
AERIS RESOURCES LIMITED
(ASX: AIS)**Appendix 4D (Rule 4.2A.3)**
Financial Report
For the half-year period ended 31 December 2017**Results for announcement to the market**

(All comparisons are to the half-year ended 31 December 2016)

	\$'000	Up/Down	% movement
Revenue	105,274	Up	33%
Gross Profit	11,198	Up	269%
Net loss after income tax (NPAT)	(6,647)	Down	71%

Audit

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

Acquisitions and disposals

There were no acquisitions or disposals in the period.

Commentary on results for the period

Please refer to the review of operations and financial result sections detailed in the director's report included in the attached half-year report for the period ending 31 December 2017.

Dividends

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

Net tangible assets per share (fully diluted)

The net tangible assets per share were (0.1) cents for 31 December 2017 and 0.1 cents for 30 June 2017. The comparative net tangible asset per share was restated to incorporate the fully dilutive impact resulting from the SCB restructure.

Additional 4D disclosures

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

For further information, please contact:

Mr. Andre Labuschagne

Executive Chairman

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Aeris Resources Limited

ABN 30147131977

Interim report for the half-year 31 December 2017



Directors' Report

Your Directors present their report on the consolidated entity consisting of Aeris Resources Limited (Aeris or the Company) and the entities it controlled (the Group) at the end of, or during the half-year ended 31 December 2017 and where required, the previous corresponding period for the half-year ended 31 December 2016.

Directors

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

Current Directors at date of the report

Andre Labuschagne

Alastair Morrison

Michele Muscillo

Marcus Derwin

Principal Activities

The principal activities of the consolidated entity for the period ended 31 December 2017 were the production and sale of copper, gold and silver and the exploration for copper and gold. Other than as referred to in the review of operations, there were no significant changes in those activities during the financial period.

Dividend

The Directors do not recommend payment of a dividend for the period to 31 December 2017. No dividend was paid during the period.

Operating and Financial Review

Operations

The Tritton Copper Operations produced 12,227 tonnes of Copper in Concentrate, slightly lower than that compared to the previous corresponding period (December 2016: 12,404 tonnes of Copper in Concentrate).

During the period, the Tritton Copper Operations continued to benefit from the significant capital upgrades which occurred during FY2017. The key areas of investment included the construction of a ventilation shaft at the Tritton underground mine (Tritton) and development of the Murrawombie underground mine (Murrawombie).

The new ventilation shaft was commissioned and operational in September 2017. Construction of the new ventilation shaft at Tritton commenced during the fourth quarter of FY2016 and supports current production volumes at Tritton and the planned deeper mining operations (Tritton Deeps) at the Tritton Orebody. The shaft extends from surface to the RL4385m exploration drive, a total of 864 metres and will enable mining to be extended to at least 1,250 metres below surface (4,000mRL), at production rates of 1mtpa or better.

The Murrawombie mine which was commissioned during FY2017, continues to ramp up to full production rates. Murrawombie has replaced the Larsens and North East mines as the supplementary ore source for the processing plant. The deposit has a number of lenses (101 lode through to 105 lode). Mining methods vary with the lode and the nature of mineralisation, and mine design is evolving as further information becomes available from grade control drilling, detailed lithology and structural mapping activities.



Ore production from Tritton returned to normal levels during the period. In the September quarter, stope extraction sequences were modified to maintain ore supply in relatively tight operating conditions. The realignment of the stope extraction sequence ensures that the stopes remain aligned in the optimum orientation to manage ground pressure. Areas of harder ore, which are periodically encountered, were mined during the period, reducing mill throughput rates. Towards the end of period production moved into higher grade stopes, achieving improved mine grades.

Murrawombie ore production was on plan during the period and currently on track to reach full production rates during FY2018. Copper grades were modest but in line with expectations for the period. Mining of the 101 lode, in the upper levels, was completed during the September quarter. A change to bottom up mining, with dry rock fill support of the hanging wall, has allowed extraction of stable stopes.

