losses on the translation of the USD borrowings.

A reconciliation of adjusted EBITDA to the Group's loss before income tax is provided as follows:

	2020 $'000	2019 $'000
Adjusted EBITDA	**36,362**	34,393
Net foreign exchange losses	**(3,027)**	(2,820)
Net finance costs	**(8,361)**	(8,128)
Movement in financial assets at fair value through profit or loss	**(1,191)**	-
Depreciation and amortisation expense	**(35,547)**	(31,702)
Transaction expense	**(3,126)**	-
Impairment expense	**(23,127)**	-
Loss before income tax from continuing operations	**(38,017)**	(8,257)

3 Segment information (continued)

(b) Segment information provided to the board of directors

2020	**Tritton Copper Operations $'000**	**Other $'000**	**Consolidated $'000**
Revenue from contracts with customers			
Sales revenue	**226,326**	**-**	**226,326**
Other revenue	**681**	**306**	**987**
Total revenue from contracts with customers	**227,007**	**306**	**227,313**
Adjusted EBITDA	**39,484**	**(3,122)**	**36,362**
Segment assets and liabilities			
Segment assets	**127,468**	**60,300**	**187,768**
Segment liabilities	**105,969**	**8,150**	**114,119**
Unallocated liabilities	**-**	**-**	**-**
Segment Liabilities	**105,969**	**8,150**	**114,119**
Other segment information			
Depreciation and amortisation	**35,346**	**201**	**35,547**
Impairment loss	**23,127**	**-**	**23,127**
Acquisition of property, plant and equipment, exploration and evaluation, mine properties in use and other segments assets	**22,725**	**3,173**	**25,898**

2019	**Tritton Copper Operations** $'000	**Other** $'000	**Consolidated** $'000
Revenue from contracts with customers			
Sales	231,583	-	231,583
Other revenue	163	592	755
Total revenue from contracts with customers	231,746	592	232,338
Adjusted EBITDA	38,864	(4,471)	34,393
Segment assets and liabilities			
Segment assets	166,362	17,655	184,017
Segment liabilities	104,164	2,566	106,730
Unallocated liabilities	744	(347)	397
Segment liabilities	104,908	2,219	107,127
Other segment information			
Depreciation and amortisation	31,693	9	31,702
Acquisition of property, plant and equipment, exploration and evaluation, mine properties in use and other segments assets	30,194	5,214	35,408

4 Revenue

	2020 $'000	2019 $'000
From contracts with customers		
Sales revenue from mining activities	**226,326**	231,583
Other revenue from ordinary activities	**987**	755
	227,313	232,338

During the year ended 30 June 2018, the Group entered into a swap contract of 12,000 copper tonnes at an average price of A$8,670 per tonne with scheduled deliveries of 1,000 copper tonnes per month for 12 months to 4 March 2019. No hedges were entered into during the years ended 30 June 2019 or 30 June 2020. The amounts disclosed above for revenue from mining activities for the year ended 30 June 2019 include the effective amount of the derivatives that were used to hedge foreign currency revenue. The amount included in revenue is:

	2020 $'000	2019 $'000
Forward commodity contracts - cash flow hedged	**-**	1,437
	-	1,437

(a) Recognition and measurement

Concentrate sales revenue represents gross proceeds receivable from the customer. The recognition of concentrate sales occur 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 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.

There may be circumstances when judgement is required based on the six indicators of control below:

- Control of ownership of the product has been transferred to the buyer;
- The customer has a present obligation to pay in accordance with the terms of the sales contract;
- The quantity of the product can be determined with reasonable accuracy;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the sale will flow to the Group; and
- The costs incurred or to be incurred in respect of the sale can be measured reliably.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

4 Revenue (continued)

(a) Recognition and measurement (continued)

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

Revenue is measured at the fair value of the consideration received or receivable. Concentrate copper sales revenue is provisionally priced at the date revenue is recognised. The final selling price is based on the average copper price over the quotational month, which is declared by the buyer. Final prices for copper concentrate are normally determined between 30 to 120 days after control of ownership have transferred to the customer. 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 metal price, assay, weight and currency between the time control passed to the customer and the time of final settlement of sales proceeds. 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 7(b) and 12(c)(ii)) 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.

5 Expenses

	Notes	2020 $'000	2019 $'000
Loss before income tax includes the following specific expenses:			
Cost of goods sold			
Cost of production			
Mining activities		**181,957**	186,832
Total cost of production		**181,957**	186,832
Depreciation			
Plant and equipment		**10,655**	9,410
Plant and equipment under finance leases		**6,234**	7,199
Total depreciation		**16,889**	16,609
Amortisation			
Mine properties		**18,457**	15,084
Total amortisation		**18,457**	15,084
Total Cost of goods sold		**217,303**	218,525
Exploration expense			
Exploration expenditure		**575**	717
Exploration written off		**-**	181
Total exploration expense		**575**	898

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

5 Expenses (continued)

	Notes	2020 $'000	2019 $'000
Administration and support			
Corporate depreciation		**5**	9
Corporate right of use asset depreciation		**196**	-
Other corporate expenses		**8,219**	9,629
Total administration and support		**8,420**	9,638
Net foreign exchange losses			
Net foreign exchange losses		**3,027**	2,820
Total net foreign exchange losses		**3,027**	2,820
Other expenses			
Movement in financial assets at fair value through profit or loss		**1,191**	-
Loss on disposal and write-off of fixed assets		**200**	586
Total other expenses		**1,391**	586
Transaction expense			
Legal expenses		**543**	-
Consultant expense		**2,525**	-
Other expenses		**58**	-
Total transaction expense	17	**3,126**	-
Impairment loss			
Impairment of mine properties in use		**23,127**	-
Total impairment loss	8(e)	**23,127**	-
Net finance costs			
Interest expense for borrowings at amortised cost		**5,609**	5,706
Interest expense for leasing arrangements		**718**	884
Other net interest and finance charges		**1,547**	1,242
Unwinding of discounts on provisions		**487**	296
Total net finance costs		**8,361**	8,128
Included within the above functions are the following:			
Employee benefit expenses		**45,064**	45,699
Superannuation expense		**4,072**	5,013
		49,136	50,712

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

6 Income tax expense

(a) Income tax expense

	2020 $'000	2019 $'000
Deferred tax expense	**334**	4,416
	334	4,416
Deferred income tax expense included in income tax comprises:		
Decrease in deferred tax assets (note 8(f)(i))	**(341)**	1,655
Increase/(decrease) in deferred tax liabilities (note 8(f)(ii))	**675**	2,761
	334	4,416

(b) Income taxes

Judgement is required in determining the provision for income taxes. The Group recognises liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) Numerical reconciliation of income tax expense to prima facie income tax

	2020 $'000	2019 $'000
Loss before income tax	**(38,017)**	(8,257)
Tax at the Australian tax rate of 30.0% (2019 - 30.0%)	**(11,405)**	(2,477)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	**-**	(192)
Non-deductible expenses	**-**	330
Current tax losses not recognised	**5,638**	6,047
Prior year carry forward losses derecognised	**-**	252
Share based payments	**188**	172
Current temporary differences not recognised	**5,614**	284
Adjustments of deferred tax for prior periods	**299**	-
Income tax expense	**334**	4,416

(d) Tax benefit relating to items of other comprehensive income

	2020 $'000	2019 $'000
Cash flow hedges (note 9(d))	**-**	(572)

6 Income tax expense (continued)

(e) 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:

		2020 $'000	2019 $'000
Share issue costs (note 9(a))	8(f)	**731**	-

(f) Tax losses

	Notes	**2020 $'000**	2019 $'000
Unused tax losses		**279,008**	260,216
Potential tax benefit @ 30.0%		**83,702**	78,065

Prior year unused tax losses of the Australian tax consolidated group, for which no deferred tax assets has been recognised, have been restated to reflect the losses included in the tax loss schedule of submitted and amended tax returns.

(g) Recognition and measurement

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

6 Income tax expense (continued)

(g) Recognition and measurement (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Aeris Resources Limited and its wholly-owned Australian directly controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

7 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2020 $'000	2019 $'000
Bank balances	**54,303**	22,548
	54,303	22,548

(i) Cash at bank and on hand

Bank accounts are interest bearing, attracting normal market interest rates.

(ii) Fair value

The carrying amount for cash and cash equivalents equals their fair value.

(iii) Recognition and measurement

For the purpose of presentation in the Consolidated Statement of Cash Flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Balance Sheet.

(b) Trade and other receivables

	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**15,867**	**-**	**15,867**	4,210	-	4,210
Other debtors*	**1,527**	**-**	**1,527**	1,501	-	1,501
Prepayments	**748**	**-**	**748**	1,420	-	1,420
Restricted cash**	**-**	**17,262**	**17,262**	-	11,729	11,729
	18,142	**17,262**	**35,404**	7,131	11,729	18,860

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

*** Restricted cash relates to cash held on deposit for security against bank guarantees held in relation to environmental bonding. Refer to note 15 for additional detail.*

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(i) Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 12.

