



AEON METALS LIMITED
ACN 121 964 725

ANNUAL REPORT 2018



aeonmetals.com.au



contents

Corporate directory	1
Chairman's letter	2
Directors' report	4
Remuneration report	25
Auditor's declaration of independence	30
Consolidated financial statements:	
Consolidated statement of financial position	31
Consolidated statement of profit and loss and other comprehensive income	32
Consolidated statement of changes in equity	33
Consolidated statement of cash flows	34
Notes to the consolidated financial statements	35
Directors' declaration	67
Independent auditor's report	68
ASX additional information	73
Corporate governance statement	78

corporate directory

Directors

Paul Harris (non-executive director)
Hamish Collins (managing director)
Ivan Wong (non-executive director)
Stephen Lonergan (non-executive director)

Company Secretary

Stephen Lonergan (LLB, LLM)

Registered Office

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Tenement Manager

Ardent Group Pty Ltd
3 Water Street
Red Hill QLD 4059
Ph: 07 3368 1033

Auditors

BDO
Level 11
1 Margaret Street
Sydney NSW 2000
Ph: 02 9251 4100

Accountants

Crowe Horwath
Level 16, 120 Edward Street
Brisbane QLD 4000
Ph: 07 3233 3555

Share Registry

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Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000
Ph: 02 9290 9600

ASX Code: AML

chairman's letter

Dear Shareholder,

On behalf on the Board of Directors of Aeon Metals Limited ('Aeon'), it is my pleasure to present the Company's Annual Report for 2018.

2018 has been a milestone year for the Company with the completion of a project-defining drill campaign, a Company-changing capital raise, followed by a 30,000m Walford Creek drill campaign which has confirmed the Zambian Copperbelt style geological model within the Resource, whilst also uncovering further world class Copper/Cobalt drill results at various points along the Fish River Fault, 7km west from the existing Vardy and Marley Resource.

The Company also announced an updated Independent Resource estimation in early 2018 which shows Walford Creek to be the highest-grade cobalt project in Australia.

The highlight of the year has been the drill campaign at Walford Creek being one of the most successful copper cobalt drill campaigns in Australia's history. This drill campaign has been both within the current Resource (~20,000m) to increase tonnes and grade and exploration drilling along strike (~10,000m) to target high grade copper cobalt mineral zones.

This exploration drilling outside of the Resource has progressed extremely well with some outstanding drill results primarily from the Py3 unit. These results prove that this is a large basin scale mineral system whose boundaries have yet to be defined and could extend along the 25km of the Fish River Fault within the Walford Creek tenements.

The Company's priority now is to advance Walford Creek towards the development of a world class base metals mine as well as continue to explore on priority exploration tenements. Aeon's near-term strategy at Walford Creek includes determining the ultimate Project once the upgraded Walford Creek Resource is determined early in 2019.

The Company is hence progressing a Feasibility Study for the mining and processing of the upgraded Resource. The Study will refine metallurgical process parameters from the previous Cobalt Roasting Scoping Study, which includes a concentrator to produce separate copper, lead and zinc concentrates, and a roaster to produce a cobalt rich calcine, sulphuric acid, and possibly zinc and silver.

During the year the long lead environmental work items required to obtain an Environmental Authority for the development of Walford Creek continued, with work on drilling water bores to assess groundwater and aquifer; draft flora and fauna report; waste rock drainage kinetics; dust monitoring setup for long term base line assessment; and, a stygofauna study.

Significantly the Company executed two separate equity placements with the first in August 2017 raising \$5.5 million and the second in December 2017 raising a very successful \$30 million at 28c per share. The proceeds from the second Institutional Placement have been used for the expanded drill program, feasibility Study items and to strengthen the balance sheet through a debt repayment of \$15.5 million to OCP.

Importantly in December 2017, OCP, exercised 73 million warrants each at 9.35 cents electing not to pay the exercise monies in cash but by reduction in the limited recourse debt owed by the Company to the warrant holders. OCP now holds 85,000,000 warrants each exercisable at 16 cents on or before 17 December 2019 and if, as is currently expected, these warrants are exercised, some \$13,600,000 will be available for the final debt repayment which is due on 17 December 2019, leaving the Company with a minimal debt balance to repay.

In June this year the Company was pleased to announce the appointment of Mr Tim Benfield as General Manager, Walford Creek Project. Tim has over 25 years' experience as a mining

engineer in the mining industry and has held senior positions in both international and domestic resource companies. Tim's key role will be to co-ordinate all Walford Creek Feasibility tasks including mining, metallurgy, environmental, infrastructure and logistics, as well as managing the permit process, construction and operation of the Walford Creek Project.

In August this year, being an after-balance date event, the Company announced that it had entered into a non-binding Memorandum of Understanding with Mitsubishi Corporation (MC) for the sale of the Company's Sulphuric Acid into offshore markets. Sulphuric Acid will be produced as a by-product and MC will provide the Company with new insights into the market and also provide a backstop to the domestic market.

Your Company is now well funded with a significantly strengthened financial position as a result of the capital raising efforts and repayment of existing debt. We believe that solid foundations have been laid for strong growth in 2019 and that the Company is on an exciting and forward trajectory.

Over the course of the year, Aeon's market capitalisation has nearly quadrupled from around \$54 million at 30 June 2017 to \$208 million as at 30 June 2018 whilst in the backdrop of a soft base metals market in 2018.

With such a successful year, I would like to thank Aeon's dedicated management, staff and Board along with its consultants who have helped us achieve the success to date. I would also like to thank all shareholders for their ongoing support as we grow the Company and achieve further success in the coming year.

Sincerely,



Paul Harris
Chairman

8 October 2018

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results for the Walford Creek Deposit is based on information compiled Mr Dan Johnson who is a Member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Dan Johnson is a full-time employee of Aeon Metals Limited and consents to the inclusion in the presentation of the Exploration Results in the form and context in which they appear.

Aeon Metals Limited

Directors' Report

for the year ended 30 June 2018

The directors present their report, together with the financial report of the Group, comprising Aeon Metals Limited (the "Company" or "Aeon") and its controlled entities (together, "the Group") for the year ended 30 June 2018 and the Independent Auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the reporting period are:

- Mr. Hamish Collins (Managing Director)
- Mr. Paul Harris (Chairperson, Non-Executive Director)
- Mr. Ivan Wong (Non-Executive Director)
- Mr. Stephen Lonergan (Non-Executive Director)

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated. Information on each person's qualifications, experience and special responsibilities is given in Section 7 of the Directors' report.

Company Secretary

The Company Secretary at the end of the financial period was Stephen J. Lonergan LL. B (Hons), LL.M (McGill).

Mr. Lonergan was appointed Company Secretary on 28 September 2006. Details of Mr Lonergan's skills and experience are detailed later in this Report.

Principal Activities

The principal activities of the Group during the financial period were the exploration and development of the advanced Walford Creek (100% owned) copper-lead-zinc-cobalt project ("Walford Creek" or the "Project"). The Group's mineral assets otherwise comprise a regionally extensive, but disparate, tenement holding in Queensland, namely:

- A 100% interest in permits comprising:
 - Greater Whitewash Polymetallic Project ("Greater Whitewash");
 - Ben Hur Copper Project ("Ben Hur") (a combined John Hill/Kiwi Carpet project); and
 - 7B Copper/Gold Project ("7B").
- A 100% interest in the Forsyth Project.
- Various interests in 6 permits of the Isa North base metals EPMs and four MDLs.
- Various interests in 4 permits of the Isa West base metals-phosphate EPMs.
- Various interests in 10 permits of the Isa South copper-gold EPMs.
- Various interests in 4 permits of the Constance Range base metals EPMs.

There were no significant changes in the nature of the Group's principal activities during the financial period.

Operating and financial review

Operating Results

The loss of the Group amounted to \$13,893 thousand (2017: \$8,242 thousand) including impairment losses of \$10,572 thousand (2017: \$6,751 thousand).

Dividends

No dividends were paid or declared and no dividends have been recommended by the Directors (2017: \$Nil).

Review of operations

The 12-month period to 30 June 2018 has been an exciting period for the Company with the completion of a first-round 2017 drill campaign in July 2017, a project defining drill campaign in September/October 2017, and a large follow up 30,000m drill campaign commencing in April 2018 on Walford Creek - one of Australia's biggest undeveloped base metals projects in north-west Queensland.

On 29 July the first-round of 2017 drilling at Walford Creek was completed with a total of 39 holes drilled for 2,349 metres. Importantly, the Company announced (28 July 2017) a revised Walford Creek geological model, which exhibited strong characteristics of Zambian Copperbelt style sediment hosted copper-cobalt mineralisation. This enabled better definition of the high-grade copper-cobalt zones along the Fish River Fault ("FRF") and hence improved drill targeting.

This refined targeting was subsequently implemented in the second-round of 2017 drilling, which commenced on 22 September 2017 and was completed on 29 October 2017. The total drilling for this second-round program was 9 holes for 2,347 metres.

The second-round drill program conclusively confirmed this sediment hosted Copper-Cobalt model with outstanding results achieved in all the holes drilled.

As a result of the successful 2017 drill campaigns, on 24 January 2018 the Company announced the results of an updated Independent Resource estimation (reported in accordance with the 2012 JORC Code and Guideline - see 24 January announcement). The updated Resource estimates have two components, namely a Copper Lode Resource and a Cobalt Peripheral Resource. The Copper Lode Resource is over double the size of the previous Vardy Resource (6.6mt @ 1.25% Cu and 0.16% Co) announced in December 2016. This combined with the additional Cobalt Peripheral Resource shows Walford Creek to be the highest grade cobalt project in Australia.

In April 2018, a 30,000m drill program commenced at Walford Creek and is forecast to be completed in November 2018. This program consists of:

1. Drilling inside the current Resource (~20,000m) to increase tonnes and grade as well as to upgrade the confidence level of the JORC Resource in order to facilitate Project Development; and
2. Drilling along strike from the current Resource (~10,000m) to target known stratigraphic mineral zones beyond the defined Resource and drill targets generated from the seismic program completed in June 2018.

As at 30 June 2018, 15,193m of drilling was completed in 77 holes. This comprises completed holes, some pre-collars yet to be diamond tailed and holes still underway at this date. In addition, 7 water bore holes were completed for 655.5m in the area of a proposed Vardy open pit.

Aeon Metals Limited

Directors' Report

for the year ended 30 June 2018

Drilling has to date confirmed the geological interpretation of previous drilling and the wireframing for the Resource that was based off that interpretation. Infill holes targeting untested gaps in the Resource and particularly the Py3 have consistently supported typical grades for that zone. 'Close off' holes which are completed for Resource wireframing will enable more definitive interpretation of Resource block sizes.

The Company is also progressing a Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources. The Study is refining metallurgical process parameters set out in the 18 April 2017 Cobalt Roasting Scoping Study, which includes a concentrator to produce separate copper, lead and zinc concentrates, and a roaster to produce a cobalt rich calcine, sulphuric acid, and silver.

Aeon also holds an extensive (~2,184km²) exploration tenement portfolio, linked by significant fault architecture, in the world-class Mt Isa mineral province in Northwest Queensland.

The Company also has a tenement package in Southeast Queensland with a focus on copper. Although limited work was carried out within this tenement package during the year, this tenement package, consisting of the Ben Hur, 7B, and Greater Whitewash Projects, is considered to have potential for large porphyry style deposits. The projects are all close to major infrastructure (power, sealed highway, water) and only 215km by highway to Gladstone port.

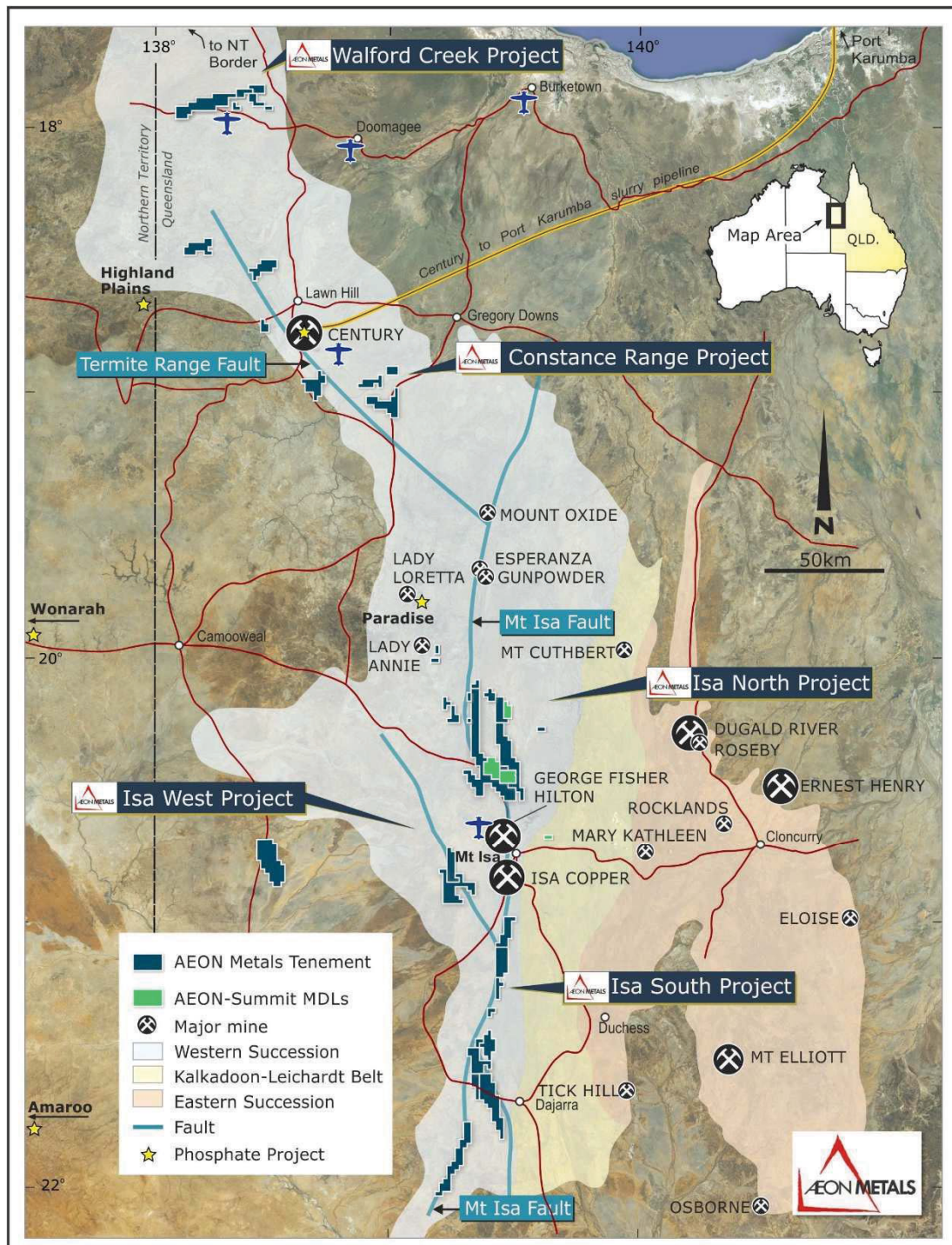
The location of Aeon's tenement holdings in Northwest and Southeast Queensland is shown in Figure 1 below.