A revision of the geology model at Murrawombie was completed during the period and included updated grade control drilling information and mapping of development drives inside the orebody. Flexibility in mine planning has been necessary as detailed stope designs were modified to match the changes in geology models and impacted the near term stope extraction rates. Placement of cemented waste rock as a stope backfill commenced towards the end of the period. Cemented backfill is part of the new mine design that is targeting more selective mining methods in order to mine higher grades of ore.

Ore processed during the period was 794,210 tonne compared to 808,476 tonne in the prior corresponding period. The change was mainly due to the ore being on average harder than in previous periods. Ore hardness, with respect to grinding circuit capacity, varies through the ore body. Investigations have commenced to determine whether the hardness character currently being experienced are likely to continue and whether changes to the grinding circuit will provide an opportunity to increase throughput rates. Copper recovery for the period of 94.9% was higher than that achieved (94.7%) during the period ended 31 December 2016.

Exploration

On 28th July 2016, Aeris announced that it was ramping-up greenfields exploration on its Tritton tenement package and planned to spend \$7.5 million over the coming two years (See ASX Announcement dated 28 July 2016 for more information). The exploration program is focused on exploring for deeper/concealed mineralised systems within the known Tritton and Kurrajong stratigraphic corridors utilising new high power moving loop electromagnetic (MLTEM) geophysical techniques which have the ability to identify a conductive body to depths in excess of 500 metres below surface. The MLTEM geophysical survey is designed to detect for large Tritton sized deposits, of plus ten million tonnes.

In conjunction with the MLTEM survey, reconnaissance geological mapping and historical data compilation is being completed along strike of the known Tritton (north) and Kurrajong (north and south) stratigraphic corridors. This work will focus on improving the geological understanding from a regional +5 kilometres scale to a more detailed sub 2 kilometres resolution, from which exploration efforts can be directed toward more prospective areas.

During the period, the ground based MLTEM geophysical survey continued over the Tritton and Kurrajong VMS corridors, with approximately 80% of the total survey area completed by the end of the period.



Financial Results

The Group recorded a loss after tax for the 6 month period to 31 December 2017 of \$6.647 million (December 2016: loss of \$22.695 million). The result was impacted by a number of key factors including:

- Revenue from continuing operations amounted to \$105.274 million, compared to \$78.952 million in the previous corresponding period. This was directly due to increased average copper prices achieved of A\$8,638/t, compared to the prior corresponding period A\$6,748/t. The higher prices achieved were partially offset by slightly lower copper tonnes produced (12,227 tonnes of Copper in Concentrate versus 12,404 tonnes of Copper in Concentrate in the prior corresponding period);
- Cost of goods sold increased from \$85.569 million at December 2016 to \$94.076 million at 31 December 2017, impacted by higher maintenance costs and also increased electricity costs, which impacted both mining and processing costs;
- Finance costs recognised on the Standard Chartered Bank (SCB) Senior Debt and the Working Capital facility with Special Opportunity V Limited (SPOV), a subsidiary of a fund managed by PAG, amounted to \$13.369 million compared to \$8.674 million at 31 December 2016; and
- Foreign exchange impacts, mainly on the SCB Senior Debt and the SPOV facility, reduced from a loss of \$2.781 million at 31 December 2016 to a gain of \$1.788 million at 31 December 2017 as a result of AUD/USD exchange rate moving from \$0.72 at 31 December 2016 to \$0.78 at 31 December 2017.

Financial Position

The negative net asset position of the Group at 31 December 2017 is \$5.920 million (net assets at 30 June 2017 were \$0.487 million), mainly due to capitalisation of interest on the SCB Senior debt and SPOV facility and an additional draw down on the SPOV facility during the period (US\$4.000 million was draw down in August 2017 reduced by a repayment of US\$2.400 million at the end of period). These were partially offset by an increase in Receivables, due to higher copper prices and timing of finalisation of invoices, and positive foreign exchange impacts on accumulated losses.

Debt

On 28 February 2018, the Company announced the restructuring of its debt facilities.

The restructuring transaction involves the sale of Aeris' Senior Debt from SCB to Special Portfolio Opportunity V Limited (SPOV), a subsidiary fund of a fund managed by PAG.