(ii) Fair value risk

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

(iii) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2020		2019	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Restricted cash	**17,262**	**17,262**	11,729	11,729

(iv) Foreign currency risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

	2020 $'000	2019 $'000
Australian Dollar	**19,634**	14,768
US Dollar	**15,770**	4,092
	35,404	18,860
Current receivables	**18,142**	7,131
Non-current receivables	**17,262**	11,729
	35,404	18,860

For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 12.

(v) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 12 for more information on the risk management policy of the Group.

(vi) Interest rate risk

The Group has various variable interest rate receivables, including restricted cash. For an analysis of the sensitivity of trade and other receivables to interest rate risk, refer to note 12.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(vii) Classification as trade 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 Group 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 Group's impairment policies and the calculation of the loss allowance are provided in note 12.

(c) Financial assets at fair value through profit or loss

	2020 $'000	2019 $'000
Current assets		
Australian listed equity at fair value through profit or loss	**2,531**	3,722
	2,531	3,722

The movement in the fair value of the Australian listed equity held at fair value through the profit or loss is due to a movement in the closing price at 30 June 2020 compared to the closing price as at 30 June 2019.

(i) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 12(b). For information about the methods and assumptions used in determining fair value refer to note 7(f) below.

(d) Trade and other payables

	2020 $'000	2019 $'000
Current liabilities		
Trade payables	**37,396**	30,104
Other payables	**360**	323
	37,756	30,427

(i) Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020 $'000	2019 $'000
Australian Dollar	**34,523**	30,294
US Dollar	**3,233**	133
	37,756	30,427

(ii) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 12. Due to the short-term nature of current payables, their carrying value is assumed to approximate their fair value.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities

	2020 Current $'000	**2020 Non-current $'000**	**2020 Total $'000**	2019 Current $'000	2019 Non-current $'000	2019 Total $'000
Secured						
Loans	**61**	**48,957**	**49,018**	42,970	412	43,382
Lease liabilities	**3,565**	**3,582**	**7,147**	5,949	7,062	13,011
Total secured borrowings	**3,626**	**52,539**	**56,165**	48,919	7,474	56,393

Interest bearing liabilities in their denominated currency:

	2020 USD $'000	**2020 AUD $'000**	2019 USD $'000	2019 AUD $'000
Secured				
Loans	**33,270**	**435**	30,109	491
Lease liabilities	**-**	**7,147**	-	13,011
Total secured borrowing	**33,270**	**7,582**	30,109	13,502
Total borrowings	**33,270**	**7,582**	30,109	13,502

(i) Secured liabilities and assets pledged as security

	2020 $'000	2019 $'000
Loans	**49,018**	43,382
Lease liabilities	**7,147**	13,011
Total secured liabilities	**56,165**	56,393

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

The key terms of the extension also included:

- The capitalisation of all interest due and payable between 14 December 2019 and 30 June 2020;
- The cancellation of the undrawn component of the Tranche A facility; and
- The inclusion of additional Review Events related to the completion of the water pipeline and availability of water.

The SPOV Tranche A Facility is a US$15.5 million working capital facility that accrues cash interest at 5% per annum and PIK interest that accrues at 6% (compounding every 3 months). As at 30 June 2020, the Group had drawn down US$15.5 million from the SPOV Tranche A Facility and capitalised interest of US$6.933 million.

The SPOV Tranche B Facility is a US$10 million facility that accrues cash interest at a rate of 12.5% per annum. As at 30 June 2020, the Group had drawn down US$10 million from the SPOV Tranche B Facility and capitalised interest on the facility of US$1.043 million.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(i) Secured liabilities and assets pledged as security (continued)

Under the terms of the facilities effective as at 30 June 2020, both Tranche A and Tranche mature 1 July 2021 and as a result have been classified as non-current liabilities.

Additional amendments to the Group's debt facilities became effective 1 July 2020. Please refer to note 17 for additional details on this post balance date restructure.

(ii) Lease liabilities

The Group 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.

Lease liabilities are effectively secured as the rights to the leased assets are recognised in the financial statements and revert to the lessor in the event of a default. The lease agreements do not impose any covenants other than the security interests in the leased assets held by the lessors.

	2020 $'000	2019 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**3,954**	6,650
Later than one year but not later than five years	**3,769**	7,675
Minimum lease payments	**7,723**	14,325
Future finance charges	**(576)**	(1,314)
Total lease liabilities	**7,147**	13,011
Representing lease liabilities:		
Current	**3,565**	5,949
Non-current	**3,582**	7,062
	7,147	13,011

In the previous financial year, the Group only recognised lease liabilities in relation to leases that were classified as 'Finance Leases' under AASB 17 *Leases*. For adjustments recognised on adoption of AASB 16 *Leases* on 1 July 2019, please refer to note 25.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(iii) Financing arrangements

The Group had access to the following borrowing facilities at the reporting date:

	2020 $'000	2019 $'000
Floating rate		
Bank finance loan facilities and residential housing loans	**435**	491
Used at balance date		
Bank finance loan facilities and residential housing loans	**48,884**	40,603
Unused at balance date		
Bank finance loan facilities and residential housing loans	**-**	13,533

Credit stand-by arrangements

The Group has $17,262,000 (2019: $11,729,000) in restricted cash in respect of its obligations to provide environmental bonds over its mining and exploration licences.

Bank residential housing loans

The residential housing loans totalling $435,000 (2019: $491,000) (original principal $900,000) are repayable over 25 years at a current interest rate of 4.27% (2019: 4.86%).

(iv) Interest rate risk exposure

The following table sets out the Group's exposure to interest rate risk and the contractual re-pricing dates of the borrowings at the end of the reporting period. Exposures arise from liabilities bearing variable interest rates.

		Fixed interest rate				
2020	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**Over 5 years $'000**	**Non interest bearing $'000**	**Total $'000**
Trade and other payables	**-**	**-**	**-**	**-**	**37,756**	**37,756**
Loans	**435**	**-**	**48,583**	**-**	**-**	**49,018**
Lease and hire purchase	**-**	**3,565**	**3,582**	**-**	**-**	**7,147**
Total	**435**	**3,565**	**52,165**	**-**	**37,756**	**93,921**
2019						
Trade and other payables	-	-	-	-	30,427	30,427
Loans	491	42,891	-	-	-	43,382
Lease and hire purchase	-	5,949	7,062	-	-	13,011
Total	491	48,840	7,062	-	30,427	86,820

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(v) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	2020 Carrying amount $'000	**2020 Fair value $'000**	2019 Carrying amount $'000	2019 Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Loans	**49,018**	**49,018**	43,382	43,382
Lease liabilities	**7,147**	**7,147**	13,011	13,011
	56,165	**56,165**	56,393	56,393

The fair value of interest bearing liabilities is determined by discounting the expected future cash flows by the current interest rates or liabilities with similar risk profiles.

(vi) Foreign exchange risk exposures

The carrying amounts of the Group's current and non-current interest bearing liabilities in Australian dollars are denominated in the following currencies:

	2020			2019		
	US Dollar denominated $'000	**Australian Dollar denominated $'000**	**Total interest bearing liabilities $'000**	US Dollar denominated $'000	Australian Dollar denominated $'000	Total interest bearing liabilities $'000
Loans	**48,583**	**435**	**49,018**	42,891	491	43,382
Lease and hire purchase liabilities	**-**	**7,147**	**7,147**	-	13,011	13,011
Total	**48,583**	**7,582**	**56,165**	42,891	13,502	56,393

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 12.

(f) Fair value measurements

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

AASB 7 *Financial Instruments*: Disclosures requires fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

7 Financial assets and financial liabilities (continued)

(f) Fair value measurements (continued)

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June 2020 and 30 June 2019:

30 June 2020	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Financial assets at fair value through profit or loss					
Australian listed equity securities	7(c)	**2,531**	**-**	**-**	**2,531**
Total financial assets		**2,531**	**-**	**-**	**2,531**
30 June 2019					
Financial assets					
Financial assets at fair value through profit or loss					
Australian listed equity securities	7(c)	3,722	-	-	3,722
Total financial assets		3,722	-	-	3,722

The Company did not have any Level 2 or Level 3 financial assets at 30 June 2020 or 30 June 2019.

The movement in the fair value of the Australian listed equity held at fair value through the profit or loss is due to a movement in the closing price at 30 June 2020 compared to the closing price as at 30 June 2019.

Valuation Methodology

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

The fair value of forward commodity contract - cashflow hedges that are in place during the year ended 30 June 2019 were determined using market rates and inputs and are considered a level 2 valuation.

Refer to note 7(e)(v) for the carrying amounts and fair values of borrowings at balance date.