Figure 1: Aeon's Tenement Holdings



NORTHWEST QUEENSLAND PROJECTS

Figure 2: Location of Aeon's Northwest Queensland Projects



Aeon Metals Limited

Directors' Report

for the year ended 30 June 2018

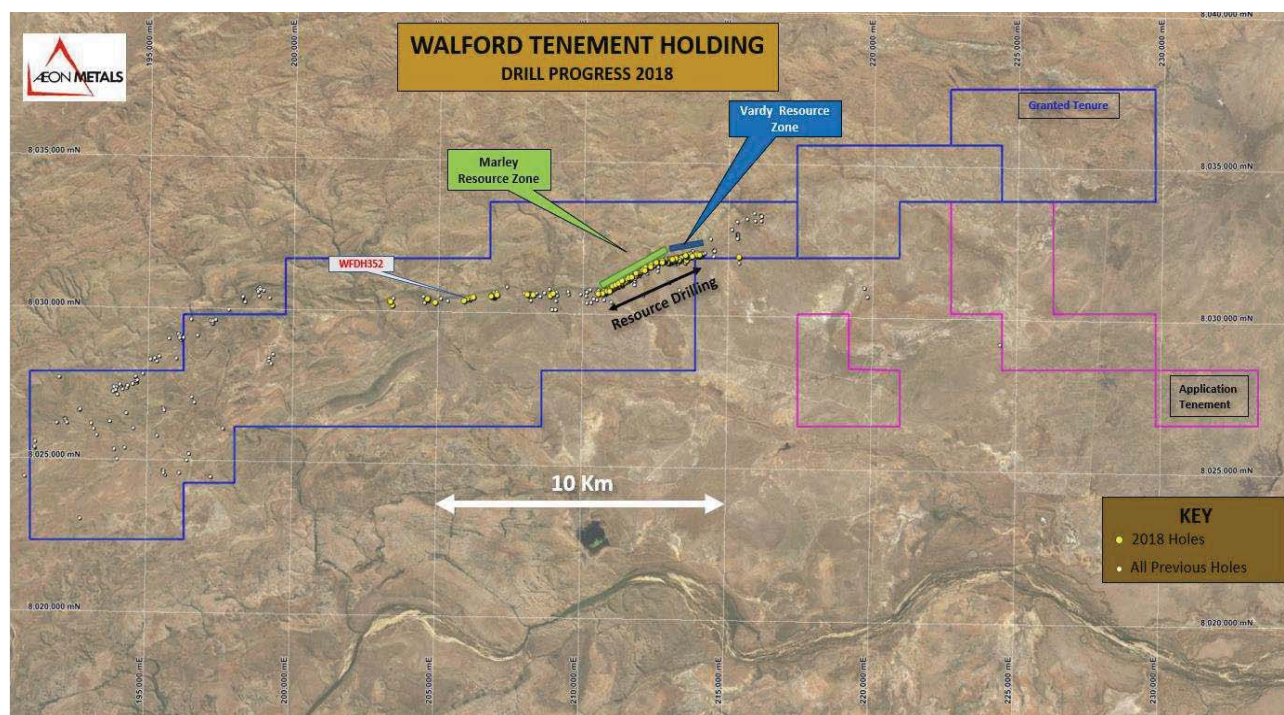
THE WALFORD CREEK PROJECT

The flagship asset and highest priority tenement holding of Aeon is the 100% owned Walford Creek Project. The Walford Creek Project is located approximately 350km north west of Mount Isa in Northwest Queensland, close to the Northern Territory border. The closest town is Doomadgee, approximately 70km to the east, which is accessed by a sealed road from Cloncurry. Doomadgee has a commercial airstrip that connects to other major centres within Queensland. At Walford Creek, Aeon holds (through its subsidiary Aeon Walford Creek Limited) the right to explore for minerals on 3 granted exploration permits covering a total area of 173km² as summarised below:

Table 1: Aeon's Tenement Holdings - Walford Creek (WC) Project

Tenement Summary							
EPM	Tenement Name	Project	Status	Sub Blocks	Kms ²	Grant Date	Expiry Date
EPM 14220	Walford Creek	WC	Granted	41	131.282	08-Mar-04	07-Mar-22
EPM 14854	Walford East	WC	Granted	6	19.212	22-Nov-05	21-Nov-20
EPM 18552	Walford Far East	WC	Granted	7	22.414	30-Nov-12	29-Nov-22

Figure 3: Walford Creek Tenements and Historical Drill Holes



The first-round of 2017 drilling at Walford Creek commenced on 4 May 2017 and was completed on 29 July. A total of 39 holes were drilled for 2,349 metres with the focus on mostly shallow extension drilling to east/northeast to identify additional Resources to supplement the already announced Vardy Resource.

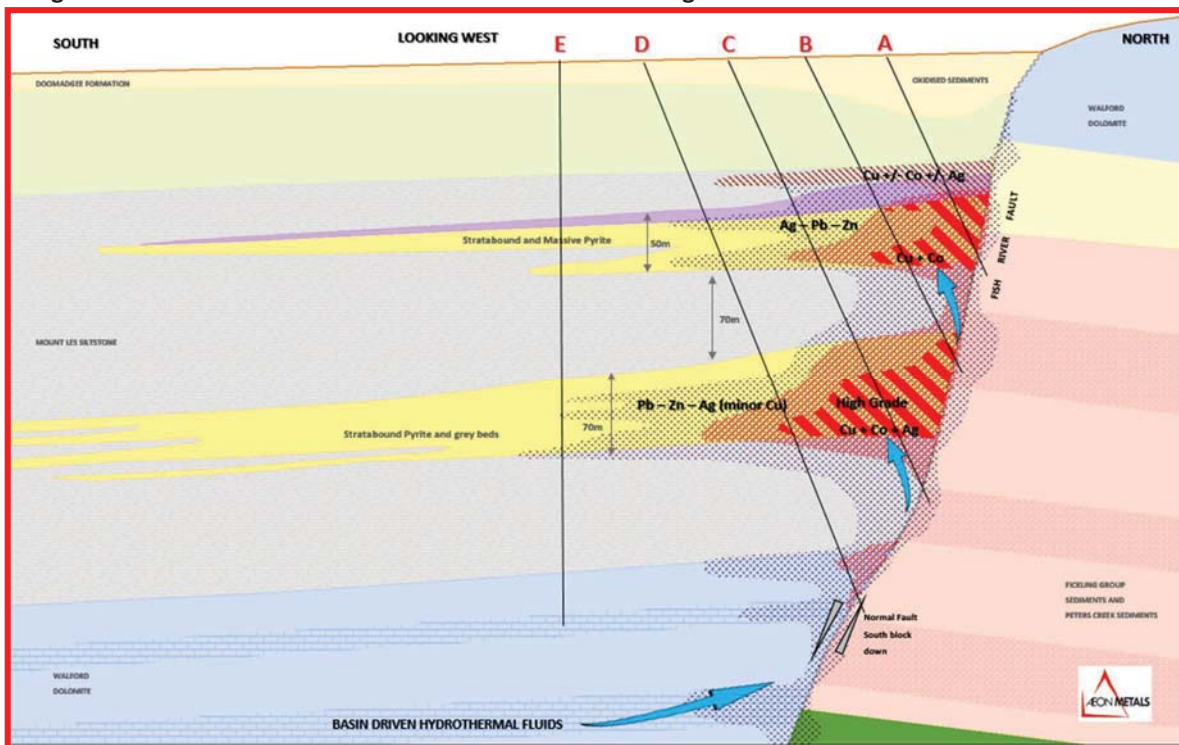
Review of operations (continued)

Examples of significant intercepts announced for the first-round drilling include:

- WFDD234: 6m @ 2.76% Cu, 0.32% Co and 24gt Ag from 91m
- WFDD236: 16m @ 2.10% Cu, 0.11% Co, 1.31% Pb, 0.86% Zn and 47gt Ag from 120m
 - Incl: 5m @ 5.12% Cu, 0.14% Co, 3.63% Pb, 0.86% Zn and 87gt Ag from 121m
- WFDD238: 27m @ 3.13% Cu, 0.25% Co, 1.34% Pb and 38gt Ag from 126m
 - Incl: 9m @ 6.85% Cu, 0.18% Co, 2.79% Pb and 50gt Ag from 135m
- WFDD240: 20m @ 4.45% Cu, 0.20% Co, and 36gt Ag from 35m
- WFRD250: 5m @ 3.52% Cu, 0.12% Co, and 23gt Ag from 102
- WFRD259: 26m @ 2.43% Cu, 0.07% Co, and 28gt Ag from 22m
 - Incl: 12m @ 5.07% Cu, 0.10% Co, and 37gt Ag from 34m
 - And: 7m @ 7.66% Cu, 0.09% Co, and 49gt Ag from 34m

Importantly, during the first-round drilling program the geological team developed a revised Walford Creek geological model (announced 28 July 2017), which is closely associated with the Zambian Copperbelt sediment hosted copper-cobalt style mineralisation. Consistent with this, the lower pyrite unit 3 ("Py3") at Walford Creek contains the best copper grades. The Py3 is the first favourable site for mineral bearing hydrothermal fluids, driven from deep within the sedimentary basin to drop their metals (see Figure 4). This has enabled better definition of the high-grade copper-cobalt zones along the FRF and hence improved drill targeting.

Figure 4: Schematic cross section of Walford Creek showing zonation of metals and drill effectiveness



The targeting of the high-grade mineralisation schematically represented in Figure 4 shows four possible hole positions on the schematic geological model section (see Appendix 1 for A-E description). They demonstrate the relative effectiveness of each hole to test the high-grade zones associated with the Py1 and Py3.

APPENDIX 1:

- A. *Shallow holes from 50m to 80m intercept both possible supergene mineralisation together with strong copper and cobalt mineralisation associated with the PY1 in close proximity to the FRF.*
- B. *Drilled behind the shallow holes. These holes from 70m to 110m can still hit some good grade of both copper, cobalt and flanking lead and zinc in PY1 but can intercept the FRF above the high grade in PY3 (in the green siltstone) thus missing the best copper and cobalt zone.*
- C. *These holes which can range from around 90m to 160m depth depending on depth to the PY1 and PY3 have been the holes which have recently targeted for potential bonanza style copper grades in the PY3 close to the FRF. Holes WFDD236 and WFDD238 are recent examples of the success of this deposit model targeting.*
- D. *These holes have been typically from 150m to greater than 300m and can end up having no mineralisation associated with the PY1 and can still be too far from the FRF to successfully intercept the 'sweet spot' in the PY3.*
- E. *Holes drilled too far from the FRF such as many of the WMC vertical holes. These were drilled in part to test the SEDEX Ag-Pb-Zn model. Some angled holes were simply drilled too far south of the fault*

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Review of operations (continued)

This refined targeting was subsequently implemented in the second-round of 2017 drilling, which commenced on 22 September 2017 and completed on 29 October 2017. The second-round drill program conclusively confirmed the sediment hosted Copper-Cobalt model with outstanding results achieved in all 9 holes drilled. Examples of significant intersections for the second-round of 2017 drilling included:

- WFDD263: 25m @ 2.20% Cu, 0.16% Co and 18gt Ag from 169m, including;
 - 10m @ 4.63% Cu, 0.14% Co and 22gt Ag from 184m
- WFDD264: 31m @ 1.10% Cu, 0.21% Co and 33gt Ag from 186m; and
 - 22m @ 1.26% Cu, 0.25% Co and 36gt Ag from 189m
- WFDD265: 38m @ 1.07% Cu, 0.15% Co and 26gt Ag from 226m, including;
 - 20m @ 1.41% Cu, 0.16% Co and 25gpt Ag from 244m
- WFDD266: 36m @ 1.26% Cu, 0.20% Co and 43gt Ag from 275m, including;
 - 20m @ 1.86% Cu, 0.30% Co and 64gpt Ag from 288m
- WFDD267: 10m @ 1.45% Cu, 0.13% Co, 1.43% Zn and 28g/t Ag from 196m
- WFDD268: 22m @ 2.00% Cu, 0.31% Co and 37g/t Ag from 201m
- WFDD269: 13m @ 1.56% Cu, 0.30% Co and 28g/t Ag from 98m
- WFDD270: 45m @ 2.21% Cu, 0.32% Co and 43g/t Ag from 185m, including;
 - 30m @ 2.99% Cu, 0.44% Co and 50g/t Ag from 188m