SPOV and Aeris have subsequently entered into an agreement (Restructuring Agreement) to reduce the Senior Debt from US\$63.300 million (including accrued interest) to US\$30.000 million (including the US\$5.000 million Arranger Fee). The new Senior Debt facility has a term of 2 years and a interest rate of 12.5% per annum. However, if Aeris has not reduced the Senior Debt by a minimum of US\$20.000 million within the first 6 months, the interest rate increases by an additional 3.0% per annum on the balance of the facility above US\$10.000 million.

For its role in arranging the restructure, including bridging the SCB facility whilst the restructure is being completed, Aeris has agreed to pay SPOV an Arranger Fee of US\$5.000 million, which can be settled either in shares or by an increase in the Senior Debt facility, at Aeris' election.

In relation to its existing working capital facility, the Company has secured an extension on the maturity so that it coincides with the maturity of the new Senior Debt facility, circa quarter 1 2020. SPOV have also agreed to guarantee the environmental bond facility provided by SCB for 3 years.



Associated with the restructure is an agreement by SCB to cancel 467 million of its 560 million convertible redeemable preference shares, reducing the number on issue to 93 million. Following the cancellation of these preference shares, the total number of shares on issue, on a fully diluted basis, reduces by 50% from 934 million to 467 million shares.

SPOV has also agreed to convert its existing holding of 140 million convertible preference shares to ordinary shares. Upon conversion SPOV will become Aeris' major shareholder with a shareholding of 50%, which was previously approved by Aeris shareholders.

The Price Participation Agreement, held by SCB as part of the 2015 debt restructure, will be cancelled for \$1, which will subsequently provide Aeris with 100% exposure to increases in the copper price above A\$8,000/t.

At the time of this report, the Restructuring Agreement with SPOV and the relevant documents with SCB in respect of the debt restructure have been executed. Aeris and SPOV are now progressing with the various conditions precedent to complete the restructure.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial period and the date of this report, other than noted above, any other matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity; the results of those operations; or the state of affairs of the consolidated entity in subsequent financial years.

Outlook

The finalisation of the restructuring of the Senior Debt, Convertible Preference shares and cancellation of the Price Participation Agreement are all value-accretive, creating material value for shareholders and provide a key platform to achieving a sustainable, long term financial structure for the Company.

The Company continues to target copper production at its Tritton Copper Operations for FY2018 of 27,000 tonnes.

At the Tritton Copper Operations the focus will be to continue driving operational and cost efficiencies, update the life-of-mine plans for the Tritton and Murrawombie underground mine and proactive management of capital.

The ground based MLTEM geophysical survey underway on the Tritton tenement package is expected to be completed by the end of 30 June 2018, at which time the results will be evaluated for prioritisation of targets for the next phase of exploration. Notwithstanding this, two high priority anomalies have already been identified and first phase drilling is expected to commence before the end of the current financial year. Also, the final approval required to commence drilling at the exciting Torrens Project (Aeris 70%) in South Australia was received in February 2018. The Company is now working with its Joint Venture Partner to be ready to commence drilling in the September quarter of 2018.

Auditors' Independence Declaration

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



Rounding of Amounts to Nearest Thousand Dollars

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

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, consisting of a stylized initial 'A' followed by a long horizontal stroke.

Andre Labuschagne
Executive Chairman
28 February 2018



Auditor's Independence Declaration

As lead auditor for the review of Aeris Resources Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'D. G. Smith', is written over a light grey horizontal line.

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
28 February 2018

Aeris Resources Limited ABN 30147131977

Interim report - 31 December 2017

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

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

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

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

The interim financial report was authorised for issue by the Directors on 28 February 2018. The Directors have the power to amend and reissue the interim financial report.