8 Non-financial assets and liabilities

(a) Inventories

	2020 $'000	2019 $'000
Current assets - Mining inventories		
Production supplies - at cost	**7,392**	6,784
Work in progress - at cost	**3,810**	9,472
	11,202	16,256

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

(ii) Recognition and measurement

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 5 as part of mining activities.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

8 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
At 1 July 2018					
Cost or fair value	1,324	6,748	73,931	26,889	108,892
Accumulated depreciation	-	(2,767)	(38,001)	(17,424)	(58,192)
Net book amount	1,324	3,981	35,930	9,465	50,700
Year ended 30 June 2019					
Opening net book amount	1,324	3,981	35,930	9,465	50,700
Additions	-	-	8,725	8,532	17,257
Depreciation charge	-	(845)	(8,574)	(7,199)	(16,618)
Transfers to mine properties in use	-	-	(361)	-	(361)
Net disposals/write-offs	-	-	-	(586)	(586)
Closing net book amount	1,324	3,136	35,720	10,212	50,392
At 30 June 2019					
Cost or fair value	1,324	6,748	84,023	31,169	123,264
Accumulated depreciation	-	(3,612)	(48,303)	(20,957)	(72,872)
Net book amount	1,324	3,136	35,720	10,212	50,392
Year ended 30 June 2020					
Opening net book amount	**1,324**	**3,136**	**35,720**	**10,212**	**50,392**
Adjustment for change in accounting policy	**-**	**-**	**-**	**277**	**277**
Restated opening net book amount	**1,324**	**3,136**	**35,720**	**10,489**	**50,669**
Year ended 30 June 2020					
Additions	**-**	**-**	**8,304**	**410**	**8,714**
Depreciation charge	**-**	**(800)**	**(9,861)**	**(6,429)**	**(17,090)**
Transfers to mine properties in use	**-**	**-**	**(171)**	**-**	**(171)**
Transfers	**-**	**-**	**754**	**(754)**	**-**
Net disposals/write-offs	**-**	**-**	**(101)**	**(170)**	**(271)**
Closing net book amount	**1,324**	**2,336**	**34,645**	**3,546**	**41,851**
At 30 June 2020					
Cost	**1,324**	**6,748**	**98,810**	**20,079**	**126,961**
Accumulated depreciation	**-**	**(4,412)**	**(64,165)**	**(16,533)**	**(85,110)**
Net book amount	**1,324**	**2,336**	**34,645**	**3,546**	**41,851**

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

8 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment (continued)

(i) 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:

	2020 $'000	2019 $'000
Plant and equipment	**6,531**	3,216

(ii) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

(iii) Recognition and measurement

All property, plant and equipment is stated at historical cost less depreciation. Historical cost 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 Group 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 income statement during the reporting period in which they are incurred.

Depreciation on mine property, plant and equipment (excluding land) is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the proved and probable ore reserves, or on a straight line basis over the estimated useful life of the asset if the asset's useful life is less than the life of mine, currently between 2 and 5 years.

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

There is a risk that the assessment of factors used to determine the useful lives of property, plant and equipment may be impacted by the effects of the COVID-19 pandemic, however management have assessed this risk as low based on the moderate impact of COVID-19 on the Group’s operations to the date of the financial report.

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.

8 Non-financial assets and liabilities (continued)

(c) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020 $'000	2019 $'000
Right-of-use assets *		
Mobile equipment	**3,464**	10,212
Office premises	**82**	-
	3,546	10,212

* included in the line item 'Property, plant and equipment' in the balance sheet. Refer note 8(b).

	2020 $'000	2019 $'000
Lease liabilities **		
Current	**3,565**	5,949
Non-current	**3,582**	7,062
	7,147	13,011

** included in the line item 'Interest bearing liabilities' in the balance sheet. Refer note 7(e)(ii).

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. The assets were, and continue to be, presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 *Leases* on 1 July 2019, please refer to note 25.

There were no additions to right-of-use assets during the year ended 30 June 2020.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets			
Mobile equipment		**(6,233)**	(7,199)
Office premises		**(196)**	-
		(6,429)	(7,199)
Interest expense (included in finance cost)		**(718)**	(884)
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)		**(12)**	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		**(7)**	-

The total cash outflow for leases during the year ended 30 June 2020 was $6,859,000.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

8 Non-financial assets and liabilities (continued)

(c) Leases (continued)

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

The Group leases office premises and mobile equipment. Lease contracts are typically made for 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.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were changed to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

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

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

Each lease payment is allocated between principal and finance cost. The finance cost is charged to the statement of consolidated comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

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

- The amount of the initial measurement of lease liability;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

8 Non-financial assets and liabilities (continued)

(d) Exploration and evaluation, Mine properties in use

(i) Exploration and evaluation

	2020 **$'000**	2019 $'000
Opening net book amount	**26,360**	17,855
Expenditure incurred during the year	**1,723**	8,686
Net disposals/write-offs	**-**	(181)
Closing balance	**28,083**	26,360

The recoverability of exploration and evaluation assets depends on their successful development or sale.

Recognition and measurement

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 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.

(ii) Mine properties in use

	2020 **$'000**	2019 $'000
Opening net book amount	**45,879**	51,137
Expenditure incurred during the year	**9,928**	9,465
Amortisation for the year	**(18,457)**	(15,084)
Transfer from property, plant and equipment	**171**	361
Impairment loss	**(23,127)**	-
Closing balance	**14,394**	45,879
Balance at reporting date		
Cost	**138,927**	151,955
Accumulated amortisation	**(124,533)**	(106,076)
Net book value	**14,394**	45,879

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

8 Non-financial assets and liabilities (continued)

(d) Exploration and evaluation, Mine properties in use (continued)

(ii) Mine properties in use (continued)

Recognition and measurement

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.

Amortisation is provided on a unit of production basis so as to write-off the cost in proportion to the depletion of the proved and probable ore reserves.

(e) Impairment of non-financial assets

(i) Impairment of non-financial assets

The Group considers annually whether there have been any indicators of impairment and tests whether or not non-current assets have suffered an impairment, in accordance with the accounting policy stated in note 24(f).

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 Group currently assess the Tritton Copper Operations as one CGU. The recoverable amount of the Tritton Copper Operations CGU (Tritton CGU) has been determined based on fair value less costs of disposal (FVLCD). The FVLCD is calculated based on a Board approved life of mine plan (LOM). On an annual basis, or more frequently if required, the Company prepares a LOM and accompanying financial model for the Tritton CGU.

This requires the use of estimates and judgements in relation to a range of inputs including:
• Commodity prices;
• Exchange prices;
• Reserves and mining planning scheduling;
• Production costs; and
• Discount rates.

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

The impairment assessment of the Tritton CGU completed during the year ended 30 June 2020 resulted in an impairment of $23.127 million to mine properties in use.

The individual assumption subject to the most estimation uncertainty for the FVLCD calculation is the copper price. To illustrate this sensitivity, a 5% reduction in the copper price assumption would have resulted in a further impairment of approximately $14.332 million, if all other inputs remain constant.

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

There is a risk that key assumptions may be impacted by the effects of the COVID-19 pandemic, however management have assessed this risk as low based on the moderate impact of COVID-19 on the Group's operations to the date of the financial report.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

8 Non-financial assets and liabilities (continued)

(f) Deferred tax balances

(i) Deferred tax assets

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Fixed assets, exploration and mine properties	**1,575**	2,044
Transaction/issuance costs	**1,751**	1,231
Provisions and accruals	**7,855**	6,845
Other	**285**	274
Total deferred tax assets	**11,466**	10,394
Set-off of deferred tax liabilities pursuant to set-off provisions	**(11,466)**	(10,394)
Net deferred tax assets	**-**	-

Movements - Consolidated	**Tax losses $'000**	**Cashflow Hedge $'000**	**Fixed assets, exploration and mine properties $'000**	**Transaction/ Issuance Cost $'000**	**Provision and accruals $'000**	**Other $'000**	**DTA/DTL net off $'000**	**Total $'000**
At 1 July 2018	252	572	4,511	860	6,145	280	(8,029)	4,591
Debited/(credited) - to consolidated statement of comprehensive income	(252)	-	(2,467)	371	700	(6)	(2,365)	(4,019)
Charged/(credited) - directly to equity	-	(572)	-	-	-	-	-	(572)
At 30 June 2019	-	-	2,044	1,231	6,845	274	(10,394)	-
Debited/(credited) - to consolidated statement of comprehensive income	**-**	**-**	**(469)**	**(211)**	**-**	**1,010**	**11**	**(341)**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**731**	**-**	**-**	**-**	**(731)**
At 30 June 2020	-	-	**1,575**	**1,751**	-	**7,855**	**285**	**(11,466)**

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

8 Non-financial assets and liabilities (continued)

(f) Deferred tax balances (continued)

(ii) Deferred tax liabilities

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Inventories	**2,217**	2,060
Exploration and evaluation	**9,249**	8,731
	11,466	10,791
Set-off of deferred tax liabilities pursuant to set-off provisions	**(11,466)**	(10,394)
Net deferred tax liabilities	**-**	397

Movements - Consolidated	**Inventories $'000**	**Exploration $'000**	**DTA net off $'000**	**Total $'000**
At 1 July 2018	1,982	6,047	(8,029)	-
Charged/(credited) - to the consolidated statement of comprehensive income	78	2,684	(2,365)	397
At 30 June 2019	2,060	8,731	(10,394)	397
Charged/(credited) - to the consolidated statement of comprehensive income	**157**	**518**	**(1,072)**	**(397)**
At 30 June 2020	**2,217**	**9,249**	**(11,466)**	-

(g) Provisions

	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**7,767**	**489**	**8,256**	7,851	615	8,466
Provision for rehabilitation and dismantling	**-**	**11,785**	**11,785**	-	11,298	11,298
Other provisions	**157**	**-**	**157**	146	-	146
	7,924	**12,274**	**20,198**	7,997	11,913	19,910

(i) Information about individual provisions and significant estimates

Rehabilitation and dismantling

Provision is made for 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 and it does not reflect risks for which future cash flow estimates have been adjusted.