As a result of the successful 2017 drill campaigns, on 24 January 2018 the Company announced the results of an updated Independent Resource estimation. The updated Resource estimates have two components, namely a Copper Lode Resource and a Cobalt Peripheral Resource. The Copper Lode Resource is over double the size of the previous Vardy Resource (6.6mt @ 1.25% Cu and 0.16% Co) announced in December 2016. This combined with the additional Cobalt Peripheral Resource shows Walford Creek to have one of the highest grade and largest tonnages of cobalt metal content among the cobalt sulphide deposits in Australia. The Copper Lode and Cobalt Peripheral Resources are as follows:

Table 2: Copper Lode Resource

Category	Mt	Copper %	Lead %	Zinc %	Silver g/t	Cobalt %	Pyrite %
Measured	1.2	1.25	0.89	0.81	26.3	0.16	44.4
Indicated	3.8	1.19	0.69	0.88	23.6	0.14	41.4
Inferred	10.7	1.25	1.09	0.81	37.8	0.16	40.9
Total	15.7	1.24	0.98	0.82	33.5	0.15	41.3

Category	Copper Kt	Lead Kt	Zinc Kt	Silver Mozs	Cobalt Kt	Pyrite Kt
Measured	14	10	9	1	2	509
Indicated	45	26	34	3	5	1,575
Inferred	134	118	86	13	17	4,396
Total	194	154	129	17	24	6,480

(minor rounding errors)

Review of operations (continued)

Figure 5: Copper Lode Resource Long Section

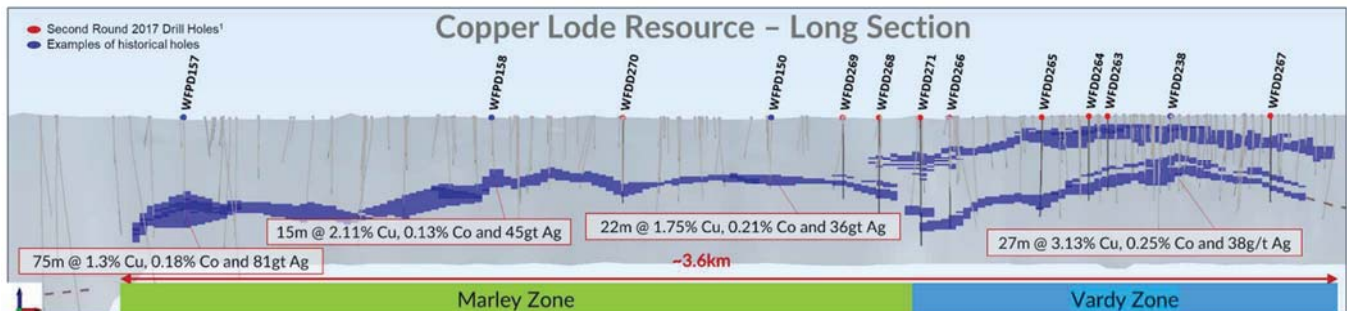


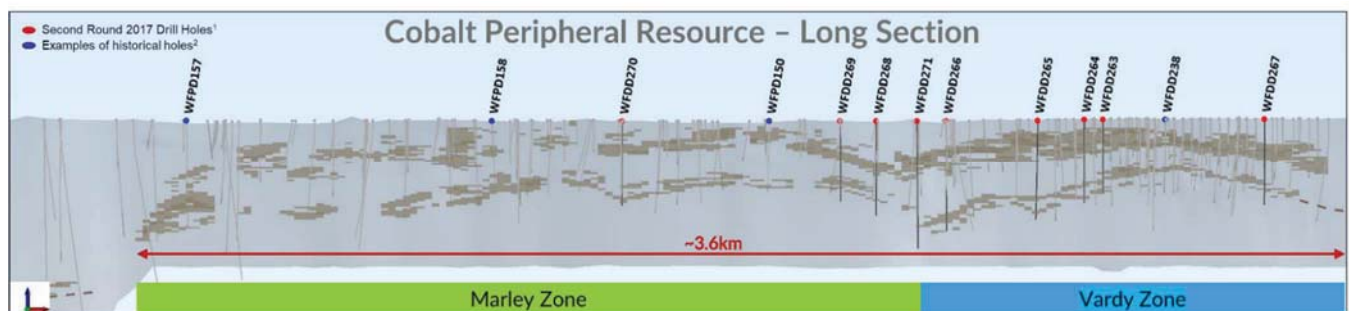
Table 3: Cobalt Peripheral Resource

Category	Mt	Copper %	Lead %	Zinc %	Silver g/t	Cobalt %	Pyrite %
Measured	1.8	0.13	0.54	1.16	17.4	0.12	47.4
Indicated	6.5	0.17	0.66	1.13	17.8	0.1	39.5
Inferred	9.7	0.16	1.03	0.95	25.2	0.12	37.6
Total	18	0.16	0.85	1.03	21.8	0.11	39.2

Category	Copper Kt	Lead Kt	Zinc Kt	Silver Mozs	Cobalt Kt	Pyrite Kt
Measured	2	10	21	1	2	853
Indicated	11	43	73	4	6	2,548
Inferred	16	100	92	8	11	3,645
Total	30	152	186	13	20	7,046

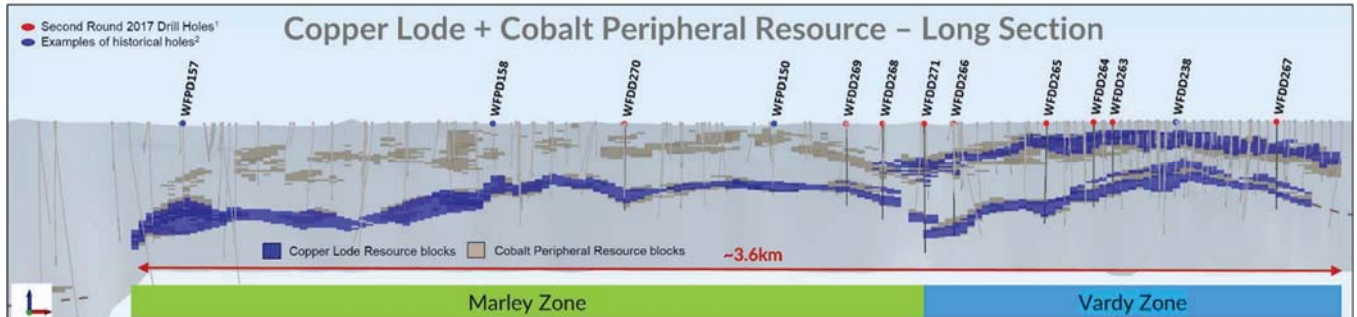
(minor rounding errors)

Figure 6: Cobalt Peripheral Resource Long Section



Review of operations (continued)

Figure 7: Copper Lode & Cobalt Peripheral Resources Long Section



In April 2018, a 30,000m drill program commenced at Walford Creek and is forecast to be completed in late November 2018. This program consists of:

1. Drilling inside the current Resource (~20,000m) to increase tonnes and grade as well as to upgrade the confidence level of the JORC Resource in order to facilitate Project Development; and
2. Drilling along strike from the current Resource (~10,000m) to target known stratigraphic mineral zones beyond the defined Resource and drill targets generated from the seismic program completed in June 2018.

As at 30 June 2018, 15,193m of drilling was completed in 77 holes. This comprises completed holes, some pre-collars yet to be diamond tailed and holes still underway at this date. In addition, 7 water bore holes were completed for 655.5m in the area of the proposed Vardy open pit.

Drilling has to date confirmed the geological interpretation of previous drilling and the wireframing for the Resource that was based off that interpretation. Infill holes targeting untested gaps in the Resource and particularly the Py3 have consistently supported typical grades for that zone. 'Close off' holes which are completed for Resource wireframing will enable more definitive interpretation of Resource block sizes.

A sample of significant assay intercepts announced to date include:

Resource

- WFPD272: 14m @ 1.33% Cu, 0.19% Co and 35g/t Ag from 186m
- WFPD274: 13m @ 1.03% Cu, 0.08% Co and 30g/t Ag from 168m
- WFPD280: 33m @ 1.60% Cu, 0.08% Co and 28g/t from 145m
 - Incl 17m @ 2.72% Cu, 0.10% Co, 3.66% Pb, and 33g/t from 161m
- WFPD281: 21m @ 1.38% Cu, 0.23% Co, 2.02% Pb, and 33g/t from 171m
- WFPD283: 19m @ 1.37% Cu, 0.17% Co, and 18g/t from 199m
- WFPD295: 21m @ 1.40% Cu, 0.07% Co, and 17g/t from 77m
 - Incl 11m @ 2.37% Cu, 0.10% Co, and 20g/t from 86m
- WFPD298: 16m @ 2.13% Cu, 0.24% Co, and 27g/t from 161m; and
- WFPD298: 16m @ 1.24% Cu, 0.18% Co, and 59g/t from 295m
- WFPD299: 11m @ 1.36% Cu, 0.21% Co, and 17g/t from 108m
- WFPD305: 16m @ 2.41% Cu, 0.23% Co, and 34g/t from 241m
- WFPD308: 15m @ 1.39% Cu, 0.28% Co, and 42g/t from 196m
- WFPD313: 32m @ 2.02% Cu, 0.17% Co, and 33g/t from 171m
 - Incl 19m @ 3.20% Cu, 0.21% Co, and 38g/t from 183m
- WFPD336: 19m @ 1.44% Cu, 0.20% Co, and 25g/t from 178m

Review of operations (continued)

Exploration

- WFPD273: 22m @ 5.70%Pb, 1.20% Zn and 57g/t Ag from 247m. (Peripheral)
- WFPD292: 18m @ 1.39% Cu, 0.11% Co and 32g/t from 390m
 - Incl 7 @ 2.35% Cu, 0.19% Co, and 38g/t from 398m
- WFDH304: 19m @ 1.20% Cu, 0.10% Co, and 23g/t from 348m
- WFDH352: 42m @ 2.55% Cu, 0.29% Co, and 41g/t from 332m

The Company has also announced a number of visual assessments of significant mineralisation intercepts and reference should be made to these announcements including the cautionary statements included in the announcements.

Exploration drilling outside of the Resource has progressed well with significant hits particularly into the Py3 unit returning very encouraging results, given the lack of drilling away from the Resource and consequently less information for planning. Data from the seismic program completed in June (32.14km of seismic), will assist in the interpretation of the drilling undertaken to date outside of the Resource and is expected to assist in the planning of further drill targets. As can be seen from the results of holes WFPD273, WFPD292, WFDH304 and WFDH352, resource level grades are being recorded from the Py3 unit on wide spaced holes. This is confirming the exploration team's view that this is a large basin scale mineral system whose boundaries have yet to be defined. The Global Resource has been defined along a 3.6km strike length of the FRF corridor, which extends over a distance of approximately 25km within the Walford Creek tenements. The mineralisation is largely structurally controlled and there is further potential for extension to the defined Mineral Resource along the strike length of the FRF.

The Company is also progressing a Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources. The Study is refining metallurgical process parameters set out in the 18 April 2017 Cobalt Roasting Scoping Study, which includes a concentrator to produce separate copper, lead and zinc concentrates, and a roaster to produce a cobalt rich calcine, sulphuric acid, and silver.

The metallurgical testwork program has been designed by engineering consultant Wood PLC and commenced in February 2018 with the delivery of 1.6 tonnes of material derived from the 2017 drilling program to ALS in Burnie to undertake the flotation testwork.

The mineral processing portion of this work includes:

- Comminution testwork
- Flotation testwork including;
 - Locked cycle tests
 - Bulk tests
 - Variability tests
 - Thickening and filtration

Review of operations (continued)

As a result of the flotation testwork, a 373kg sample of cobalt concentrate has been produced and was sent to Outotec's Frankfurt facilities where a pilot plant roasting testwork program is underway. The analysis of the four composites dispatched are given in table below:

Description	Cu	Fe	Co	Zn	As	S	Pb	Ag
	%	%	%	%	%	%	%	ppm
Co Composite 1	0.40	35.1	0.08	1.20	0.35	42.6	0.40	26
Co Composite 2	0.36	36.9	0.24	1.42	0.63	45.5	0.47	40
Co Composite 3	0.50	34.3	0.34	0.57	0.74	40.0	0.27	47
Co Composite 4	0.73	33.0	0.68	0.29	1.30	40.4	0.22	62

Once this pilot plant roast is completed, the calcined product will be sent to Outotec's Finland facility where a final leaching testwork program, including batch tests, pilot leach, thickening and filtration will be completed to produce a variety of cobalt products, zinc precipitate and evaluate silver recovery.

During the 12 months, the long lead environmental work items required to obtain an Environmental Authority for the development of Walford Creek continued with work on the following:

- Drilling of 3 production type water bores and 4 monitoring holes to assess groundwater and aquifer characteristics in the vicinity of the proposed Vardy Resource open mine pit. The water bores and monitoring holes are to be used to develop groundwater monitoring programs and plans for a mining operation.
- Draft Flora and Fauna Report.
- Waste rock drainage kinetics.
- Dust monitoring setup for long term base line assessment.
- Stygofauna study.