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

Aeris Resources Limited
Condensed consolidated statement of comprehensive income
For the half-year 31 December 2017

		31 December 2017 \$'000	31 December 2016 \$'000
	Notes		
Revenue from continuing operations	2	105,274	78,952
Cost of goods sold	3	<u>(94,076)</u>	<u>(85,569)</u>
Gross profit/(loss)		11,198	(6,617)
Exploration expense	3	(127)	(587)
Administration and support	3	(3,291)	(3,774)
Other income/(expense)	3	<u>1,937</u>	<u>(2,812)</u>
Profit/(loss) before net finance costs		9,717	(13,790)
Finance expenses	3	<u>(13,369)</u>	<u>(8,905)</u>
Loss before income tax from continuing operations		(3,652)	(22,695)
Income tax expense		<u>(2,995)</u>	-
Loss for the period		(6,647)	(22,695)
Total comprehensive loss for the period		(6,647)	(22,695)
Loss is attributable to:			
Owners of Aeris Resources Limited		<u>(6,647)</u>	(22,695)
Total comprehensive loss for the period is attributable to:			
Owners of Aeris Resources Limited		<u>(6,647)</u>	(22,695)
		31 December 2017 Cents	31 December 2016 Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share		(4.7)	(16.2)
Diluted earnings per share		(4.7)	(16.2)

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

Aeris Resources Limited
Condensed consolidated balance sheet
As at 31 December 2017

		31 December 2017	30 June 2017
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		9,518	9,698
Trade and other receivables		12,219	6,656
Inventories		15,903	14,795
Other financial assets		5,359	5,211
Total current assets		42,999	36,360
Non-current assets			
Receivables		7,025	4,902
Exploration and evaluation		15,786	14,497
Mine properties in use		47,882	45,088
Property, plant and equipment		53,461	52,931
Deferred tax assets		7,210	10,205
Total non-current assets		131,364	127,623
Total assets		174,363	163,983
LIABILITIES			
Current liabilities			
Trade and other payables		29,127	24,735
Interest bearing liabilities	4	31,019	5,144
Provisions	5	7,154	6,566
Total current liabilities		67,300	36,445
Non-current liabilities			
Interest bearing liabilities	4	95,608	114,034
Provisions	5	17,375	13,017
Total non-current liabilities		112,983	127,051
Total liabilities		180,283	163,496
Net (liabilities)/assets		(5,920)	487
EQUITY			
Contributed equity	6	360,828	360,828
Preference equity	7	31,560	31,560
Reserves	8(a)	(7,598)	(7,838)
Accumulated losses	8(b)	(390,710)	(384,063)
Total equity		(5,920)	487

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

Aeris Resources Limited
Condensed consolidated statement of changes in equity
For the half-year 31 December 2017

	Notes	Attributable to owners of Aeris Resources Limited				Total equity \$'000
		Contributed Equity \$'000	Convertible Preference Shares \$'000	Other reserves \$'000	Accumulated Losses \$'000	
Balance at 1 July 2016		360,828	31,560	(8,505)	(350,764)	33,119
Loss for the period		-	-	-	(22,695)	(22,695)
Total comprehensive income for the period		-	-	-	(22,695)	(22,695)
Transactions with owners in their capacity as owners:						
Employee share schemes - value of employee services	8	-	-	408	-	408
Balance at 31 December 2016		360,828	31,560	(8,097)	(373,459)	10,832
Balance at 1 July 2017		360,828	31,560	(7,838)	(384,063)	487
Loss for the period		-	-	-	(6,647)	(6,647)
Total comprehensive income for the period		-	-	-	(6,647)	(6,647)
Transactions with owners in their capacity as owners:						
Employee share schemes - value of employee services	8	-	-	240	-	240
Balance at 31 December 2017		360,828	31,560	(7,598)	(390,710)	(5,920)

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

Aeris Resources Limited
Condensed consolidated statement of cash flows
For the half-year 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Cash flows from operating activities		
Receipts from customers	100,549	83,461
Payments to suppliers and employees	(83,848)	(76,493)
Interest paid	(777)	(693)
Net cash inflow from operating activities	15,924	6,275
Cash flows from investing activities		
Payments for property, plant and equipment and mine properties	(11,549)	(15,886)
Payments for exploration expenditure	(1,289)	(415)
Cash backed security deposits	(2,128)	-
Net cash outflow from investing activities	(14,966)	(16,301)
Cash flows from financing activities		
Proceeds from borrowings	5,065	9,291
Repayment of borrowings	(3,103)	-
Finance lease payments	(3,100)	(2,732)
Net cash (outflow)/inflow from financing activities	(1,138)	6,559
Net decrease in cash and cash equivalents	(180)	(3,467)
Cash and cash equivalents at the beginning of the financial period	9,698	11,300
Effects of exchange rate changes on cash and cash equivalents	-	385
Cash and cash equivalents at the end of period	9,518	8,218

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

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1 Basis of preparation of half-year report

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

This condensed consolidated interim financial report for the six month reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the annual report of the Group for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The annual report for the year ended 30 June 2017 is accessible at www.aerisresources.com.au.