Provision is made for the estimated costs of dismantling and removing the item of plant and equipment and restoring the site on which it is located.

8 Non-financial assets and liabilities (continued)

(g) Provisions (continued)

(i) Information about individual provisions and significant estimates (continued)

Other

Provision is made for the estimated cost of some obligations where there is a likelihood that an outflow will be required for settlement.

(ii) Movements in provisions

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

2020	**Provision for rehabilitation and dismantling $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	11,298	146	11,444
Additional provisions recognised during the year	487	157	644
Amounts used	-	(146)	(146)
Carrying amount at end of year	11,785	157	11,942

(iii) Recognition and measurement

Provisions for legal claims, service warranties and make good obligations are recognised when the Group 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.

The Group 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 an entity 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 must 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.

9 Equity

(a) Share Capital

	2020 Shares	2019 Shares	**2020 $'000**	2019 $'000
Ordinary shares				
Ordinary shares - fully paid	**1,539,996,964**	455,711,613	**452,313**	420,837
	1,539,996,964	455,711,613	**452,313**	420,837

(i) Movements in ordinary share capital

Details	**Number of shares**	**Total $'000**
Opening balance 1 July 2018	280,232,617	388,180
Placement	42,034,892	8,407
Entitlement Offer - Institutional	99,889,405	19,978
Entitlement Offer - Retail (issued 16 October 2018)	10,051,262	2,010
Entitlement Offer - Retail (issued 17 October 2018)	23,503,437	4,701
Less: Transaction costs arising on share issues	-	(2,439)
Balance 30 June 2019	455,711,613	420,837
Conversion of convertible preference shares (8 April 2020)	83,665,000	4,208
Share issued to fund cancellation of convertible preference shares (issued 8 April 2020)	1	-
Placement (issued 15 June 2020)	244,337,606	7,330
Entitlement Offer - Institutional (issued 15 June 2020)	272,069,601	8,162
Institutional bookbuild (issued 15 June 2020)	484,213,143	14,526
Less: Transaction costs arising on share issues, net of income tax	-	(2,750)
Balance 30 June 2020	1,539,996,964	452,313

Movements during the year ended 30 June 2020

<u>*Accelerated Renounceable Entitlement Offer and Placement*</u>
On 4 June 2020, Aeris 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 equity raise and acquisition.

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 Balance Sheet and Consolidated Statement of Changes in Equity as Prepaid Contributed Equity (refer note 9(b)). The remainder of the proceeds were received on 1 July 2020.

9 Equity (continued)

(a) Share Capital (continued)

(i) Movements in ordinary share capital (continued)

Movements during the year ended 30 June 2019

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

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

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

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

(ii) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote. Upon a poll each holder of ordinary shares is entitled to one vote for each fully paid share held (pro-rated in the case of partly paid shares).

(b) Prepaid Share Capital

	2020 **$'000**	2019 $'000
Prepaid share capital	**7,216**	-

Prepaid share capital relates to proceeds received in advance for the Retail Entitlement Offer which closed on 1 July 2020 (refer to note 9(a)). Upon the issue of the related shares on 1 July 2020, the proceeds convert to contributed equity.

(c) Preference Equity

Movements in Convertible Redeemable Preference shares

Details	**Notes**	**Number of shares**	**$'000**
Opening balance 1 July 2019		93,410,609	4,208
Cancellation and conversion to ordinary shares (8 April 2020)		(93,410,609)	(4,208)
Closing balance 30 June 2020		-	-

Conversion and cancellation of convertible preference shares

On 2 April 2020, Aeris announced that Tudor Court Limited (TCL) had acquired 83,665,000 Convertible Redeemable Preference Shares (CRPS) in the Company from Standard Chartered Bank.

On 8 April 2020, the 83,665,000 CRPS held by TCL were converted to fully paid ordinary shares, resulting in the issue of 83,665,000 new shares.

9 Equity (continued)

(c) Preference Equity (continued)

Conversion and cancellation of convertible preference shares (continued)

The remaining 9,745,609 CRPS held by Standard Chartered Bank were redeemed by the Company for US$1.00 (Redemption) and cancelled. For the purposes of section 254K of the Corporations Act 2001, the company issued 1 ordinary fully paid share in the Company raising gross proceeds of AUD$2.00 for the purposes of the Redemption.

(d) Reserves

	2020 **$'000**	2019 $'000
Share-based payments	**3,346**	2,720
Acquisition revaluation reserve	**(9,443)**	(9,443)
	(6,097)	(6,723)

Movements:

	2020	2019
Cash flow hedges		
Opening balance	**-**	(1,333)
Revaluation - gross	**-**	1,905
Deferred tax	**-**	(572)
Balance 30 June	**-**	-
Share-based payments		
Opening balance	**2,720**	2,146
Employee Share Based Payments	**626**	574
Balance 30 June	**3,346**	2,720
Acquisition Revaluation Reserve		
Opening balance	**(9,443)**	(9,443)
Balance 30 June	**(9,443)**	(9,443)

Nature and purpose of other reserves

(I) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in equity, as described in note 24(i). Amounts are recognised in the Consolidated Statement of Comprehensive Income when effected by the associated hedged transaction.

(II) Share-based payments

The share-based payments reserve is used to recognise the fair value of equity instruments issued to employees.

(iii) Acquisition Revaluation Reserve

This reserve is used to record the differences described in note 24(b)(ii) which may arise as a result of ownership interest changes.

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

9 Equity (continued)

(e) Accumulated losses

Movements in accumulated losses were as follows:

	2020 $'000	2019 $'000
Balance at the beginning of the year	**(341,432)**	(328,759)
Net loss for the year	**(38,351)**	(12,673)
Balance 30 June	**(379,783)**	(341,432)

10 Cash flow information

(a) Reconciliation of loss before income tax to net cash inflow from operating activities

	2020 $'000	2019 $'000
Loss for the year	**(38,351)**	(12,673)
Unrealised foreign exchange losses	**1,205**	2,878
Depreciation and amortisation	**35,547**	31,702
Employee share based payment	**626**	574
Loss on disposal of property, plant and equipment	**200**	586
Fair value (gains)/losses on financial assets at fair value through profit or loss	**1,191**	-
Exploration written off	**-**	181
Impairment loss	**23,127**	-
Decrease / (Increase) in trade and other receivables	**(10,987)**	2,531
Increase in inventories	**5,055**	52
Increase / (Decrease) in trade and other payables	**7,323**	(858)
Decrease / (increase) in deferred tax assets	**334**	4,987
Increase / (Decrease) in provisions	**288**	940
Increase in accrued interest and borrowing costs	**4,680**	6,631
Movement in commodity hedging	**-**	(1,905)
Net cash inflow from operating activities	**30,238**	35,626

(b) Non-cash investing and financing activities

	2020 $'000	2019 $'000
Acquisition of plant and equipment by means of finance leases	**-**	7,129

Aeris Resources Limited
Notes to the Consolidated Financial Statements
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(continued)

10 Cash flow information (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Net debt	2020 $'000	2019 $'000
Cash and cash equivalents	**54,303**	22,548
Liquid investments	**2,531**	3,722
Borrowings - repayable within one year	**(3,626)**	(48,919)
Borrowings - repayable after one year	**(52,539)**	(7,474)
	669	(30,123)
Cash and liquid investments	**56,834**	26,270
Gross debt - fixed interest rates	**(55,730)**	(55,902)
Gross debt - variable interest rates	**(435)**	(491)
Net debt	**669**	(30,123)

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss (refer note 7(c)).

	Borrowings $'000	Leases $'000	Sub-total $'000	Cash/bank overdraft $'000	Liquid invest-ments (i) $'000	Total $'000
Net debt as at 1 July 2018	(68,301)	(14,339)	(82,640)	23,332	3,722	(55,586)
Cash flows	27,985	8,471	36,456	(989)	-	35,467
Acquisition - leases	-	(7,129)	(7,129)	-	-	(7,129)
Foreign exchange adjustments	(3,042)	(14)	(3,056)	205	-	(2,851)
Other non-cash movements	(24)	-	(24)	-	-	(24)
Net debt as at 30 June 2019	(43,382)	(13,011)	(56,393)	22,548	3,722	(30,123)
Adjustment for change in accounting policy	-	(277)	(277)	-	-	(277)
Net debt as at 1 July 2019	(43,382)	(13,288)	(56,670)	22,548	3,722	(30,400)
Cash flows	56	6,141	6,197	31,908	-	38,105
Foreign exchange adjustments	(941)	-	(941)	(153)	-	(1,094)
Other non-cash movements	(4,751)	-	(4,751)	-	(1,191)	(5,942)
Net debt as at 30 June 2020	(49,018)	(7,147)	(56,165)	54,303	2,531	669

(ii) Other non-cash movements include changes in fair value and movements in accrued interest which are presented as operating cash flows in the Consolidated Statement of Cash Flows.

Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

11 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on management's historical experience and knowledge of relevant facts and circumstances at that time.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgements are contained in the accounting policies and/or notes to the financial statements.