Currently, there is no market for this quantity of sulphuric but there are a number of proximate phosphate resources held by third parties which are potential offtakers of this acid. Other potential offtakers may emerge as the volume and security of this potential acid supply becomes more widely known. The Study estimates a capital cost of \$668 million with a 3-year payback.

OTHER NORTHWEST QUEENSLAND PROJECTS (excluding Walford Creek)

A map showing Aeon's interest (through subsidiary Aeon Walford Creek Limited) in various exploration permits in Northwest Queensland is shown in Figure 2. This tenement package is extensive, covering some 2,184km², and located in the world-class Mt Isa minerals province in North West Queensland.

These permits extend over a distance of approximately 500km from north to south and are subdivided into 4 main project areas, namely Constance Range, Isa North, Isa West and Isa South. It includes contiguous land holding (~170km) along the Mt Isa Fault, bordering north and south of Glencore Xstrata's Mount Isa Mines.

Northwest Queensland is host to a number of significant base metal mines such as Mount Isa, George Fisher Hilton, Mount Gordon, Ernest Henry, Osborne, Lady Loretta and the Century zinc mine. This area is accessible by road and the city of Mount Isa is the largest population centre in the region. It has its own airport connecting the region to major centres in Australia.

Aeon has interests (through joint venture and/or 100% ownership) in 24 granted EPMs covering a total area of approximately 2,184km² for the 4 project areas.

The table below shows the other tenement holdings in North West Queensland excluding the Walford Creek Project.

Review of operations (continued)

Table 4: Aeon's Tenement Holdings
Other Northwest Queensland Projects (excluding Walford Creek tenements)

Exploration Permit for Minerals (EPM) - Tenement Summary							
EPM No.	Tenement Name	Project	Status	Sub Blocks	Kms ²	Grant Date	Expiry Date
EPM 11897	May Downs	IW	Granted	16	51.232	07-Jul-04	06-Jul-18
EPM 11898	May Downs South	IW	Granted	16	51.232	07-Jul-04	06-Jul-18
EPM 13412	Yappo	IS	Granted	20	64.04	16-Dec-11	15-Dec-21
EPM 13413	Rufus	IS	Granted	9	28.818	16-Dec-11	15-Dec-21
EPM 13682	Wonomo	IS	Granted	43	137.686	16-Dec-11	15-Dec-21
EPM 14040	Kahko	IS	Granted	7	22.414	20-Apr-05	19-Apr-21
EPM 14233	Mt Guide	IS	Granted	17	54.434	20-Apr-05	19-Apr-21
EPM 14694	Mount Kelly South	IN	Granted	4	12.808	19-Oct-05	18-Oct-18
EPM 14712	Constance Range	C	Granted	23	73.646	21-Aug-06	20-Aug-19
EPM 14713	Constance Range Sth	C	Granted	19	60.838	21-Aug-06	20-Aug-19
EPM 14821	Waverly	IS	Granted	25	80.05	08-Jan-07	07-Jan-21
EPM 14935	Riversleigh	C	Granted	20	64.04	21-Aug-06	20-Aug-18
EPM 15156	Rufus South	IS	Granted	38	121.676	22-Mar-07	21-Mar-22
EPM 15186	Gregory	C	Granted	43	137.686	23-Mar-07	22-Mar-22
EPM 15911	Blue Hills	IS	Granted	16	51.232	15-Nov-07	14-Nov-18
EPM 16921	Buckley River	IN	Granted	11	35.222	23-Feb-10	22-Feb-21
EPM 17297	Blue Hills West	IS	Granted	3	9.606	21-Jun-10	20-Jun-19
EPM 17300	Waverly North	IS	Granted	3	9.606	06-Jul-09	05-Jul-18
EPM 17511	Andersons	IN	Granted	15	48.03	06-Jan-10	05-Jan-20
EPM 17513	Calton	IN	Granted	19	60.838	06-Jan-10	05-Jan-20
EPM 17514	Valhalla	IN	Granted	86	275.372	06-Jan-10	05-Jan-20
EPM 17519	Skal	IN	Granted	29	92.858	06-Jan-10	05-Jan-20
EPM 18395	Isa West	IW	Granted	33	105.666	14-Apr-11	13-Apr-21
EPM 18769	Beauchamps	IW	Granted	50	160.1	23-May-12	22-May-22

Review of operations (continued)

Table 5: MDL Tenement Summary

Mineral Development Licence (MDL) - Tenement Summary									
MDL No.	Tenement Name	Project	Status	Holder	JV	Hectares	Grant Date	Start Date	Expiry date
MDL 509	Andersons	IN	Granted	SUMM	AML	640.7685	25-Aug-14	01-Sep-14	31-Aug-19
MDL 510	Valhalla	IN	Granted	SUMM	AML	5130.7394	25-Aug-14	01-Sep-14	31-Aug-19
MDL 511	Watta	IN	Granted	SUMM	AML	2194.2358	25-Aug-14	01-Sep-14	31-Aug-19
MDL 513	Skal	IN	Granted	SUMM	AML	3827.6479	25-Aug-14	01-Sep-14	31-Aug-19

SOUTHEAST QUEENSLAND OPERATIONS

The Southeast Queensland tenement package lies approximately 30kms west of the town of Monto, Queensland. Monto is a town of 1,300 people and located approximately 115kms south west of Gladstone, a deep-water port. The region hosts exceptionally good infrastructure including a mining-oriented town with a willing workforce, bitumen highways that pass through the permit areas, a viable rail system, extensive power grid and large scale water resources.

The Group controls 5 EPMs and 1 MDL: EPMs 14628, 15921, 17001, 17002 and 17060 & MDL 462 all of which are held 100% by the Company.

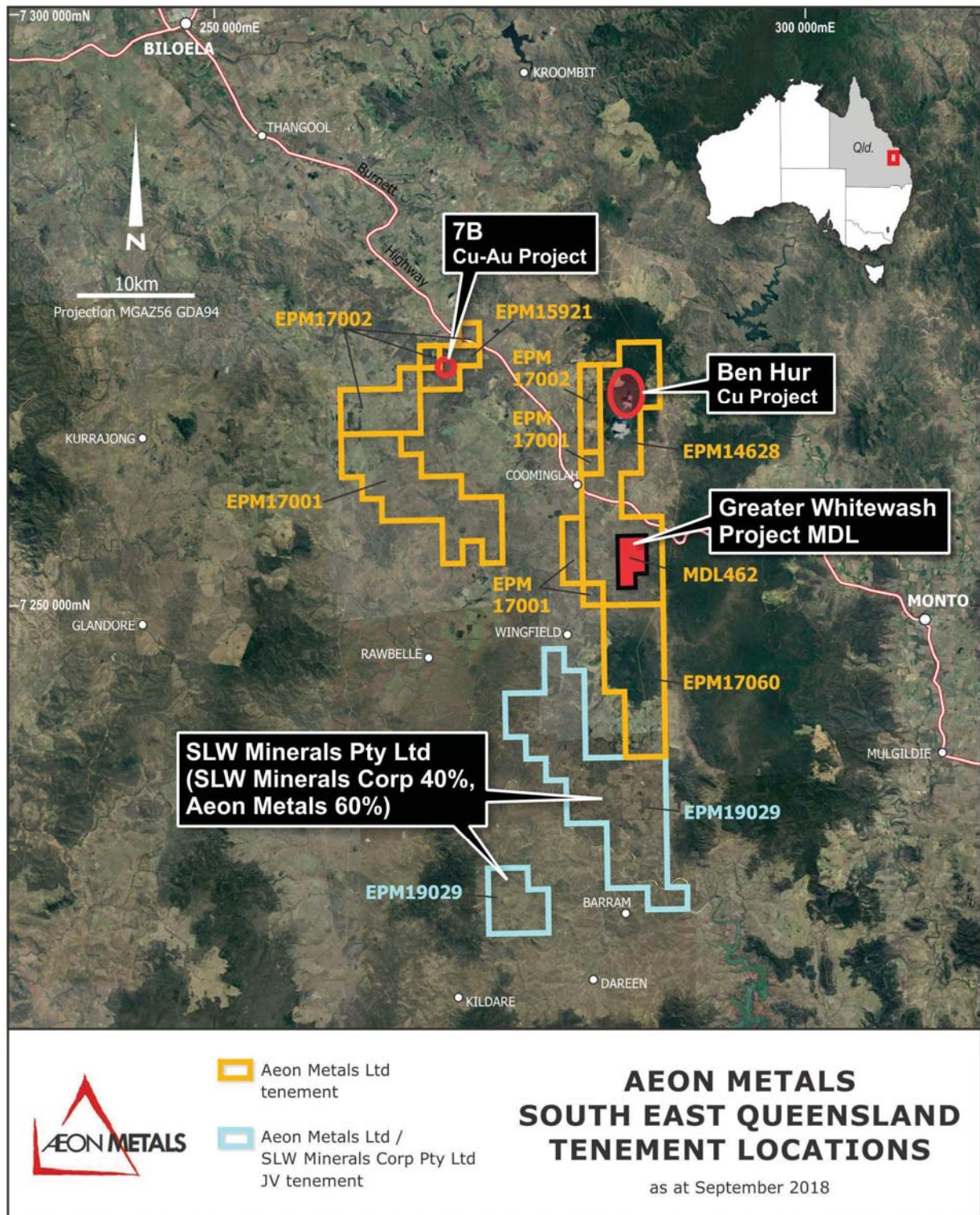
Many individual prospects have emerged during the several years' exploration on the Company's Southeast tenements. All data has been collated and reviewed on these prospects which has aided in ongoing exploration as well as strategic management decisions.

Table 6: Southeast Queensland Tenement Summary

EPM / MDL No.	Project	Status	Sub-blocks	Kms ²	Grant Date	Expiry Date
EPM 14628	Greater Whitewash	Granted	32	102.464	24-Aug-05	23-Aug-20
EPM 15921	7B	Granted	4	12.808	08-Jan-07	07-Jan-19
EPM 17001	Grevillea Fault	Granted	27	86.454	21-Feb-08	20-Feb-23
EPM 17002	Lawgi-Dawes	Granted	15	48.03	20-Feb-08	19-Feb-23
EPM 17060	17060	Granted	18	57.636	26-Jun-09	25-Jun-20
MDL 462	Greater Whitewash	Granted	1005 hectares		01-Jan-13	<i>Renewal Pending</i>

Review of operations (continued)

Figure 8: Southeast Queensland Tenement locations



Review of operations (continued)

EPM 18359 – FORSYTH – Gold

No work has been undertaken in the field on the Company's Forsyth EPM 18359. The tenement is located centrally around the township of Forsyth and approximately 35 km south southeast of Georgetown in North Queensland.

Aeon applied for the tenement in the belief that the Forsyth Project geology offered the opportunity to identify deep porphyry-related hydrothermal gold, base metal and molybdenum mineralisation. Several rock grab samples were collected to allow a determination of the alteration patterns in rocks exploited for gold in narrow veins within the altered granites. The grades of the grab samples were encouraging and a follow up soil sampling campaign is planned.

Competent Persons Statements

The data in this report that relates to Mineral Resource Estimates for the Walford Creek Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

The information in this report that relates to Exploration Targets and Exploration Results for the Walford Creek Deposit and other northeast Queensland tenements is based on information compiled by Mr Dan Johnson who is a Member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Dan Johnson is a full-time employee of Aeon Metals Limited and consents to the inclusion in the report of the Exploration Targets and Exploration Results in the form and context in which they appear.

The information in this report that relates to Exploration Results and Mineral Resources for the south eastern Queensland tenements is based on information compiled by Mr Robin Simpson, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Simpson is employed by SRK Consulting. Mr Simpson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2012). Mr Simpson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Review of operations (continued)

Corporate

On 8 May 2017, the Company announced an agreement to extend the repayment date of its debt to the OCP Asia Group ("OCP") by a further 2 years until December 2019. The debt which was due for repayment on 17 December 2017 was \$27.68 million (plus capitalised interest).

In consideration of the extension of the debt to December 2019, the Company agreed;

- (a) subject to shareholder approval, to issue to OCP 85 million warrants each expiring on 17 December 2019 ("2017 Warrants") and exercisable at 16 cents. As with the warrants issued to OCP in 2014 and 2015, shareholders were also to be asked to give approval under Section 611(7) of the Corporations Act so that any or all of the 2017 Warrants can be exercised at any time notwithstanding the OCP's holding of more than 20% of the Company's issued shares; and
- (b) upon any repayment of the debt before the first anniversary of the amendment of the relevant note terms to give effect to the extension, the Company will pay interest up to that first anniversary.

At a General Meeting on 11 August 2017, shareholders gave the necessary approvals and the loan extension became effective from 17 August 2017.

On 17 August 2017 the Company placed 39.2 million shares at 14 cents to sophisticated and institutional investors to raise \$5.5 million before costs.

On 5 December 2017, OCP, through its subsidiaries OL Master Limited and OL Master (Singapore Fund1) Pte Limited (formerly named OL Master (Singapore) Limited), exercised 73 million warrants each at 9.35 cents. The warrant holders elected not to pay the exercise moneys in cash but by reduction in the limited recourse debt (\$22.83 million plus capitalised interest) owed by the Company to the warrant holders.