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

The condensed interim financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half-year ended 31 December 2017, Aeris recognised a consolidated loss of \$6.647 million (2016: loss of \$22.695 million) and had cash inflow from operating activities of \$15.924 million (2016: inflow of \$6.275 million). In the current period the result was impacted by increased revenues and positive foreign exchange impacts, offset by increased maintenance and electricity costs and increased finance costs on the SCB and SPOV facilities.

At 31 December 2017 the Group held cash of \$9.518 million, a net liability position of \$5.920 million and a working capital deficiency of \$24.301 million. The working capital deficiency is principally due to the classification of the Company's working capital facility as current.

On 28 February 2018, the Company announced the restructuring of its debt facilities.

The restructuring transaction involves the sale of Aeris' Senior Debt from SCB to SPOV.

SPOV and Aeris have subsequently entered into an agreement (Restructuring Agreement) to reduce the Senior Debt from US\$63.3 million (including accrued interest) to US\$30 million (including the US\$5 million Arranger Fee). The new Senior Debt facility has a term of 2 years and an interest rate of 12.5% per annum. However, if Aeris has not reduced the Senior Debt by a minimum of US\$20 million within the first 6 months, the interest rate increases by an additional 3.0% per annum on the balance of the facility above US\$10 million.

For its role in arranging the restructure, including bridging the SCB facility whilst the restructure is being completed, Aeris has agreed to pay SPOV an Arranger Fee of US\$5 million, which can be settled either in shares or by an increase in the Senior Debt facility, at Aeris' election.

In relation to its existing Working Capital facility, the Company has secured an extension on the maturity so that it coincides with the maturity of the new Senior Debt facility, circa quarter 1 2020. SPOV have also agreed to guarantee the environmental bond facility provided by SCB for 3 years.

1 Basis of preparation of half-year report (continued)

Associated with the restructure is an agreement by SCB to cancel 467 million of its 560 million convertible redeemable preference shares, reducing the number on issue to 93 million. Following the cancellation of these preference shares, the total number of shares on issue, on a fully diluted basis, reduces by 50% from 934 million to 467 million shares.

SPOV has also agreed to convert its existing holding of 140 million convertible preference shares to ordinary shares. Upon conversion SPOV will become Aeris' major shareholder with a shareholding of 50%, which was previously approved by Aeris shareholders.

The Price Participation Agreement held by SCB as part of the 2015 debt restructure, will be cancelled for \$1, which now provides Aeris with 100% exposure to increases in the copper price above A\$8,000/t.

At the time of this report, the Restructuring Agreement with SPOV and the relevant documents with SCB in respect of the debt restructure have been executed. Aeris and SPOV are now progressing with the various conditions precedent to complete the restructure.

The finalisation of the restructuring of the Senior Debt, Convertible Preference shares and cancellation of the Price Participation Agreement are all value-accretive, creating material value for shareholders and provide a key platform to achieving a sustainable, long term financial structure for the Company

The Directors believe they have reasonable grounds to expect that they will have sufficient funds to settle the Group's liabilities and meet its debts as and when they fall due. In their assessment of going concern the Directors have considered the funding and operational status of the business, including consideration of the following:

- The US\$25.000 million Working Capital facility with SPOV. The facility's repayment terms have been extended to coincide with the new Senior Debt Facility and as such provides the Group with an extended period of access to the Working Capital facility. At 31 December 2017, the company had drawn down US\$17.1 million of the Working Capital facility ;
- Continued strong operating cost control and management at Tritton Copper Operations; and
- The Group had generated positive cashflows from operating activities of \$15.924 million and met its commitments during the period through its ability to manage timing of cash flows to meet the obligations of the business as and when due.

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretation did not have any significant impact on 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.

(i) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group.