(i) Ore Reserve Estimates

Ore Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate Ore Reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of the Ore Reserves requires the size, shape and depth of 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 Group is required to determine and report Ore Reserves in Australia under the principles incorporated in the 2012 Edition of the Australasian Code, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate Ore Reserves.

As the economic assumptions used to estimate Ore Reserves change from year to year, and as additional geological data is generated during the course of operations, estimates of Ore Reserves may change from year to year. Changes in reported Ore Reserves may affect the Group'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.

(ii) Estimation for the provision for rehabilitation and dismantling

Provision for rehabilitation and dismantling 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:

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

(iii) Impairment of non-financial assets

The Group 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 24(f).

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

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

Please refer to note 8(e) for additional detail regarding the estimates and judgements applied to impairment testing carried out during the year ended 30 June 2020.

11 Critical accounting estimates and judgements (continued)

(iv) 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 Group to realise recognised deferred tax assets would be impacted.

12 Financial risk management

The Group'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 Group, derivative financial instruments, such as forward commodity contracts are used to hedge certain commodity price risk exposures. The Group 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.

(a) Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The Group did not hold any derivative financial instruments as at 30 June 2020 or 30 June 2019.

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The Group's accounting policy for its cash flow hedges is set out in note 24(i). For hedged forecast transactions that result in the recognition of a non-financial asset, the related hedging gains and losses are included in the initial measurement of the cost of the asset.

(ii) Instruments used by the Group

During the year ended 30 June 2018, the Group entered into a swap contract of 12,000 copper tonnes at an average price of A$8,670 per tonne with scheduled deliveries of 1,000 copper tonnes per month out to 4 March 2019. No hedges were entered into during the years ended 30 June 2019 or 30 June 2020.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

The potential risk of counterparties to meet their obligations under the respective contracts of maturity exposes the Group to credit risk.

(iii) Fair value measurements

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 7(f).

(iv) Hedging reserves

The Group's hedging reserves disclosed in note 9(d) relate to the forward copper contracts - cash flow hedged.

12 Financial risk management (continued)

(b) Market risk

(i) Foreign exchange risk

Generally, natural hedges, forward contracts and options are used to manage certain foreign exchange risk. The Group's currency exposure based on the information provided to key management is mainly in cash and cash equivalents, receivables and loans. The Group did not utilise any foreign exchange forward contracts or options during the year.

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.

The Group operates internationally and is exposed to foreign exchange arising from various foreign currency exposures, primarily with respect to the US dollar.

For an analysis of the exposure to foreign exchange risk on trade receivables and trade payables refer to note 7.

Group sensitivity

Based on the financial instruments held at 30 June 2020, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's loss for the year would have been $2.686 million lower (2019: $2.947 million lower) or $2.198 higher (2019: $2.412 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.

(ii) 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.

The significance and management of the risks to the Group 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.

Group sensitivity

At 30 June 2020, if interest rates had changed by -/+ 50 basis points from the weighted average year end rates with all other variables held constant, the Group's loss for the year would have been $0.054 million higher/lower (2019: loss would have been $0.077 million higher/lower), mainly as a result of higher/lower interest from loans, cash and cash equivalents and restricted cash.

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

	2020 $'000	2019 $'000
0 - 12 months	**3,626**	48,919
1 - 5 years	**52,539**	7,474
	56,165	56,393

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12 Financial risk management (continued)

(b) Market risk (continued)

(iii) Commodity Price risk

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

A portion of the Group's revenue from mining activities denominated in foreign currencies was cash flow hedged during the year ended 30 June 2019. The Company had entered into a swap contract of 12,000 copper tonnes at an average price of A$8,670 per tonne with scheduled deliveries of 1,000 copper tonnes per month for 12 months to 4 March 2019. No further hedging was entered into during the years ended 30 June 2019 or 30 June 2020.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk and interest rate risk.

	Foreign exchange risk				**Interest rate risk**			
	-10%		**+10%**		**-50 basis points**		**+50 basis points**	
	Profit $'000	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Consolidated								
2020	**(2,198)**	**-**	**2,686**	**-**	**54**	**-**	**(54)**	**-**
2019	**(2,412)**	**-**	**2,947**	**-**	**77**	**-**	**(77)**	**-**

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), 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 Group 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 balance sheet and notes to the financial statements.

The Group has policies in place to ensure that sales of products and services 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 Group has policies that limit the amount of credit exposure to any one financial institution.

12 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Trade receivables

The Group 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.

The Group is exposed to one large customer, with a short term rating of P-2 as rated by Moody at 30 June 2020, who has the offtake agreement for 100% of the Tritton Operations copper concentrate, with no history of default. The credit risk is considered low as the customer is reputable and well known to the mining industry and is perceived as reliable. Currently all payments are received within the contractual payment terms.

The Group has trade receivables with embedded derivatives for provisional pricing. These receivables are generally held to collect but do not meet the SPPI criteria and as a result must be held at FVPL. Subsequent fair value gains or losses are taken to the income statement. 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 2020. Management will continue to monitor this position at each period end. There were also no credit losses provided for at 30 June 2019.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, liquid investments and committed credit facilities to meet the Group'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 Group's business and its risk profile.

Group at 30 June 2020	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**
Non-derivatives			
Non-interest bearing trade and other payables	**33,688**	**-**	**-**
Variable interest rate instruments	**80**	**318**	**103**
Lease and hire purchase liabilities	**3,954**	**3,769**	**-**
Other fixed interest loans	**3,577**	**51,106**	**-**
Total non-derivatives	**41,299**	**55,193**	**103**

Group at 30 June 2019			
Non-derivatives			
Non-interest bearing trade and other payables	28,367	-	-
Variable interest rate instruments	80	318	504
Lease and hire purchase liabilities	6,911	7,674	-
Other fixed interest loans	45,972	-	-
Total non-derivatives	81,330	7,992	504

12 Financial risk management (continued)

(e) Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held both for strategic and trading purposes.

Equity price sensitivity

The sensitivity analysis below has been determined on the exposure to equity price risks at the reporting date.

At reporting date, if the pricing inputs had been 10% higher/lower while all other variables were held constant the net loss for the Group would decrease/increase by $0.177 million (2019: $0.261 million decrease/increase) as a result of the changes in fair value of other financial assets held for trading.

13 Capital management

(a) Risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash. The capital structure is reviewed on a semi-annual basis, with consideration given to the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

The Group also reviews its gearing level. The Group's gearing ratio is calculated as net debt to net debt plus equity. Net debt is total interest bearing liabilities less cash and cash equivalents (excluding any restricted cash). Equity is shown in the balance sheet (including minority interests). The gearing ratio at reporting date was as follows:

	2020 $'000	2019 $'000
Total interest bearing liabilities	**56,165**	56,393
Less: Cash and cash equivalents	**(54,303)**	(22,548)
Net debt	**1,862**	33,845
Total equity	**73,649**	76,890
Total capital	**75,511**	110,735
Gearing ratio	**2.5%**	30.6%

(b) Dividends

The Directors did not declare a dividend in either of the years ended 30 June 2020 and 30 June 2019.

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

14 Interests in other entities

(a) Significant investments in subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 24(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2020 %	2019 %
Straits Mining Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Girilambone Copper Company Pty Ltd	Australia	Ordinary	**100**	100
Tritton Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Exploration (Australia) Pty Ltd	Australia	Ordinary	**100**	100
Straits Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Straits Indo Gold Pty Ltd	Australia	Ordinary	**100**	100
Straits Mine Management Pty Ltd	Australia	Ordinary	**100**	100
Templar Resources Pty Ltd	Australia	Ordinary	**100**	100
7874987 Canada Inc.	Canada	Ordinary	**100**	100
Goldminco Corporation Limited and its subsidiary	Canada	Ordinary	**100**	100
Goldminco Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Mineral Investments Pty Ltd	Australia	Ordinary	**100**	100
Aeris Regional Holdings Pty Ltd	Australia	Ordinary	**100**	100

Tritton Resources

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.

Goldminco Corporation Limited

Straits Exploration (Australia) Pty Ltd, 7874987 Canada Inc. and Straits Gold Pty Ltd hold 4.14%, 28.67% and 67.19% respectively of the ordinary share capital of Goldminco Corporation Limited.

(b) Interests in jointly controlled assets

(i) Jointly controlled assets

Name and principal activity	% interest Held during the year 2020	% interest Held during the year 2019
Torrens joint venture located in South Australia:		
Principal activity copper and gold exploration	**70**	70
Canbelago joint venture located in NSW:		
Principal activity copper and gold exploration	**30**	30

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Notes to the Consolidated Financial Statements
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15 Contingencies

The Group's financier and major shareholder Special Portfolio Opportunity Fund V Limited (SPOV) (a subsidiary of a fund managed by PAG) provides a Contingent Instrument Facility (CI Facility) for environmental bonding. ANZ Banking Group provides bank guarantees for environmental bonding on the Group's behalf. Under the CI Facility, SPOV provides a guarantee to ANZ for bonds that are not cashbacked.

The terms of the CI Facility require that the Group cashback the bonds over a the term of the facility, which expires 14 March 2021. As at 30 June 2020 the Group had one remaining environmental bond of $2,400,000 which was subsequently cashbacked on 31 July 2020.