On 15 December 2017 the Company placed 107.2 million shares at 28 cents to sophisticated and institutional investors to raise \$30 million before costs. The proceeds from the Institutional Placement are being used for a range of Company defining purposes including;

- Expanded drill program for 2018;
- Feasibility Study items; and
- Strengthen balance sheet – on 29 December the Company made a debt repayment of \$15.5 million to OCP.

In addition to the debt repayment made on 29 December 2017, the Company made 2 further debt repayments in 2018, so that principal and interest outstanding at 30 June 2018 was \$14,621,115. OCP holds 85,000,000 warrants each exercisable at 16 cents on or before 17 December 2019 and if, as is currently expected, these warrants are exercised, some \$13,600,000 will be available for the final debt repayment which is due on 17 December 2019.

On 5 January 2018 the Company announced a Share Purchase Plan ("SPP") to enable shareholders with registered addresses in Australia or New Zealand the opportunity to subscribe for up to \$5,000 of shares in the Company at 28 cents per share. 243 shareholders subscribed to the SPP with 3,851,372 shares issued for an aggregate of \$1,078,335. The proceeds of the SPP were used to further paydown debt owed to the OCP Asia Group.

On 12 June 2018, the Company announced the appointment of Mr Tim Benfield as General Manager, Walford Creek Project. Tim has over 25 years' experience as a mining engineer in the mining industry and has held senior positions in both international and domestic resource companies. Tim's key role will be to co-ordinate all Walford Creek Feasibility tasks including mining, metallurgy, environmental, infrastructure and logistics, as well as managing the permit process, construction and operation of the Walford Creek Project.

Review of operations (continued)

Financial Position

The net assets of the Group at 30 June 2018 were \$60 million including cash of \$12.6m.

The Group significantly strengthened its financial position during the period as a result of capital raising efforts and debt refinancing including significant repayment of existing debt.

On 11 August 2017, the Company announced a placement of \$5.5 million by an issue of 39,285,727 new fully paid shares at an issue price of A\$0.14. The issue was completed on 17 August 2017.

On 17 August 2017, the Company announced the issue of 85 million warrants to OL Master and OL Master (Singapore) Pty Limited as part of the consideration for the extension to the repayment terms provided on debt incurred in 2014 for the acquisition of Aston Metals Limited (now Aeon Walford Creek Limited). Each warrant is exercisable at 16 cents and expires on 17 December 2019.

On 5 December 2017, the Company announced that the OCP Asia Group had exercised an aggregate of 73,000,000 warrants (ASX Code - AQRAO) each exercisable at 9.35 cents and expiring on 17 December 2017. The warrant holders elected not to pay the exercise moneys (\$6.83 million) in cash but by reduction in the limited recourse debt owned by the Company to the OCP Asia Group.

On 15 December 2017, the Company announced an institutional placement of \$30 million by an issue of 107,200,000 new fully paid ordinary shares at an issue price of A\$0.28 (representing only a 6.7% discount to Aeon's last closing price of A\$0.30 on 12 December 2017). The issue was completed on 21 December 2017.

On 5 January 2018 the Company launched a Share Purchase Plan ("SPP") to enable shareholders with registered addresses in Australia or New Zealand the opportunity to subscribe for up to \$5,000 of shares in the Company at 28 cents per share. 243 shareholders lodged subscriptions for an aggregate of \$1,078,335 and 3,851,372 shares were allotted on 8 February 2018. All proceeds were used to further pay down debt owed to the OCP Asia Group.

On 24 January 2018 the Company announced the results of an updated Independent Resource estimation (reported in accordance with the 2012 JORC Code and Guideline - see 24 January 2018 announcement). The updated Resource estimate has two components, namely a Copper Lode Resource and a Cobalt Peripheral Resource. These Resources now enable optimisation of the previous preliminary economic assessments with the focus on advancing Walford Creek to development stage.

Significant Changes in State of Affairs

Other than the matters noted above there have been no other significant changes in the state of affairs.

After Balance Date Events

On 3 August 2018, the Company announced that it has entered in to a non-binding Memorandum of Understanding (MOU) with Mitsubishi Corporation "MC" for the sale of the Company's Sulphuric Acid into offshore markets. Sulphuric Acid will be produced as a by-product by the Company. MC will provide the Company with new insights into the market and also provide a backstop to the domestic market.

Future Developments, Prospects and Business Strategies

The Company's priority is to advance Walford Creek towards the development of a world class base metals mine as well as continue to explore on priority exploration tenements. In order to do this Aeon's near-term strategy at Walford Creek includes determining the ultimate Project scale, considering the 2018 drill program assay results will enable the upgrading of the Walford Creek Resource.

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Environmental Issues

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State.

The exploration undertaken on the Company's combined tenements in Queensland to date has not created significant environmental issues. However, environmental issues will arise as and when the Group moves into production and these issues will be thoroughly assessed at the time any mining authority is sought. Usual measures are undertaken pre and post drilling to ensure that the environmental impact is minimised. This includes re-contouring and re-seeding affected areas and capping drill collars. The work undertaken to date has produced minimal impact on the environment. No issues regarding compliance were encountered during the reporting period.

Directors' meetings

During the financial year ended 30 June 2018, twelve (12) Meetings of the Board of Directors were held. Attendances by each Director during the period were as follows:

Director	Number attended	Number eligible to attend
Stephen Lonergan	12	12
Hamish Collins	11	12
Paul Harris	12	12
Ivan Wong	12	12

During the period, there were 2 meetings of the Audit Committee and both were attended by all Directors.

Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of the conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The directors have not included details of the amount of the premium paid in respect of the directors' liability and legal expenses insurance contracts; as such disclosure is prohibited under the terms of the contract. The Group has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Information on directors

Hamish Collins (age 48)	—	Managing Director (appointed 28 March 2012)
Qualifications	—	B.Eng (Mining) Hons, University of New South Wales
	—	Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia
Experience	—	Mr. Collins has a combined 26 years of mining industry and mine finance experience. His previous positions as Managing Director of MM Mining Limited and Chief Executive Officer of Aston Resources Limited were preceded by senior level positions in corporate finance at BNP Paribas, NM Rothschild & Sons (Australia) Ltd, Commonwealth Bank of Australia and SG, Hambros (Australia) Ltd.
Interest in Shares and Options	—	602,198 shares held by the Collins Family Superannuation Fund; 6,535,716 shares held by Louise Collins. 6,500,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report).
Directorships held in other listed entities in the last 3 years	—	None
Paul Harris (age 50)	—	Non- Executive Chairman (appointed 17 December 2014)
Qualifications	—	M.Eng (Mining), University of New South Wales
	—	B.Comm (Finance), University of New South Wales
	—	Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia
	—	Graduate of the Australian Institute of Company Directors (GAICD)
Experience	—	Mr. Harris has over 26 years' experience in the financial markets and investment banking, more recently advising mining corporates on strategy, mergers and acquisitions and capital markets. His most recent position was Managing Director, Head of Metals and Mining at Citi, having previously worked for many years at Merrill Lynch and Bankers Trust.
Interest in Shares and Options	—	2,650,002 shares held by Hollach Capital Pty Ltd (as of the date of this report). 2,500,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report). 42,150 shares held by Wunulla Holdings Pty Ltd (as of the date of this Report).
Directorships held in other listed entities in the last 3 years	—	None

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Information on directors (continued)

Ivan Wong (age 55)	—	Non-Executive Director (appointed 1 July 2016)
Qualifications	—	BSc Hons
Experience	—	<p>Mr. Wong has strong IT background and over 25 years' experience in running various businesses in Australia. Mr. Wong is currently an Executive Director of Great Pacific Financial Group which was established in 1992. Via its subsidiary / related companies it has involved in many business operations/ventures since establishment. Currently its core business is in mortgage finance, loan management and property management. Previously it had businesses in financial services, IT services, property information, property development and hotel investment and management services.</p> <p>Interest in Shares and Options 2,847,061 shares held by Teresa Yi Yin Wong; 2,500,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report).</p> <p>16,000,000 shares held by SLW Minerals Corporation Pty Ltd (as of the date of this Report).</p>
Directorships held in other listed entities in the last 3 years	—	None
Stephen Lonergan (age 71)	—	Non-Executive Director (appointed 7 September 2016)
Qualifications	—	LL.B (Hons) Australian National University
	—	LL.M McGill University
Experience		<p>Mr. Lonergan was company secretary of KBL Mining Limited until 1 May 2014 and retired as an executive director of that company on 15 May 2014. He was the general counsel and company secretary of CBH Resources Ltd until its takeover in 2010 and was a director and company secretary of Paradigm Metals Ltd until November 2012 and a director of Finders Resources Limited until August 2013. He was also general counsel of Savage Resources and Pancontinental Mining and has been involved in the Australian and international mining industry for more than 36 years.</p>
Interest in Shares and Options	—	3,535,716 shares held by Stephen Lonergan. 3,500,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report).
Directorships held in other listed entities in the last 3 years	—	None

Remuneration Report - audited

Principles of compensation

This report details the nature and amount of remuneration for each Director of the Company and Group and for key management personnel of the Group.

The Board establishes appropriate remuneration for Directors and remuneration levels and incentive structures for key management personnel. Key management personnel (KMP) are those who have authority and responsibility for planning, directing and controlling the activities of the Group.

Compensation levels have been, and will be, set to be in line with Australian mineral exploration entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

Effective 1 July 2018, Mr. Collins' salary increased from \$350,000 per annum plus a superannuation contribution by the Company to \$400,000 per annum plus a superannuation contribution by the Company. Mr. Collins was paid a \$65,000 bonus for his performance in 2017.

Mr. Collins' salary, including cash bonuses, for the year ended 30 June 2018 was \$415,000 per annum plus a superannuation contribution by the Company.

Mr. Collins' service agreement may be terminated at any time by the Company giving to the employee not less than six months' prior written notice. In the event of termination, the Company must pay Mr. Collins an amount equal to the remuneration payable for so much of the notice period as the employee is not so retained.

The agreement may be terminated at any time by Mr. Collins giving to the Company not less than three months prior written notice. The Company may terminate Mr. Collins' service agreement immediately in certain events including serious misconduct and material breach of contract.

All non-executive Directors receive directors' fees coupled with statutory superannuation and, when providing additional services to the Group, they are paid at normal commercial rates for their work. Neither non-executive Directors nor key management personnel are entitled to any retirement benefits.

Consultancy fees paid to Mr. Stephen Lonergan are in consideration of provision of his services as Company Secretary of the Company. Mr. Lonergan was paid \$60,000 for his services during the year ended 30 June 2018.

Directors' incentive shares funded by limited recourse loans issued during the year ended 30 June 2018 were approved at the 2017 EGM. The grant of shares was designed to incentivise the Directors by participating in future growth and prosperity of the Company through share ownership and in recognition of their contribution to the Company. The Directors will only benefit from these shares and the associated loans if the Company's share price increases beyond 25% premium above the share issue price. The Directors will not be permitted to sell these share at a price less than the issue price plus 25%. When sold, the loan amount per share will be repaid to the Company.

All remuneration paid to Directors and key management personnel is valued at cost to the Group and is expensed or capitalised as appropriate.

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Remuneration Report (Continued)

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years.

<i>In thousands of AUD</i>	2018	2017	2016	2015	2014
Net loss attributable to owners of the company	(\$13,892)	(\$8,241)	(\$2,465)	(\$9,140)	(\$3,930)
Dividends paid	-	-	-	-	-
Change in share price	\$0.21	\$0.08	\$0.002	\$ (0.060)	\$ (0.070)

Directors' and executive officers' remuneration

Details of the nature and amount of remuneration of each director of the Company, and each of the named Company executive and other key management personnel of the Group are:

		Short-term			Long-term	Post-employment	Share-based payments	Total \$	Performance based percentage of remuneration
		Salary & fees \$	Cash bonus \$	Consultancy fees \$	Leave Entitlements \$	Super-annuation benefits \$	Options and rights \$		
in AUD									
Directors									
Non-executive directors									
Paul Harris	2018	180,000	-	-	-	17,100	220,250	417,350	53
	2017	137,059	-	-	-	13,021	-	150,080	
Stephen Longeran	2018	50,000	-	60,000	-	-	220,250	330,250	67
	2017	40,753	-	60,000	-	-	-	100,753	
Ivan Wong	2018	50,000	-	-	-	4,750	220,250	275,000	80
	2017	50,000	-	-	-	4,750	-	54,750	
Executive Directors									
Hamish Collins	2018	350,000	65,000	-	21,196	25,000	220,250	681,446	42
	2017	337,500	-	-	31,418	30,000	-	398,918	
Total									
	2018	630,000	65,000	60,000	21,196	46,850	881,000	1,704,046	56
	2017	565,312	-	60,000	31,418	47,771	-	704,501	

Short-term remuneration includes salaries and fees and consultancy fees paid to non-executive Director's and associated related parties for services provided by the Director. The remuneration disclosed above represents the cost to the Group for the services provided by Directors.

Remuneration Report (Continued)

Details of incentive based remuneration

On 8 May 2014, shareholders approved the issuance of 4 million fully paid ordinary shares at \$0.12 per share to Hamish Collins or his nominee, to be funded by a limited recourse loan. The recourse on the loan is limited to the shares issued. The loan was interest free and was repayable on 3 July 2017. In accordance with AASB 2 the loan is required to be valued and accounted for as an option. The fair value of \$406,000 was calculated using the Black Scholes model with inputs of 15 cents share price, 12 cents strike price, three-year period to expiry, 2.89% risk free interest rate and 101.3% volatility. There are no performance or service conditions attached to the loan. The fair value of the incentive shares was recognised as an expense during the year ended 30 June 2014. On 11 August 2017, shareholders approved an extension of the loan expiry date for 3 years.