AASB9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and new impairment model for financial assets. The majority of the Group financial assets are in the form of cash and cash equivalents, trade and other receivables and financial assets at fair value through profit and loss. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and liabilities.

1 Basis of preparation of half-year report (continued)

(i) Impact of standards issued but not yet applied by the entity (continued)

AASB 15 Revenue from Contracts with Customers outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes current revenue recognition guidance including AASB 118 Revenues, AASB 111 Construction Contracts and related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group is currently assessing the effects of applying the new standard on the Group's financial statements. Work to date has focussed on the offtake agreement for 100% of the Tritton Copper Concentrate that accounts for the majority of the Group's revenue. This standard applies to the reporting period beginning on 1 July 2018.

AASB 16 Leases addresses the recognition, measurement, presentation and disclosures of leases. This standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from its predecessor, AASB 117. This standard applies to the reporting period beginning on 1 July 2019. The Group is in the process of assessing the impact for the Group of this new standard.

Aeris Resources Limited
Notes to the condensed consolidated financial statements
31 December 2017
(continued)

2 Revenue

	31 December	31 December
	2017	2016
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Mining activities	105,227	78,897
<i>Other revenue</i>		
Other revenue from ordinary activities	47	55
	105,274	78,952

3 Expenses

	31 December	31 December
	2017	2016
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
Cost of production		
Mining and Processing activities	82,309	70,484
Depreciation		
Plant and equipment	3,727	6,471
Plant and equipment under finance leases	3,614	3,449
Total Depreciation	7,341	9,920
Amortisation		
Mine properties	4,426	5,165
Total Cost of goods sold	94,076	85,569
Exploration expense		
Exploration expenditure	127	311
Exploration written off	-	276
Total Exploration Expense	127	587
Finance costs - net		
Interest and finance charges paid / payable	13,369	8,905
Total Finance Expenses	13,369	8,905
Other (gains)/expenses		
Net foreign exchange (gains)/losses	(1,788)	2,781
Gain on fair value of listed securities held for trading	(149)	(298)
Loss on disposal of fixed assets	-	329
Total Other (gains)/expenses	(1,937)	2,812

Aeris Resources Limited
Notes to the condensed consolidated financial statements
31 December 2017
(continued)

3 Expenses (continued)

	31 December 2017 \$'000	31 December 2016 \$'000
Administration and support		
Corporate depreciation	6	6
Corporate	3,285	3,768
Total Administration and support	3,291	3,774

4 Interest bearing liabilities

Current

	31 December 2017 \$'000	30 June 2017 \$'000
Secured		
Bank loans	25,021	80
Lease liabilities	5,998	5,064
Total secured borrowings	31,019	5,144
Total current interest bearing liabilities	31,019	5,144

Non Current

	31 December 2017 \$'000	30 June 2017 \$'000
Secured		
Bank loans	87,416	105,344
Lease liabilities	8,192	8,690
Total secured borrowings	95,608	114,034
Total non-current interest bearing liabilities	95,608	114,034

Included in current bank loans is Working Capital Facility which has a 3-year term and is secured by the same security and guarantee arrangements as provided for the SCB Senior Debt. Cash interest accrues at 5% per annum and PIK (payment in kind) accrues at 6% (compounding every 3 months). As referred to in Note 1 of the interim financial report the Company has signed a restructure agreement which will extend the Working Capital Facility repayment date so that it coincides with the new Senior Debt facility. The current repayment date is 31 December 2018 and as such the facility balance is reflected as current. At 31 December 2017, the company had drawn down US\$17.100 million of the Working Capital Facility.

5 Provisions

	31 December 2017			30 June 2017		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits	6,986	698	7,684	6,443	707	7,150
Price participation	-	5,675	5,675	-	1,308	1,308
Other provisions	168	-	168	123	-	123
Provision for rehabilitation and dismantling	-	11,002	11,002	-	11,002	11,002
	7,154	17,375	24,529	6,566	13,017	19,583

The copper price participation provision is an estimated provision for the Copper Price Participation Payment payable under the debt restructure agreement with SCB over the life of the mine and based on current market consensus Copper Price and AUD/USD forecasts. The Group is required to pay the Copper Price Participation Payment every 3 months where the volume weighted average copper price in the quarter, expressed in Australian Dollars is above a copper price of A\$8,000 per tonne.