16 Commitments

Exploration and mining leases

	2020 $'000	2019 $'000
Within one year	**2,504**	2,061
Later than one year but not later than five years	**2,767**	4,573
Later than five years	**-**	70
	5,271	6,704

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

Operating leases

The Group leases office premises and equipment under non-cancellable operating leases expiring within 4 months to 2 years. From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 8(c) and note 25 for further information.

	2020 $'000	2019 $'000
Within one year	**-**	197
Later than one year but not later than five years	**-**	65
	-	262

17 Events occurring after the reporting period

(a) Acquisition of Lion Mining Pty Ltd (Cracow Gold Mine)

On 1 July 2020, Aeris Resources Limited, through its wholly owned subsidiary Aeris Regional Holdings Pty Ltd, acquired 100% of the issued shares in Lion Mining Pty Ltd, owner and operator of the Cracow gold operations (Cracow). Cracow is an established, high grade, low cost gold mine located 500 kilometres north-west of Brisbane in Queensland, Australia.

The financial effects of this transaction have not been recognised at 30 June 2020. The operating results and assets and liabilities of the acquired Company will be consolidated from 1 July 2020.

The purchase consideration for the acquisition includes the following components:

- Cash payment on settlement of $60 million;
- Deferred cash payment payable on 30 June 2022 of $15 million; and
- A contingent consideration arrangement that requires the Group to pay the former owners of Lion Mining Pty Ltd a 10% net value royalty from 1 July 2022 to 30 June 2027, up to a maximum undiscounted amount of $50 million.

17 Events occurring after the reporting period (continued)

(a) Acquisition of Lion Mining Pty Ltd (Cracow Gold Mine) (continued)

(i) Acquisition-related costs

Acquisition-related costs of $3.126 million have been recognised in the Consolidated Statement of Comprehensive income for the year ended 30 June 2020.

(ii) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Lion Mining Pty Ltd. 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.

(b) Amendment and extension of debt facility

Effective 1 July 2020, the terms of the Group's Senior Loan Note Subscription Agreement with Special Portfolio Opportunity V Limited (SPOV) were amended, resulting in the following changes:

- Extension of the maturity dates for its Tranche A (Working Capital Facility) and Tranche B (Term Loan) debt facilities to 1 July 2023 (previously 1 July 2021);
- Quarterly loan amortisation payments of US$2.5 million on Tranche B, commencing 1 July 2021;
- Quarterly loan amortisation payments of US$2.5 million on Tranche A, to commence after the repayment of Tranche B;
- Establishment of the Tranche C Acquisition Bridging Facility for $30 million to facilitate the acquisition of Cracow, with a maturity date of 1 July 2021 and quarterly loan amortisation payments of $7.5 million commencing 1 October 2020; and
- Establishment of a $15 million Contingent Instrument facility to be used for the replacement of financial assurances relating to Cracow.

(c) Other events

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

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Further details

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18 Related party transactions

(a) Parent entities

The ultimate controlling entity and Australian Parent entity within the Group is Aeris Resources Limited.

(b) Subsidiaries

Investments in subsidiaries are set out in note 14.

(c) Directors

Mr Marcus Derwin was a Non-Executive Director up until 27 July 2020 but did not fall within the ASX definition of “independent” as he is a nominee Director of Standard Chartered Bank (SCB), which had a material business relationship with Aeris. In terms of the restructuring deed approved on 15 December 2015 that Aeris entered into with SCB and SPOV, SCB and SPOV each have a separate entitlement to appoint one Director to the Aeris Board provided their shareholding in Aeris, on a fully diluted basis, is 10% or more. SCB elected to take up this right and nominated Mr Marcus Derwin, who was appointed to the Aeris Board on 18 April 2016.

As a result of the Convertible Redeemable Preference Shares held by SCB being sold or redeemed during the financial year ended 30 June 2020, SCB no longer have an entitlement to appoint a Director to the Aeris Board. Mr Derwin resigned his position as Director effective 27 July 2020.

(d) HopgoodGanim Lawyers (HG)

Mr Michele Muscillo, an independent Non-executive Director is a partner of HG. Invoices totalling $521,978 (2019: $1,361,470) were received from HG on normal commercial terms during the year.

(e) Loans to key management personnel

No loans were made to key management personnel of the Group during the year.

(f) Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	**2,612,046**	2,657,233
Share-based payments	**625,749**	573,528
Post-employee benefits	**86,384**	88,924
	3,324,179	3,319,685

Detailed remuneration disclosures are provided in the remuneration report.

19 Share-based payments

(a) Employee Options

Executive management options (Management Options) issued 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 management options are granted for no consideration and carry no dividend or voting rights.

19 Share-based payments (continued)

(a) Employee Options (continued)

When exercisable, each option is convertible into one ordinary share and will be 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, it 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 2020 82.5% of the options had vested.

The Options vest in five tranches as follows:

- 30.0% on 31 December 2016;
- 17.5% on 31 December 2017;
- 17.5% on 31 December 2018;
- 17.5% on 31 December 2019; and
- 17.5% on 31 December 2020.

Fair value of options granted

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 have been 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)

(b) 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 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 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.

19 Share-based payments (continued)

(c) 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:

	2020 **$**	2019 $
Employee options	**625,749**	573,528

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

(a) PwC Australia

(i) Audit and other assurance services

	2020 **$**	2019 $
Audit and review of financial statements	**376,729**	307,000
Total remuneration for audit and other assurance services	**376,729**	307,000

(ii) Taxation services

Tax compliance	**154,913**	533,125
Tax advisory	**275,237**	-
Total remuneration for taxation services	**430,150**	533,125
Total remuneration of PwC Australia	**806,879**	840,125

(b) Network firms of PwC Australia

(i) Other services

Tax compliance	**2,705**	2,733
Total auditors' remuneration	**809,584**	842,858

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

21 Earnings per share

(a) Basic earnings per share

	2020 Cents	2019 Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(7.4)**	(3.1)

(b) Diluted earnings per share

	2020 Cents	2019 Cents
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(7.4)**	(3.1)

(c) Loss used in calculating earnings per share

	2020 $'000	2019 $'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**(38,351)**	(12,673)

(d) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, 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 year and excluding treasury shares.

(ii) 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 weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(e) Weighted average number of shares used as denominator

	2020 Number	2019 Number
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating basis and diluted earnings per share	**515,858,189**	409,168,339

21 Earnings per share (continued)

(e) Weighted average number of shares used as denominator (continued)

93,410,609 (2019: 93,410,609) unlisted management options (exercisable at $nil each with an expiry date of 31 December 2021) have been excluded from the calculation of diluted earnings per share because they were anti-dilutive as at 30 June 2020 and 30 June 2019.

72,169,292 (2019: 93,410,609) Convertible Redeemable Preference Shares have been excluded from the calculation of diluted earnings per share because they were anti-dilutive as at 30 June 2020 and 30 June 2019. 72,169,292 represents the time-weighted value of the 93,410,609 Convertible Redeemable Preference Shares from 1 July 2019 until their cancellation and conversion to ordinary share on 8 April 2020 (refer note 9(c)).

22 Carrying amounts of non-current assets pledged as security

The carrying amounts of non-current assets pledged as security for current and non-current borrowings are:

	2020 $'000	2019 $'000
Non-current		
First mortgage		
Freehold land and buildings	**1,324**	1,324
Plant and equipment	**28,111**	32,498
Mine properties	**14,271**	45,757
Exploration and evaluation assets	**23,308**	20,888
	67,014	100,467
Finance lease		
Plant and equipment	**3,546**	10,212
Total non-current assets pledged as security	**70,560**	110,679
Total assets pledged as security	**70,560**	110,679

23 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	2020 $'000	2019 $'000
Balance sheet		
Current assets	**43,814**	3,557
Non-current assets	**120,403**	117,530
Total assets	**164,217**	121,087
Current liabilities	**8,139**	2,521
Total liabilities	**8,139**	2,521
Net assets	**156,078**	118,566
Shareholders' equity		
Contributed equity	**452,313**	420,835
Prepaid contributed equity	**7,216**	-
Convertible preference shares	**-**	4,208
Reserves	**3,346**	2,720
Accumulated losses	**(306,797)**	(309,197)
	156,078	118,566
(Loss)/profit for the year	**2,400**	(36,682)
Total comprehensive (loss)/profit for the year	**2,400**	(36,682)

(b) Guarantees entered into by the Parent entity

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 $5,087,651 with other cash backed financial guarantees of $137,653 which totalled $5,225,303. Total guarantees for the prior year were $3,889,730.

In addition, the Parent entity also provided a parent company guarantee in relation to the SPOV debt facilities to Tritton Resouces Pty Ltd.

(c) Contingent liabilities of the Parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019. For information about guarantees given by the Parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

The Parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2020 or 30 June 2019.

24 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Consolidated Entity consisting of Aeris Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Aeris Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

The presentation currency used in this financial report is Australian dollars.

(i) New and amended standards adopted by the group

A number of new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") became mandatory for the current reporting period.

The Group had to change its accounting policies as a result of adopting AASB 16 *Leases*. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 25. The other amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(ii) Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) Historical cost convention

These 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 the profit and loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 11.