On 4 August 2014, Mr Lonergan, who was at that time Company Secretary and not a Director, was allotted 1,000,000 Aeon shares at 19.5 cents per share funded by a 3 year, interest free, limited recourse loan of \$195,000 from Aeon Metals. Mr Lonergan subsequently became a Director on 7 September 2016. The 3-year loan term was to expire on 4 August 2017. On 11 August 2017, shareholders approved an extension of the loan expiry date for 3 years.

On 11 August 2017, shareholders approved the issuance of 2.5 million fully paid ordinary shares at \$0.145 per share to each of the four directors or their nominees, to be funded by limited recourse loans. The recourse on the loan is limited to the shares issued. The loan is interest free and repayable on 18 August 2020. In accordance with AASB 2 the loan is required to be valued and accounted for as an option. A fair value of \$220,250 was calculated using the Black Scholes model with inputs of 14 cents share price, 14 cents strike price, three-year period to expiry, 1.930% risk free interest rate and 100% volatility. There are no performance or service conditions attached to the loan other than directors are not permitted to sell these share at a price less than the issue price plus 25%.. The fair value of the incentive shares was recognised as an expense during the year ended 30 June 2018.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Non-executive directors

At the 2014 Annual General Meeting, shareholders approved an aggregate amount of \$375,000 to be available for payment of non-executive Directors' fees. This remains unchanged.

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Remuneration Report (Continued)

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control were as follows:

			Transaction values year ended 30 June		Balance outstanding as at 30 June	
<i>in AUD</i>		<i>Note</i>	2018	2017	2018	2017
Key management person						
Hamish Collins	Reimbursements	(i)	263	219	-	-
Paul Harris	Reimbursements	(i)	-	-	-	-
Stephen Longeran	Reimbursements	(i)	-	-	-	-
Ivan Wong	Reimbursements	(i)	-	-	-	-
Total and current liabilities			263	219	-	-

Equity instruments

Incentive Shares (accounted for as options)

The movement during the reporting period in the number of incentive shares in Aeon Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is:

	Held at 1 July 2017	Granted as compensation	Other changes	Held at 30 June 2018
Directors				
Hamish Collins	4,000,000	2,500,000	-	6,500,000
Stephen Lonergan	1,000,000	2,500,000	-	3,500,000
Ivan Wong	-	2,500,000	-	2,500,000
Paul Harris	-	2,500,000	-	2,500,000
Total	5,000,000	10,000,000	-	15,000,000

The incentive shares held by each key management person are subject to a holding lock whereby that when sold, the loan amount per share will be repaid to the Company. The sale of shares is not permitted unless the share price increases beyond a 25% premium above the share issue price. At 30 June 2018 the sales condition was satisfied and all shares were eligible for sale.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Aeon Metals Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is:

	Held at 1 July 2017	Purchases	Incentive shares granted	Disposal	Held at 30 June 2018
Directors					
Hamish Collins	4,500,000	137,914	2,500,000	-	7,137,914
Stephen Lonergan	1,000,000	35,716	2,500,000	-	3,535,716
Ivan Wong	16,329,203	17,858	2,500,000	-	18,847,061
Paul Harris	114,286	77,866	2,500,000	-	2,692,152
Total	21,943,489	269,354	10,000,000	-	32,212,843

This concludes the Remuneration Report which has been audited.

Aeon Metals Limited
Directors' Report
for the year ended 30 June 2018

Auditor's independence declaration

The auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 30 of the financial report and forms part of the Directors' Report for the year ended 30 June 2018.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.



Hamish Collins
Managing Director

Dated at Sydney this 26th day of September 2018.

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF AEON METALS LIMITED

As lead auditor of Aeon Metals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aeon Metals Limited and the entities it controlled during the year.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 26 September 2018

Aeon Metals Limited

30 June 2018 Annual Report

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 \$'000	30 June 2017 \$'000
Assets			
Cash and cash equivalents	15	12,654	1,868
Trade and other receivables	14	410	121
Other investments	12	53	51
Prepayments		116	50
Total current assets		13,233	2,090
Property, plant and equipment	10	437	126
Other assets		48	46
Exploration and evaluation assets	11	62,988	54,814
Total non-current assets		63,473	54,986
Total assets		76,706	57,076
Liabilities			
Trade and other payables	21	1,949	778
Employee benefits	19	173	115
Provisions	20	50	50
Loans and borrowings	22	-	31,814
Total current liabilities		2,172	32,757
Loans and borrowings	22	14,623	-
Total non-current liabilities		14,623	-
Total liabilities		16,795	32,757
Net assets		59,911	24,319
Equity			
Share capital	17	90,049	48,379
Reserves	17	8,406	4,096
Accumulated losses		(38,550)	(28,163)
Total equity attributable to owners of the Company		59,905	24,312
Non-controlling interests		6	7
Total equity		59,911	24,319

The notes on pages 35 to 66 are an integral part of these consolidated financial statements.

Aeon Metals Limited

30 June 2018 Annual Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	30 June 2018 \$'000	30 June 2017 \$'000
Administrative expenses		(1,337)	(884)
Impairment loss	11	(10,572)	(6,751)
Other expenses	7	(2,175)	(704)
Results from operating activities		(14,084)	(8,339)
Finance income		191	97
Finance costs		-	-
Net finance income	9	191	97
Loss before income tax		(13,893)	(8,242)
Income tax expense	13	-	-
Loss for the period		(13,893)	(8,242)
Other comprehensive income			
Other comprehensive income for the period, net of tax			-
Total comprehensive loss for the period		(13,893)	(8,242)
Loss attributable to:			
Owners of the Company		(13,892)	(8,241)
Non-controlling interests		(1)	(1)
Loss for the period		(13,893)	(8,242)
Total comprehensive Loss attributable to:			
Owners of the Company		(13,892)	(8,241)
Non-controlling interests		(1)	(1)
Total comprehensive Loss for the period		(13,893)	(8,242)
Loss per share			
Basic loss per share (cents per share)	18	(2.82)	(2.37)
Diluted loss per share (cents per share)	18	(2.82)	(2.37)

The notes on pages 35 to 66 are an integral part of these consolidated financial statements.

Aeon Metals Limited

30 June 2018 Annual Report

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

Note	Attributable to owners of the Company				Non-Controlling interests	Total equity
	Share capital	Equity Compensation reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	48,379	8,830	(24,682)	32,527	8	32,535
Total comprehensive loss for the period						
Loss for the period	-	-	(8,241)	(8,241)	(1)	(8,242)
Total comprehensive loss for the period	-	-	(8,241)	(8,241)	(1)	(8,242)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Expiration of warrants & options	17	-	(4,760)	4,760	-	-
Issue of options	17	-	26	26	-	26
Total contributions by and distributions to owners of the company		-	(4,734)	4,760	26	-
Balance at 30 June 2017	48,379	4,096	(28,163)	24,312	7	24,319
Balance at 1 July 2017	48,379	4,096	(28,163)	24,312	7	24,319
Total comprehensive loss for the period						
Loss for the period	-	-	(13,892)	(13,892)	(1)	(13,893)
Total comprehensive loss for the period	-	-	(13,892)	(13,892)	(1)	(13,893)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Expiration of options & warrants	17	-	(3,505)	3,505	-	-
Issue of options	17	-	1,372	1,372	-	1,372
Issue of ordinary shares	17	43,501	-	43,501	-	43,501
Capital raising costs	17	(1,831)	-	(1,831)	-	(1,831)
Issue of warrants	17	-	6,443	6,443	-	6,443
Total contributions by and distributions to owners of the company		41,670	4,310	3,505	49,485	-
Balance at 30 June 2018	90,049	8,406	(38,550)	59,905	6	59,911

The notes on pages 35 to 66 are an integral part of these consolidated financial statements.

Aeon Metals Limited

30 June 2018 Annual Report

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	30 June 2018 \$'000	30 June 2017 \$'000
Cash flows from operating activities			
Cash paid to suppliers and employees		(2,095)	(1,674)
Cash used in operations		(2,095)	(1,674)
Interest received		191	97
Net cash used in operating activities	16	(1,904)	(1,577)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(364)	-
Proceeds from the disposal of property, plant and equipment		-	21
Payments for exploration activities		(5,235)	(3,204)
Acquisition of other investments		-	(1)
Net cash used in from investing activities		(5,599)	(3,184)
Cash flows from financing activities			
Proceeds from the issue of share capital		36,677	-
Payment of capital raising costs		(1,831)	-
Repayment of Borrowings		(16,557)	-
Net cash from financing activities		18,289	-
Net increase (decrease) in cash and cash equivalents		10,786	(4,761)
Cash and cash equivalents at 1 July		1,868	6,629
Cash and cash equivalents at 30 June	15	12,654	1,868

The notes on pages 35 to 66 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Corporate Information

The financial statements of Aeon Metals Limited ('Company' or 'Aeon') and its controlled entities ('the Group') for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 26 September 2018.

Aeon Metals Limited is the Group's ultimate parent company, and is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activity of the Company during the year was exploration and evaluation of mineral licences in Australia.

The Registered Office of the Company is Level 7, 88 Pitt Street, Sydney NSW 2000.

2. Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Basis of Preparation

For the purposes of preparing the financial statements, the Company is a for-profit entity.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

New standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year ended 30 June 2018.

Accounting standards issued by AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are listed below:

- AASB 9: Financial Instruments (applicable for the annual reporting period beginning on 1 July 2018).
- AASB 16: Leases (applicable for the annual reporting period beginning on 1 July 2019).

Going concern

The annual consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2018, the Group incurred a net loss before tax of \$13.9 million (2017: \$8.2 million) and net cash inflow from operating, investing and financing activities of \$10.8 million (2017: \$4.8 million outflow).

The cash flow forecast prepared for the assessment of Going Concern, factors in a number of estimates and assumptions, in relation to the timing and quantum of planned exploration expenditure. The planned expenditure foresees the need to raise capital during the forecast period in order to execute the Group's stated aim of progressing the Walford Creek Project. The above matters give rise to a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern.

As at 30 June 2018, the Group had net assets of \$60 million (June 2017: \$24 million) including cash of \$12.6 million (June 2017: \$1.8 million). The Directors regularly monitor the Company's cash position on

Notes to the consolidated financial statements

an ongoing basis and have demonstrated a successful track record of raising capital and funding when required. The Group has the capacity, if necessary, to defer discretionary expenditure in the current cash flow forecast period, or take steps to moderate the cash outflows of the business as needed to ensure that the Group maintains expenditure in line with the level of funding available.

Should the Group be unable to execute the forecast strategy it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value

The methods used to measure fair values are discussed further in note 5.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 1 April 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

Judgements and estimates

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 2 – Going concern

Note 11 – Exploration and evaluation asset impairment

Note 13 – Unrecognised deferred tax assets

Note 17 – Issue of warrants

Note 17 – Measurement of share-based payments

Note 23 – Valuation of financial instruments

Notes to the consolidated financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Notes to the consolidated financial statements

Financial instruments (continued)

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

a. Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any dividend income, are recognised in profit or loss.

b. Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

c. Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

d. Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

e. Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Notes to the consolidated financial statements

Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates used for each class of depreciable assets are:

• Computer equipment	20% - 67%
• Mining and exploration equipment	5% - 67%
• Plant and equipment	5% - 50%
• Motor vehicles	10% - 25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the entity has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operation in, or in relation to, the area of interest are continuing.

Notes to the consolidated financial statements

Exploration and evaluation expenditure (continued)

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and revaluation expenditure to mining property and development assets within property, plant and equipment.

Impairment

(i) *Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

a. Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All assets are individually assessed for specific impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Notes to the consolidated financial statements

Impairment (continued)

b. Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

(ii) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Finance Costs

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

Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the consolidated financial statements

Employee benefits (continued)

(ii) *Share-based payment transactions*

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(iii) *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The future benefit calculated is discounted to determine its present value. Revisions to this calculated value are recognised in profit or loss in the period in which they arise.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) *Site restoration*

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

Leases

(i) *Lease Payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income

Finance income is recognised as it accrues in profit or loss, using the effective interest method.

Notes to the consolidated financial statements

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability on the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the consolidated financial statements

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise of the warrants.

Segment Reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

4. **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial instruments (AASB 9)

AASB 9 will replace the existing guidance on AASB 139 Financial Instruments: Measurement and Recognition (AASB 139). This includes guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. This also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for the Group's annual reporting period beginning 1 July 2018, with early adoption permitted.

The Group is still assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9 and do not expect this to have a material impact on the financial statements.

AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

Notes to the consolidated financial statements

AASB 16 Leases (continued)

AASB 16 is effective for the annual reporting period beginning 1 July 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time.

The Group has assessed the potential impact on its financial statements resulting from the application of AASB 16.

The Group's real estate leases include leases of offices and workshops. The Group classified these as operating leases under AASB 17.

The Group leases premises in Mt Isa Queensland. The non-cancellable period of the lease is 1 year and 5 months. If the group exercises the renewal option, then the lease payments in the renewal period will reflect the then market rate.

At inception the Group assessed that it was reasonably likely to exercise the renewal option.

For the purposes of applying the modified retrospective approach to this lease, the group elects to:

- Measure the right-of-use asset as if it had applied AASB 16 since the commencement date using an incremental borrowing rate at the date of initial application;
- Apply the practical expedient to use hindsight when assessing the lease term; and
- Apply the practical expedient to exclude initial direct costs from the right-of-use asset.