This liability is estimated at A\$5.675 million using broker consensus forward prices for copper as at 31 December 2017 and the AUD:USD exchange rates of 75 cents to 79 cents, over the current planned Life of Mine and using a discount rate of 12.30%. As referred to in Note 1 of the interim financial report the Company has signed a restructure agreement under which the Copper Price Participation Payment will be cancelled for \$1.

6 Contributed equity

(a) Share capital

	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Ordinary share capital	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	140,116,703	140,116,703	360,828	360,828

Movements in ordinary share capital

	31 December 2017 Shares	31 December 2017 A\$'000
Opening Balance	140,116,703	360,828
Issued	-	-
Closing Balance	<u>140,116,703</u>	<u>360,828</u>

6 Contributed equity (continued)

Movements in ordinary share capital (continued)

	31 December 2016 Shares	31 December 2016 A\$'000
Opening Balance	115,616,703	353,203
Issues of ordinary shares during the period		
Shares issues for consideration:		
Convertible notes converted - January 2016	24,500,000	7,625
Closing Balance	<u>140,116,703</u>	<u>360,828</u>

7 Preference equity

(a) Convertible preference shares

Movements in convertible redeemable preference shares

	31 December 2017 Shares	31 December 2017 A\$'000
Opening Balance	700,579,566	31,560
Issued/(redeemed)	-	-
	<u>700,579,566</u>	<u>31,560</u>
	31 December 2016 Shares	31 December 2016 A\$'000
Opening Balance	700,579,566	31,560
Issued/(redeemed)	-	-
Closing Balance	<u>700,579,566</u>	<u>31,560</u>

The CRPS are fully paid redeemable cumulative convertible preference shares in the capital of the company and have been issued with an aggregate face value of US\$40.000 million which reflects the amount that the Senior Debt of the Company will be reduced by the issue of the CRPS upon finalisation of the restructure. The CRPS accrue a unfranked dividend at 5% per annum and to be accrued if not settled upon which interest of 5% per annum will accrue. The deferred amount and interest will cease to accrue and be written off if the CRPS are converted or will cease to accrue and be paid in cash if the CRPS are redeemed. The CRPS have been independently valued as at the completion date of the restructure of the debt with SCB in December 2015 and is accounted for at its fair value of \$25.248 million. As referred to in Note 1 the Company has entered into a binding agreement with SCB to redeem 467 million convertible preference shares held by SCB for a total aggregate consideration of \$1. The redemption reduces the number on issue to 93 million.

The CNRPS mirror the CRPS in as far as possible in respect to dividends, voting rights and general rights. The CNRPS have no redemption option by the company. The CNRPS has been issued with an aggregate face value of US\$1, notional value of US\$10.000 million. The CNRPS has also been independently valued and is accounted for at its fair value of \$6.312 million.

8 Reserves and accumulated losses

(a) Reserves

	31 December	30 June
	2017	2017
	\$'000	\$'000
Share-based payments	1,845	1,605
Acquisition revaluation reserve	(9,443)	(9,443)
	(7,598)	(7,838)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	31 December	30 June
	2017	2017
	\$'000	\$'000
Balance 1 July	(384,063)	(350,764)
Net loss for the period	(6,647)	(33,299)
Closing Balance	(390,710)	(384,063)

9 Events occurring after the balance sheet date

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

10 Earnings per share

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

	31 December	31 December
	2017	2016
	\$'000	\$'000
<i>Basic and diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(6,647)	(22,695)

10 Earnings per share (continued)

(b) Weighted average number of shares used as denominator

	31 December 2017 Number	31 December 2016 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	140,116,703	140,116,703
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	700,579,566	700,579,566
Options	93,410,609	93,410,609
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	934,106,878	934,106,878

11 Segment information

(a) Description of segments

Business segments

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

Geographical segments

The Consolidated Entity only operated in Australia as at 31 December 2017 and 31 December 2016.