(b) Principles of consolidation

(i) Subsidiaries

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet respectively.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Resources Limited ('Company' or 'Parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Aeris Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

24 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(ii) Changes in ownership interests

The Consolidated Entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Consolidated Entity. 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 a separate reserve within equity attributable to owners of Aeris Resources Limited.

When the Consolidated Entity ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest of an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Consolidated Entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement where appropriate.

(iii) Joint ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Aeris Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Comprehensive Income.

All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income on a net basis within other income or other expenses.

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24 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate for the year.

(d) Revenue recognition

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 24(h).

(e) Leases

As explained in note 24(a) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 8(c) and the impact of the change is shown in note 25.

Until 30 June 2019, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Operating lease payments were charged to the Consolidated Statement of Comprehensive Income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased asset.

24 Summary of significant accounting policies (continued)

(e) Leases (continued)

Leases of property, plant and equipment where the controlled entity has substantially all the risks and rewards of ownership are classified were finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in current or non-current interest bearing liabilities. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases was depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

(f) Impairment of assets

Mining properties that are subject to amortisation 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal Group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(h) Investments and other financial assets

(i) Classification

The Group classifies its investments in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

24 Summary of significant accounting policies (continued)

(h) Investments and other financial assets (continued)

(i) Classification (continued)

- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the statement of comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. See note 7 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

- Amortised cost:

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI):

  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

24 Summary of significant accounting policies (continued)

(h) Investments and other financial assets (continued)

(iii) Debt instruments (continued)

- Fair value through profit or loss:

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of comprehensive income and presented net in the statement of comprehensive income within other gains/(losses) in the period in which it arises.

(iv) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(v) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 12 details how the Group determines whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. 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 and the type of hedge relationship designated.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 9(d). 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, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income, within other income (expenses).

Aeris Resources Limited
Notes to the Consolidated Financial Statements
30 June 2020
(continued)

24 Summary of significant accounting policies (continued)

(i) Derivatives and hedging activities (continued)

(i) Cash flow hedges that qualify for hedge accounting (continued)

Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions the Group hedges their exposure to the variability in cash flows attributable to movements in the AUD copper price on forecast sales. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the years when the hedged item affects the statement of comprehensive income, as follows:

- The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows. The deferred amounts are ultimately recognised in the statement of comprehensive income as the hedged item affects profit or loss; or
- The gain or loss relating to the effective portion of the forward copper contracts - cash flow hedges is recognised in the statement of comprehensive income.

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 at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the statement of comprehensive income.

Hedge ineffectiveness is recognised in the statement of comprehensive income within other expenses.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Statement of Comprehensive Income and are included in other income or other expenses.

(j) Mine properties in use

Certain mining costs, principally those that relate to the stripping of waste and which relate to future economically recoverable ore to be mined, have been capitalised and included in the balance sheet as deferred mining. These costs are deferred or taken to the cost of production as the case may be, so that each tonne of ore mined bears the average costs of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit design and incurs the associated variable contract mining costs specific to the production area from which that ore is mined. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Directors and senior management to ensure the carrying value and rate of deferral is appropriate.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 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.

24 Summary of significant accounting policies (continued)

(l) 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.

Borrowings are removed from the balance sheet 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(m) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in the year that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year 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 end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting year, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share based compensation benefits are provided to employees via the Aeris Resources Limited ESAP.

Share based compensation under the ESAP is measured as the value of the option inherent within shares issued under this plan and is expensed over the vesting period of the shares with a corresponding credit to the share based payments reserve.

24 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(iv) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, 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 payments, where the effect of discounting is material.

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(o) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are expensed.

(p) Preference equity

The classification of preference shares is based on the assessment of the contractual arrangement's substance and the definitions of a financial liability and equity instrument. Non-redeemable shares where dividends are discretionary and Redeemable preference shares, at the issuer's option does not give rise to a contractual obligation to pay cash, they are classified as Equity as it represents an equity interest in the Company and any conversion is into a fixed number of ordinary shares in Aeris Resources Limited.

(q) Parent entity financial information

The financial information for the Parent entity, Aeris Resources Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Aeris Resources Limited. Dividends received from associates are recognised in the Parent entity's income statement, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Aeris Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Aeris Resources Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Aeris Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

24 Summary of significant accounting policies (continued)

(q) Parent entity financial information (continued)

(ii) Tax consolidation legislation (continued)

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Aeris Resources Limited for any current tax payable assumed and are compensated by Aeris Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aeris Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheet.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Rounding of amounts

The Company is of a kind referred to in Legislative Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

25 Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* (AASB 16) on the Group's financial statements.

As indicated in note 24(a) above, the Group has adopted AASB 16 *Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 8(c)(iii).

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.9%.

(i) Practical expedients applied

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

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- accounting for operating leases for which the underlying asset is of low value as low-value leases

25 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	2020 $'000
Operating lease commitments disclosed as at 30 June 2019	262
Discounted using the lessee's incremental borrowing rate of at the date of initial application	243
Add: finance lease liabilities recognised as at 30 June 2019	13,012
Add/(less): contracts reassessed as lease contracts	34
Lease liability recognised as at 1 July 2019	**13,289**
Of which are:	
Current lease liabilities	6,141
Non-current lease liabilities	7,148
	13,289

(iii) Measurement of right-of-use assets

The right-of-use assets recognised on initial application were measured at the amount equal to the lease liability.

(iv) Adjustments recognised in the Consolidated Balance Sheet on 1 July 2019

The change in accounting policy affected the following items in the Consolidated Balance Sheet on 1 July 2019:

- property, plant and equipment - increased by $277,000
- lease liabilities - increased by $277,000

There was no impact on retained earnings on 1 July 2019.

Aeris Resources Limited
Directors' Declaration
30 June 2020

In the Directors' opinion:

(a) the financial statements and notes set out on pages 65 to 129 are in accordance with the *Corporations Act 2001*, including:

  (i) Complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date.

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

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Andre Labuschagne
Director

Brisbane
27 August 2020

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 2020 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 balance sheet as at 30 June 2020
- 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 a summary of significant accounting policies
- 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 and 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.

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

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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*
• For the purpose of our audit we used overall Group materiality of \$2.3 million, which represents approximately 1% of the Group's revenue. • 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 Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• 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. • The accounting processes are structured around the head office finance function at the Group's corporate office in Brisbane, where we predominantly performed our audit procedures.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Carrying value of Tritton Operations assets – Carrying value of exploration and evaluation assets – Refinancing of bank facilities and ongoing funding requirements of the Group • These are further described in the *Key audit matters* section of our report.

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*
Carrying value of Tritton Operations assets *Refer to note 8 (e), 11 (iii) and 24 (f) to the financial report* The Group has property, plant and equipment and mine property in use amounting to AUD 56.2m used in mine operations. Management identified impairment triggers in respect of the Tritton operations CGU and therefore prepared an assessment of the recoverable amounts. During the year, an impairment loss of \$23.1m was recognised in relation to the Tritton Operations CGU. The determination of whether an impairment or impairment trigger exists can be judgemental. Management must determine the recoverable amount for property, plant and equipment and mine properties when impairment indicators are identified. The determination of recoverable amount, being the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires judgement and estimation on the part of management in identifying and then determining the recoverable amounts for the relevant cash-generating unit ("CGU"). Recoverable amounts are based on management's view of key internal value driver inputs and external market conditions such as future commodity prices, the timing and approval of future capital and operating expenditure, and the most appropriate discount rate. The carrying value of Tritton operations assets was a key audit matter due to the significance of the impairment loss recognised during the year, and because the Group's determination of the FVLCD of the CGU involves significant judgements about assumptions, such as: • cash flow projections based on the Group's budget and forecasts, which include assumptions about commodity prices, exchange rates, reserves and mine planning scheduling and production costs and • post-tax discount rates based on benchmarked	We performed the following audit procedures, amongst others: • Evaluated the Group's assessment of whether there was any indicator of impairment of its Tritton operations assets CGU as at 30 June 2020 by comparing the considerations included in the Group's assessment to the requirements of Australian Accounting Standards. • Considered whether the discounted cash flow model used to estimate the FVLCD (the impairment model) was consistent with Australian Accounting Standards. • Obtained an understanding of the impact of the latest life of mine plan assumptions and assessed the competence and objectivity of management's internal technical experts in preparing this plan; • Compared forecast cash flows used in the model with the most up-to-date budgets and business plans formally approved by the Board. • Considered whether the forecast cash flows used in the impairment model were based on supportable assumptions by: ○ Comparing the copper price data used in the impairment model to industry forecasts ○ Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past years ○ Comparing the foreign exchange rate assumption in the impairment model to current economic forecasts and ○ Assisted by PwC valuation experts, we considered the inputs into the Group's weighted average cost of capital calculation used to determine the discount rate. This included comparing inputs to peer company betas, risk free rate and gearing ratios. • Tested the mathematical accuracy of a sample of the model's calculations; and Evaluated the adequacy of the disclosures, including those regarding the key assumptions in the valuation

Key audit matter	How our audit addressed the key audit matter

market inputs, risk adjusted where necessary.

and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Carrying value of exploration and evaluation assets
Refer to note 8 (d) to the financial report

The Group's exploration portfolio includes six exploration licences over the Tritton operations in New South Wales and Torrens project on Lake Torres in South Australia. As required by Australian Accounting Standards, the Group performed an impairment trigger assessment of its exploration and evaluation tenements assets at 30 June 2020 and determined that there were impairment indicators on one exploration licence.