'Property, plant and equipment' comprise owned and leased assets that do not meet the definition of investment property.

<i>In thousands of aud</i>	Note	Jun-18 \$ '000
Property, plant and equipment	10	437
Right-of-use assets, except for investment property		132
Other Assets		
Exploration and Evaluation assets	11	62,988
		63,557

Information about leases which the Group is a lessee is presented below.

Right-of-use assets

<i>In thousands of aud</i>	Property
2018	
Balance at 1 July 2017	204
Depreciation charge for the year	72
Balance at 30 June 2018	132

Additions to the right-of-use assets during 2018 were \$204 thousand.

Lease liabilities

<i>In thousands of aud</i>	2018
Current	134
Non-current	-
Balance at 30 June 2018	134

Amounts recognised in profit or loss

<i>In thousands of aud</i>	2018
Interest on lease liability	(2)
Depreciation	(72)
Balance at 30 June 2018	(74)

Amounts recognised in the statement of cash flows

<i>In thousands of aud</i>	2018 \$ '000
Total cash outflow for leases	(72)

Notes to the consolidated financial statements

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination or an acquisition of assets is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss and held-to-maturity investments is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Share-based payment transactions

The fair value of employee share options and warrants is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of the Company's share prices, adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Financial liabilities

The fair value of limited recourse notes is determined based on discounted cash flows and an appropriate effective interest rate.

6. Operating segments

The Group's only operation is exploration of minerals in Queensland, Australia. The Group's Board reviews the internal financial statements on a monthly basis which are prepared on the same basis as these financial statements.

The Group's operations are all based in one geographic segment, being Queensland, Australia and the Group's operations are in the exploration phase so it has no products or services nor any major customers.

Notes to the consolidated financial statements

7. Other expenses

in thousands of AUD

	2018	2017
Employee benefits expense	(692)	(585)
Superannuation expense	(111)	(93)
Share - based payments (refer note 17)	(1,372)	(26)
	<u>(2,175)</u>	<u>(704)</u>

8. Expenses by nature

in thousands of AUD

	2018	2017
Employee benefit expense - including superannuation	(803)	(678)
Depreciation expense	(53)	(18)
Consultancy expense	(348)	(330)
Advertising expense	(28)	(35)
Impairment losses	(10,572)	(6,751)
Share- based payments	(1,372)	(26)
Finance costs	-	-
Other expenses	(908)	(502)
	<u>(14,084)</u>	<u>(8,340)</u>

9. Finance income and finance costs Recognised in profit or loss

in thousands of AUD

	2018	2017
Interest income from bank deposits	191	97
Finance income	<u>191</u>	<u>97</u>

Notes to the consolidated financial statements

10. Property, plant and equipment

<i>in thousands of AUD</i>	Computer equipment	Mining and Exploration equipment	Plant and equipment	Motor Vehicles	Property Improvements	Total
Cost						
Balance at 1 July 2016	61	301	54	159	-	575
Additions/(Disposals)	-	(52)	-	(36)	-	(88)
Balance at 30 June 2017	61	249	54	123	-	487
Balance at 1 July 2017	61	249	54	123	-	487
Additions/(Disposals)	19	145	12	17	171	364
Balance at 30 June 2018	80	394	66	140	171	851
Depreciation						
Balance at 1 July 2016	(58)	(233)	(16)	(124)	-	(431)
Depreciation for the year	(1)	(10)	(3)	(4)	-	(18)
Disposals	-	52	-	36	-	88
Balance at 30 June 2017	(59)	(191)	(19)	(92)	-	(361)
Balance at 1 July 2017	(59)	(191)	(19)	(92)	-	(361)
Depreciation for the year	(7)	(24)	(7)	(9)	(6)	(53)
Disposals	-	-	-	-	-	-
Balance at 30 June 2018	(66)	(215)	(26)	(101)	(6)	(414)
Carrying amounts						
at 1 July 2016	3	68	38	35	-	144
at 30 June 2017	2	58	35	31	-	126
at 1 July 2017	2	58	35	31	-	126
at 30 June 2018	14	179	40	39	165	437

11. Exploration and evaluation of assets

Additions to exploration and evaluation assets during the period relate to expenditures incurred on exploration and evaluation and includes capitalised interest and borrowing costs in relation to the loans and borrowings totalling \$12.6m.

<i>In thousands of AUD</i>	Capitalised Exploration Expenditure
Balance at 1 July 2016	50,113
Additions, including capitalised interest	11,452
Impairment losses	(6,751)
Balance at 30 June 2017	54,814

Notes to the consolidated financial statements

Balance at 1 July 2017	54,814
Additions, including capitalised interest	18,746
Impairment losses	(10,572)
Balance at 30 June 2018	62,988

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Impairment on Exploration Expenditure

During the period, the Company reviewed all its tenement licences and the minimum expenditure requirements of each licence. The Company tested the exploration and evaluation assets for impairment and recognised an impairment loss of \$10.57 million. Of this impairment loss, \$10.47 million relates to the Gladstone Project/Monto tenements. The Directors have determined the value of this Project to be a value between the recent independent valuation and recent comparative sales and a value no less than at which the Directors would seek in the event of a sale or farm-out. Other impairment losses have been recognised in relation to surrendered tenements which the Company does not intend to meet the minimum requirements or carry out any exploration activities in the near future in these areas of interest.

The impairment is included in 'impairment loss' (refer page 32).

12. Other Investments

in thousands of AUD

	Note	2018	2017
Current investments			
Financial assets designated at fair value through profit or loss - shares (i)		4	4
Term deposit		49	47
		53	51

(i) 1,556,500 shares held in Zamia Metals Ltd (ZGM)

The term deposit had an average interest rate of 3.11% (2017: 2.83%) and matures in 1 month.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 23.

Sensitivity analysis – equity price risk

All of the Group's equity investments are listed on the Australian Securities Exchange. For such investments classified at fair value through profit and loss, a 5 percent increase/decrease in the price of the stock held at the reporting date (or prior period) would have increased or decreased profit or loss by an immaterial amount.

Notes to the consolidated financial statements

13. Income tax

in thousands of AUD

Income tax recognised in profit or loss

Current tax expense

Current year

Deferred tax expense

Total income tax expense

	2018	2017
Current year	-	-
Deferred tax expense	-	-
Total income tax expense	-	-

Reconciliation of effective tax rate

in thousands of AUD

Loss for the period

Total tax expense

Loss excluding tax

Tax using the Company's domestic tax rate of 30 percent (2017:30 percent)

Non-assessable income

Losses not brought to account

	2018	2017
Loss for the period	(13,893)	(8,242)
Total tax expense	-	-
Loss excluding tax	(13,893)	(8,242)
Tax using the Company's domestic tax rate of 30 percent (2017:30 percent)	(4,168)	(2,473)
Non-assessable income	317	366
Losses not brought to account	3,851	2,107
	-	-

Unrecognised deferred tax assets

in thousands of AUD

Deductible temporary differences

Tax losses

	2018	2017
Deductible temporary differences	-	-
Tax losses	14,723	10,721
	14,723	10,721

The deductible temporary differences and tax losses do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

14. Trade and other receivables

in thousands of AUD

Trade Debtors

GST receivable

	2018	2017
Trade Debtors	3	-
GST receivable	407	121
	410	121

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 23.

Notes to the consolidated financial statements

15. Cash and cash equivalents

in thousands of AUD

	2018	2017
Bank balances	12,654	1,868
Cash and cash equivalents in the statement of cash flows	12,654	1,868

16. Reconciliation of cash flows from operating activities and non-cash financing activities

in thousands of AUD

	Note	2018	2017
Cash flows from operating activities			
Profit (loss) for the period		(13,893)	(8,242)
Adjustments for:			
Depreciation	10	53	18
Impairment of exploration and evaluation assets	11	10,572	6,751
Profit/Loss on disposal of investments & equipment & other		-	(23)
Equity-settled share-based payment transactions	17	1,372	26
		(1,896)	(1,470)
Change in trade and other receivables	14	(291)	25
Change in prepayments		(66)	(1)
Change in trade and other payables	21	291	(143)
Change in provisions and employee benefits	19,20	58	12
Net cash used in operating activities		(1,904)	(1,577)

Non-cash financing activities

in thousands of AUD

	Note	2018	2017
Non-cash Financing Activities			
Repayment of borrowings	22	(6,826)	-
		(6,826)	-

On 5 December 2017, 73 million warrants were exercised at \$0.935 each. The warrant holders elected not to pay the exercise moneys in cash but by reduction in the limited recourse debt owed by the Company to the OCP Asia Group.

17. Capital and reserves

Share capital

	2018		2017	
<i>In thousand of shares/AUD</i>	no. of ordinary shares	\$	no. of ordinary shares	\$
In issue at 1 July	347,832	48,379	347,832	48,379
Issued for cash	223,337	41,670	-	-
Issued for services	14,800	-	-	-
In issue at 30 June	585,969	90,049	347,832	48,379

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Notes to the consolidated financial statements

Issuance of ordinary shares June 2018

Date	no. of shares issued	price per share \$	Total Consideration \$	Purpose
17/08/2017	39,285,727	0.14	5,500,002	Placement
18/08/2017	13,300,000	0.15	-	Share Based Payment*
6/12/2017	73,000,000	0.09	6,825,500	Exercise of Warrants
21/12/2017	107,200,000	0.28	30,016,000	Institutional Placement
8/02/2018	3,851,372	0.28	1,078,384	Share Purchase Plan
8/02/2018	1,500,000	0.26	-	Share Based Payment*
30/05/2018	-	0.16	81,300	Payment of shares on loan
	238,137,099		43,501,186	

* Incentive shares – recorded in equity compensation reserve (see below).

June 2018

500 thousand shares were granted to an employee as remuneration for services performed were then sold on the market for \$81 thousand. 200,000 of these shares were issued in a prior year. The 500 thousand shares were initially provided through a limited recourse loan arrangement which expired as a consequence of retirement during the period. The share sale had no effect on the number of shares for the period.

June 2017

200 thousand shares were granted to an employee as remuneration for services performed. These shares were issued in the prior year through a limited recourse loan arrangement which were sold during the period. The shares were then transferred to a current employee and as the transfer was also funded by a limited recourse loan they have been accounted for as an option and the fair value of these shares was \$26 thousand. The share transfer had no effect on the number of shares for the period.

Capital raising costs incurred as part of share issues during the year were \$1,831 thousand (2017: Nil). These costs are deducted directly from equity.

Reserves

Equity compensation reserve

The equity compensation reserve records the fair value of incentive shares and warrants issued. When an option or warrant expires, or it is exercised, the fair value of the affected instrument is transferred to retained earnings.

Issue of warrants

Inputs for measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the warrants issued during the year:

Notes to the consolidated financial statements

Issue of warrants (continued)

	Issue of Warrants
	2018
Number of warrants	85,000,000
Grant date	17 August 2017
Fair value at grant date	\$0.076
Share price at grant date	14 cents
Exercise price	16 cents
Expected volatility (weighted average)	101%
Expected life (weighted average)	2.3 years
Risk-free interest rate (based on government bonds)	2.08%
Dividend yield	0%

June 2018

The company issued 85 million warrants on 17 August 2017 to OL Master Limited exercisable at 16 cents. These warrants expire on 17 December 2019 and represented consideration for extension of expiry date of the Limited Recourse notes from 17 December 2017 to 17 December 2019. The warrants were valued at \$6.4 million, refer Note 22.

June 2017

No new warrants were issued during the period.

Exercise and expiration of warrants

June 2018

On 5 December 2017, 73 million warrants (share options) were exercised by OL Master and OL Master (Singapore Fund 1) Pty Ltd. This parcel of warrants had an exercise price of \$0.0935 and a fair value of \$3.3 million.

June 2017

No warrants were exercised during the period.

On 17 June 2017, 63.3 million warrants (share options) expired. This parcel of warrants had an exercise price of \$0.158 and a fair value of \$4.7 million.

Total on issue

The total number of warrants on issue at 30 June 2018 is 85 million (June 2017: 73 million).

Notes to the consolidated financial statements

17. Capital and reserves (continued)

Share based payments

Description of the share-based payment arrangements

June 2018

On 18 August 2017, 13.3 million ordinary shares were purchased by directors and employees through the share incentives provided by the company. The loan is limited to shares issued, is interest free and repayable within 3 years. The fair value of these shares of \$1.17 million was calculated using the Black Scholes Model as at 30 June 2018, which was funded by limited recourse loans from the Company. There are no performance or service conditions attached to the loans other than the directors and employees are not permitted to sell these share at a price less than the issue price plus 25%.

On 8 February 2018, 1.5 million ordinary shares were purchased by an employee through the share incentives provided by the company. The loan is limited to shares issued, is interest free and repayable within 3 years. The fair value of these shares of \$258 thousand was calculated using the Black Scholes Model as at 30 June 2018, which was funded by a limited recourse loan from the Company. There are no performance or service conditions attached to the loans other than the employee is not permitted to sell these shares until the sales condition is satisfied.

June 2017

200 thousand ordinary shares were granted as an incentive payment to a current employee of the Company. The shares were already on issue, having been subject to an existing limited recourse loan which had expired during the 2015 year. The fair value of these shares was \$26 thousand as at 6 December 2016 being the date of purchase, which was funded by a limited recourse loan from the Company. The loan is limited to shares issued, is interest free and repayable within 3 years. In accordance with AASB 2 the loan has been valued as an option and the fair value was calculated using the Black Scholes Model. There are no performance or service conditions attached to the loan. At 30 June 2017 the loan was not repaid.