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

2017	Tritton Operations \$'000	Other \$'000	Total Continuing Operations \$'000	Consolidated \$'000
Segment Revenue				
Sales	105,227	-	105,227	105,227
Total sales revenue	105,227	-	105,227	105,227
Other revenue	47	-	47	47
Total segment revenue	105,274	-	105,274	105,274
Adjusted EBITDA	20,619	(917)	19,702	19,702
Segment assets and liabilities				
Segment assets	254,180	124,777	378,957	378,957
Intersegment elimination	(100,523)	(111,281)	(211,804)	(211,804)
Unallocated assets	-	-	10,205	10,205
Total assets	153,657	13,496	177,358	177,358
Segment liabilities	323,299	68,788	392,087	392,087
Intersegment elimination	(145,607)	(66,197)	(211,804)	(211,804)
Total liabilities	177,692	2,591	180,283	180,283

11 Segment information (continued)

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

2017	Tritton Operations \$'000	Other \$'000	Total Continuing Operations \$'000	Consolidated \$'000
Other segment information				
Depreciation and amortisation	11,767	6	11,773	11,773
Acquisition of property, plant and equipment, intangibles and other segment assets	11,549	-	11,549	11,549
2016				
	Tritton Operations \$'000	Other \$'000	Total Continuing Operations \$'000	Consolidated \$'000
Segment Revenue				
Sales	78,897	-	78,897	78,897
Total sales revenue	<u>78,897</u>	<u>-</u>	<u>78,897</u>	<u>78,897</u>
Other revenue	55	-	55	55
Total segment revenue	<u>78,952</u>	<u>-</u>	<u>78,952</u>	<u>78,952</u>
Adjusted EBITDA	<u>6,407</u>	<u>(2,325)</u>	<u>4,082</u>	<u>4,082</u>
Segment assets and liabilities				
Segment assets				
Intersegment elimination	236,944	125,656	362,600	362,600
Unallocated assets	(100,523)	(111,281)	(211,804)	(211,804)
Total assets	<u>-</u>	<u>-</u>	<u>16,522</u>	<u>16,522</u>
	<u>136,421</u>	<u>14,375</u>	<u>167,318</u>	<u>167,318</u>
Segment liabilities				
Intersegment liabilities	300,054	68,235	368,289	368,289
Total liabilities	<u>(145,629)</u>	<u>(66,175)</u>	<u>(211,804)</u>	<u>(211,804)</u>
	<u>154,425</u>	<u>2,060</u>	<u>156,485</u>	<u>156,485</u>
Other segment information				
Depreciation and amortisation	15,085	6	15,091	15,091
Acquisition of property, plant and equipment, intangibles and other segment assets	15,886	-	15,886	15,886

(c) Other segment information

(i) Adjusted EBITDA

The Strategic Steering Committee of Aeris Resources Limited assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment, losses recognised on refinancing and effects of foreign exchange which primarily reflects the gains/losses on the translation of the USD borrowings.

11 Segment information (continued)

(c) Other segment information (continued)

(i) Adjusted EBITDA (continued)

A reconciliation of adjusted EBITDA to operating loss before income tax from continuing operations is provided as follows:

	31 December	31 December
	2017	2016
	\$'000	\$'000
Adjusted EBITDA (continuing operations)	19,702	4,082
Finance costs	(13,369)	(8,905)
Depreciation and amortisation	(11,773)	(15,091)
Net foreign exchange losses	1,788	(2,781)
Loss before income tax from continuing operations	(3,652)	(2,695)

Comparative adjusted EBITDA has been restated to ensure a more appropriate comparison to current period reconciliation.

12 Fair value measurements

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

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

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

12 Fair value measurements (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2017 and 30 June 2017:

At 31 December 2017	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	5,359	-	-	5,359
Total financial assets	5,359	-	-	5,359
At 30 June 2017	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	5,211	-	-	5,211
Total financial assets	5,211	-	-	5,211

Valuation Methodology

Investments classified as held for trading are fair valued by comparing to the published price quotation in an active market.

**Aeris Resources Limited
Directors' declaration
31 December 2017**

In the Directors' opinion:

- (a) the interim financial report and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year on that date, and
- (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, and

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



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aeris Resources Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aeris Resources Limited. The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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



1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D. G. Smith

Debbie Smith
Partner

Brisbane
28 February 2018