The carrying value of exploration and evaluation assets was a key audit matter due to the financial significance of the exploration and evaluation assets and the judgement required in estimating resources available in each tenement that requires further exploration and evaluation.

We evaluated the Group's impairment triggers assessment by performing the following procedures, amongst others:

- Discussed with key operational and finance staff to develop an understanding of the current status and future exploration intentions for each asset
- Inspecting the budgets for each tenement to assess that future expenditure is budgeted for exploration and evaluation assets
- Identifying any areas where the Group's right to explore is either at, or close to, expiry through reference to the tenements' lease expiry dates and assessing the appropriateness of retaining the associated costs as an asset by obtaining copies of applications for renewal of the leases with relevant authorities
- Evaluating any unsuccessful exploration activities during the year by inspecting the results of drilling and other activities conducted during the year and considering the Group's future exploration plans for the related tenements
- Considering any changes in exploration plans for each tenement by considering the exploration and evaluating activities planned during the year ended 30 June 2020
- For a sample of additions to exploration assets capitalised as at 30 June 2020, compared amounts and details to relevant invoices and appropriate supporting documents.

In addition, specifically for the exploration licence with impairment indicators, we:

- Considered whether the forecast cash flows used in the value-in-use ("VIU") impairment model were based on supportable assumptions by:
  - Comparing the copper price data used in the impairment model to industry forecasts
  - Comparing the foreign exchange rate assumption in the impairment model to current economic forecasts and
  - Assisted by PwC valuation experts, we considered the inputs into the Group's weighted average cost of capital calculation used to determine the discount rate. This included comparing inputs to peer company betas, risk free rate and gearing ratios.

Key audit matter	How our audit addressed the key audit matter

- Tested the mathematical accuracy of a sample of the model's calculations.

Evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provide adequate disclosures for exploration and evaluation assets.

Refinancing of bank facilities and ongoing funding requirements of the Group
Refer to note 7 (e) and 17 (b) to the financial report

As described in note 1 of the financial report, the financial statements have been prepared on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business.

As at 30 June 2020, the Group had interest-bearing loans of $49 million. During the year the Group and the financiers restructured the debt facilities which resulted in the extension of the maturity dates for its Tranche A and Tranche B debt facilities from 14 March 2020 to 1 July 2021. As a result of this, those facilities have been classified as non-current liabilities as at 30 June 2020.

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash. The capital structure is reviewed on a semi-annual basis, with consideration given to the cost of capital and the risks associated with each class of capital.

Assessing the basis of preparation of the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing the Group's ability to obtain refinancing at acceptable terms and assessing forecast cash flows for a period of at least 12 months from the date of the financial report.

We performed the following audit procedures, among others:

- Evaluating the Group's processes and assessed the design effectiveness of key controls over recording and reporting the terms and conditions of interest-bearing liabilities and associated interest costs.
- Reading the terms and conditions of the restructured debt facility and considering the accounting treatment of the extinguishment of the old facility including an evaluation of the accounting of gains and losses on restructuring in accordance with the requirements of the Australian Accounting Standards.
- Assessed if the interest recognised in the Consolidated Statement of Comprehensive Income during the year was calculated in accordance with Australian Accounting Standards.
- Confirming the interest-bearing loans balances as at 30 June 2020 directly with counterparties.
- Evaluating management's assumptions in the cash flows forecasts for the next 12 months from balance date.
- Evaluated the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.

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 2020, 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 directors' 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 54 to 62 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Aeris Resources Limited for the year ended 30 June 2020 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

Simon Neill
Partner

Brisbane
27 August 2020

Shareholder Information

The shareholder information as set out below was applicable at 06 October 2020.

Issued Capital:

Range	
Fully paid ordinary Shares	1,897,018,636
Employee options	69,646,953

Distribution of holders of fully paid ordinary shares:

Range	Units	No. of holders	%
100,001 and Over	1,820,252,931	1,009	19.49
10,001 to 100,000	73,073,248	1,646	31.79
5,001 to 10,000	2,341,841	285	5.50
1,001 to 5,000	949,131	361	6.97
1 to 1,000	401,485	1,877	36.25
Total	**1,897,018,636**	**5,178**	**100.00**
Unmarketable Parcels	2,638,136	2,416	46.66

Substantial shareholders:

Shareholder	Units	%
TUDOR COURT	374,467,011	19.74
SPECIAL PORTFOLIO OPPORTUNITY V LIMITED	223,282,592	11.77
SG HISCOCK & CO	146,573,496	7.73

Voting rights:

On a show of hands, every member present has one vote; and

On a poll, every member present has one vote for each share held by the member and in respect of which the member is entitled to vote except in respect of partly paid shares, each of which will confer on a poll only a fraction of one vote which the amount paid up on the share bears to the total issue price of the share .

Shareholder Information

Top 21 Shareholders:

Rank	Name	Number	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	677,996,516	35.74
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	223,759,341	11.80
3	CITICORP NOMINEES PTY LIMITED	123,329,852	6.50
4	DARRELL JAMES PTY LTD	30,000,000	1.58
5	BCC LAUNCHPAD IRELAND HOLDINGS DESIGNATED ACTIVITY COMPANY	21,466,373	1.13
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,705,680	0.99
7	SARGON CT PTY LTD	16,666,667	0.88
8	MR WILLIE LABUSCHAGNE	14,992,285	0.79
9	SARGON CT PTY LTD	13,333,333	0.70
10	GLENCORE FINANCE (BERMUDA) LTD	13,151,314	0.69
11	CS FOURTH NOMINEES PTY LIMITED	12,947,969	0.68
12	NATIONAL NOMINEES LIMITED	10,749,865	0.57
13	BCD PROJECTS PTY LTD	10,000,000	0.53
13	OMIGOTO PTY LTD	10,000,000	0.53
14	BNP PARIBAS NOMINEES PTY LTD	9,308,690	0.49
15	MR ROBERT ALLAN BRAINSBURY	9,138,037	0.48
16	RED PUMA PTY LTD	9,000,000	0.47
17	NATIONAL NOMINEES LIMITED	8,233,621	0.43
18	WASHINGTON H SOUL PATTINSON & CO LTD	7,601,707	0.40
19	MR SANJAY SHARMA & DR SEEMA SHARMA	6,850,649	0.36
20	MR WILLIAM ANTHONY MURRAY & MRS JANET MARY MURRAY	6,514,379	0.34
	Top 20 holders of fully paid ordinary shares	1,253,746,278	66.09
	Total Remaining Holders Balance	**643,272,358**	**33.91**

Glossary

$ or A$	Australian dollar
Aeris	Aeris Resources Limited
Ag	Silver
ASX	Australian Securities Exchange
Au	Gold
AuEq	Gold equivalent – gold plus silver expressed in equivalent ounces of gold using a conversion ratio dependent on prevailing gold and silver prices
Bcm	Bank cubic metres
Board	Board of Directors of Aeris Resources Limited
Company or company	Aeris Resources Limited
Cu	Copper
Cu%	Copper percentage
for the year	12 months to 30 June 2020
FY	Financial year
g	Gram
Group	Aeris and its subsidiaries
Injury Statistics	Lost Time Injury (LTI) - An injury (including a fatality or permanent disability) that results in a minimum of one full shift absence from work. Restricted Work Injury (RWI) - An injury resulting in a person not returning to his/her complete range of normal duties. Medical Treatment Injury (MTI) - An injury requiring external/professional medical treatment (not first aid treatment only). Total Recordable Injury (TRI) = LTI + RWI + MTI. Frequency Rate (for LTIFR and TRIFR) - The number of occupational injuries expressed as a rate per million man hours worked. Usually calculated as a rolling 12 month average. Calculated as: Number of injuries (LTI or TRI) x 1,000,000/number of hours worked
kt	Thousands of metric tonnes
M	Million
Mo	Molybdenum
oz	Ounces
RL	Relative Level (height above mine datun)
tpa	Tonnes per annum
t	Metric tonne
US$	United States dollar

Corporate Directory

Directors

Andre Labuschagne Executive Chairman

Alastair Morrison Non Executive Director

Michele Muscillo Non Executive Director

Marcus Derwin Non Executive Director (Resigned 27 July 2020)

Colin Moorhead Non Executive Director (Appointed 27 July 2020)

Joint Company Secretaries

Robert Brainsbury

Dané van Heerden

Senior Management - Corporate

Robert Brainsbury Chief Financial Officer

Ian Sheppard Chief Operating Officer

Senior Management - Operations

John Miller General Manager Tritton Copper Operations transfer to Cracow Gold Operations 1 July 2020

Jamie Barrow General Manager Tritton Copper Operations (10 August 2020)

David Hume General Manager Tritton Copper Operations (10 August 2020)

Dane van Heerden General Manager Finance (1 July 2020)

Bradley Cox General Manager Geology (1 July 2020)

REGISTERED AND HEAD OFFICE

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WEBSITE

www.aerisresources.com.au

STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX: AIS)

AUDITORS

PricewaterhouseCoopers

LAWYERS

HopgoodGanim Lawyers

Aeris
RESOURCES