From time to time the Company will issue shares to employees of which the acquisition of these ordinary shares is funded by a loan from the Company, with recourse of these loans being limited to the shares issued. The loans are interest free. In accordance with AASB 2 the loans provided to the employees and shares issued are required to be valued as an option.

The number and weighted average exercise prices of shares funded by limited recourse loans and valued as options is as follows:

<i>in AUD</i>	Number of incentive shares	Weighted average exercise price	Number of incentive shares	Weighted average exercise price
	Jun-18	Jun-18	Jun-17	Jun-17
Outstanding at 1 July	7,850,000	0.14	7,850,000	0.14
Expired during the year	(2,000,000)	(0.20)	(200,000)	(0.18)
Paid for during the year	(500,000)	(0.16)	-	-
Granted during the year	14,800,000	0.16	200,000	0.18
Outstanding at 30 June	20,150,000	0.16	7,850,000	0.14

Notes to the consolidated financial statements

17. Capital and reserves (continued)

Share based payments (continued)

Inputs for measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Director incentive shares		Employee incentive shares		Employee incentive shares
	Jun-18		Jun-18		Jun-17
Number of incentive shares	10,000,000		1,500,000	3,300,000	200,000
Grant date	18 August 2017		8 February 2018	18 August 2017	6 December 2016
Fair value at grant date	\$0.088		\$0.172	\$0.086	\$0.129
Share price at grant date	14 cents		27 cents	14 cents	18 cents
Exercise price	14 cents		26 cents	15 cents	18 cents
Expected volatility (weighted average)	100%		100%	100%	101%
Expected life (weighted average)	3 years		3 years	3 years	3 years
Risk-free interest rate (based on government bonds)	1.93%		2.15%	1.93%	1.98%
Dividend yield	0%		0%	0%	0%

The expected share price volatility has been calculated based on Aeon Metals Limited's historical share price performance.

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of \$13,892 thousand (2017: \$8,241 thousand loss) and a weighted average number of ordinary shares outstanding of 492,845 thousand (2017: 347,832 thousand), calculated as follows:

Loss attributable to ordinary shareholders (basic)

in thousands of AUD

	2018	2017
Loss for the period	(13,893)	(8,242)
Loss attributable to ordinary shareholders	(13,892)	(8,241)

Weighted average number of ordinary shares (basic)

in thousands of shares

	Note	2018	2017
Issued ordinary shares at 1 July	17	347,832	347,832
Effect of shares issued		145,013	-
Weighted average number of ordinary shares at 30 June		492,845	347,832

Notes to the consolidated financial statements

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2018 was based on loss attributable to ordinary shareholders of \$13,892 thousand (2017: \$8,241 thousand loss), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 492,845 thousand (2017: 347,832 thousand), calculated as follows:

Loss attributable to ordinary shareholders (diluted)

in thousands of AUD

	2018	2017
Loss attributable to ordinary shareholders (basic)	(13,892)	(8,241)
Loss attributable to ordinary shareholders (diluted)	(13,892)	(8,241)

Weighted average number of ordinary shares (diluted)

in thousands of shares

	2018	2017
Weighted average number of ordinary shares (basic)	492,845	347,832
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	492,845	347,832

At 30 June 2018 85,000 thousand warrants (2017: 73,000 thousand warrants) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

19. Employee Benefits

in thousands of AUD

	2018	2017
Salaries and wages accrued	40	33
Liability for annual leave	109	82
Liability for long service leave	17	-
Liability for superannuation	7	-
Total employee benefits - current	173	115

Notes to the consolidated financial statements

20. Provisions

in thousands of AUD

	Site Restoration	Total
Balance at 1 July 2017	50	50
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Balance at 30 June 2018	50	50
Non-Current	-	-
Current	50	50
	50	50

Site Restoration

A provision of \$50 thousand was made in respect of the Group's obligations in respect of environmental remediation. The required work is completed throughout the year on an ongoing basis. There has been no change to the provision in the current year. The provision has been capitalised to the Exploration and Evaluation assets at Note 11.

21. Trade and other payables

In thousands of AUD

	2018	2017
Other Payables	1,833	604
Accrued Expenses	116	174
	1,949	778

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 23.

22. Loans and borrowings

In thousands of AUD

	2018	2017
Current liabilities		
Limited recourse notes	-	31,814
	-	31,814
Non-current liabilities		
Limited recourse notes	14,623	-
	14,623	-

Reconciliation of movement in loans and borrowings

in thousands of AUD

	2018	2017
Outstanding at 1 July	31,814	23,558
Repayments during the year	(23,383)	-
Accrued interest during the year	6,192	8,256
Outstanding at 30 June	14,623	31,814

Notes to the consolidated financial statements

22. Loans and borrowings (continued)

June 2018

During the period, an agreement was reached between the Company and OL Master Limited to extend the repayment date of the debt facility as described below to 17 December 2019. In consideration for this extension and subject to shareholder approval, the Company issued to OL Master Limited 85 million warrants each expiring on 17 December 2019 and exercisable at 16 cents. The issue of the warrants was approved at a General Meeting of the Company's shareholder on 11 August 2017.

On 5 December 2017, the company received notices from OL Master and OL Master (Singapore Fund 1) Pty Ltd (formerly named OL Master (Singapore) Limited) exercising an aggregate of 73 million warrants each exercisable at 9.35 cents. No cash was received as the warrant holders elected to repay the principal and accrued interest owing under the existing limited recourse notes. As a result, the value of the debt facility was reduced by \$6.82 million.

On 28 December 2017, the Company issued 107.2 million new ordinary shares at a price of \$0.28 per share. \$15.5 million of the proceeds were used to further repay the principal and accrued interest owing under the existing limited recourse notes.

On 2 February 2018, the Company issued 3.8 million new ordinary shares as part of a share purchase plan at a price of \$0.28 per share. \$1 million of the proceeds were used to further repay the principal and accrued interest owing under the existing limited recourse notes.

The Company has accrued interest of \$6.2 million during the year ended 30 June 2018. This interest has been capitalised against the exploration and evaluation assets in accordance with AASB 123 (Borrowing costs) which requires borrowing costs directly attributable to the production of a qualifying asset, to form part of the cost of the asset.

June 2017

There was no change to any agreements relating to loans and borrowings during the period.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	30 June 2018		30 June 2017	
				Face value	Carrying amount	Face value	Carrying amount
				\$ '000	\$ '000	\$ '000	\$ '000
Limited recourse notes	AUD	12.00%	Dec 2019	14,623	14,623	34,487	31,814
Total interest-bearing liabilities				14,623	14,623	34,487	31,814

The amortised cost of the notes was calculated using a discounted cashflow based on an effective interest rate of 13%

Notes to the consolidated financial statements

23. Financial instruments

Financial risk management

The Group's financial assets consist mainly of deposits with banks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity, other than deposits with Australian regulated banks and trade and other receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

<i>In thousands of AUD</i>	Note	Carrying amount	
		2018	2017
Interest bearing investments	12	49	47
Trade and other receivables	14	410	121
Cash and cash equivalents	15	12,654	1,868
		13,113	2,036

Impairment losses

The ageing of the trade and other receivables at the end of the reporting period that were not impaired was as follows:

<i>In thousands of AUD</i>	2018	2017
Neither past due nor impaired	410	121
Past due 1 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 91 - 120 days	-	-
	410	121

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Notes to the consolidated financial statements

In thousands AUD

Balance at 1 July 2016	17
Impairment loss recognised	-
Amounts written off	-
Balance at 30 June 2017	17
Balance at 1 July 2017	17
Impairment loss recognised	-
Amounts written off	-
Balance at 30 June 2018	17

At 30 June 2018 and 30 June 2017 an impairment loss of \$17 thousand relates to a reimbursement of a deposit paid which the Group is not expecting to receive.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group managed liquidity risk by monitoring forecast cash flows and ensuring that adequate cash in operating accounts is maintained. The Group has access to a \$30 thousand credit card facility (2017: \$30 thousand). At 30 June 2018 the undrawn amount is \$30 thousand (2017: \$30 thousand).

At 30 June 2018 the Group has payables of \$1,949 thousand (2017: \$778 thousand) due within 3 months.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

Notes to the consolidated financial statements

23. Financial instruments (continued)

30 June 2018

<i>In thousands of AUD</i>	Carrying amount	Contractual cash flows					
		Total	2 mths or less	2-12 mths	1-2 years	2-5 years	More than 5 years
liabilities							
Limited recourse notes (i)	14,623	17,336	-	-	17,336	-	-
Trade payables	1,949	1,949	1,949	-	-	-	-
	16,572	19,285	1,949	-	17,336	-	-

i) 17,336 thousand of the contractual cash flow payable in 1-2 years relates to a limited recourse loan secured over the assets of Aeon Walford Creek Limited. On 11 August 2017 the shareholders approved a 2-year extension to the repayment date of this limited recourse loan in consideration for the issue of 85 million warrants.

30 June 2017

<i>In thousands of AUD</i>	Carrying amount	Contractual cash flows					
		Total	2 mths or less	2-12 mths	1-2 years	2-5 years	More than 5 years
liabilities							
Limited recourse notes (i)	31,814	36,593	-	36,593	-	-	-
Trade payables	778	778	778	-	-	-	-
	32,592	37,371	778	36,593	-	-	

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Board monitors interest rates and equity prices and regularly reviews cashflow requirements.

The Group has no exposure to currency fluctuations and considers its exposure to interest rates and equity prices is minimal.

Interest rate risk

Profile

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group was as follows:

<i>In thousands of AUD</i>	Interest Rate	Carrying amount	Interest Rate	Carrying amount
	2018	2018	2017	2017
Fixed rate instruments				
Financial liabilities (i)	12%	14,623	12%	31,814
		14,623		31,814
Variable rate instruments				
Financial assets	1.66%	12,654	2.05%	1,868
Held-to-maturity assets	2.45%	49	3.07%	47
		12,703		1,915

(i) The coupon rate on the limited recourse loan is 12% p.a. however the effective interest rate has been determined to be 13% at the date of entering into the agreement

Notes to the consolidated financial statements

23. Financial instruments (continued)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect in thousands of AUD	Profit or loss	
	100bp increase	100bp decrease
30 June 2017		
Variable rate instruments	19	(19)
30 June 2018		
Variable rate instruments	114	(114)

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and as required will seek to raise additional funding through issues of shares for the continuation of the Group's operations. There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

Fair Value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

In thousands of AUD	Note	30 June 2018		30 June 2017	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value					
Financial assets designated at fair value through profit or loss	12	4	4	4	4
		4	4	4	4
Assets carried at amortised cost					
Interest bearing investments	12	49	49	47	47
Trade and other receivables	14	410	410	121	121
Cash and cash equivalents	15	12,654	12,654	1,868	1,868
		13,113	13,113	2,036	2,036
Liabilities carried at amortised cost					
Trade and other payables	22	(1,949)	(1,949)	(778)	(778)
Limited recourse notes	23	(14,623)	(14,623)	(31,814)	(31,814)
		(16,572)	(16,572)	(32,592)	(32,592)

Notes to the consolidated financial statements

23. Financial instruments (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In thousands of AUD

	Level 1	Level 2	Level 3
30 June 2018			
Financial assets designated as at fair value through profit or loss	4	-	-
Total assets	4	-	-
30 June 2017			
Financial assets designated as at fair value through profit or loss	4	-	-
Total assets	4	-	-

There have been no transfers from Level 1 to Level 2 during the year ended 30 June 2018 (2017: no transfers in either direction).

24. Operating Leases

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows.

in thousands of AUD

	2018	2017
Less than one year	62	53
Between one and five years	-	8
More than five years	-	-
	62	61

The Group leases four premises under operating leases. Of these four leases, one lease is on a month to month basis. The rental payments of this lease are \$1,800 per month. The second and third leases are under 12-month contracts, one expiring in November 2018 and the other in March 2019. The rental payments on these leases are \$8,853 per month.

The remaining lease, is a 24-month lease, which expires 15 September 2018. The rental payments are \$3,351 per month.

To determine the operating lease classification, the Group considered that the land title did not pass, the rent paid to the landlord for the building is increased to market rent at regular intervals, and the entity does not participate in the residual value of the building. Accordingly, it was judged that substantially all the risks and rewards of the building are with the landlord. Based on these qualitative factors it was concluded that the leases are operating leases.

Notes to the consolidated financial statements

25. Commitments and contingencies

There are no contractual commitments or contingent liabilities at 30 June 2018 (2017: nil).

26. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

<i>in AUD</i>	2018	2017
Short-term employee benefits	695,000	565,312
Long-term employee benefits	21,196	31,418
Share based payments	881,000	-
Consulting fees	60,000	60,000
Post-employment benefits	46,850	47,771
	<u>1,704,046</u>	<u>704,501</u>

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Group.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control were as follows:

		Transaction values year ended 30 June		Balance outstanding as at 30 June	
<i>in AUD</i>	Note	2018	2017	2018	2017
Key management person					
Stephen Lonergan	Reimbursements (i)	-	-	-	-
Ivan Wong	Reimbursements (i)	-	-	-	-
Hamish Collins	Reimbursements (i)	263	219	-	-
Paul Harris	Reimbursements (i)	-	-	-	-
Total and current liabilities		<u>263</u>	<u>219</u>	<u>-</u>	<u>-</u>

- (i) The Group reimbursed Hamish Collins for business related expenditure. The amounts were paid as per third party receipts.

Notes to the consolidated financial statements

27. Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest	
		2018	2017
Parent Entity:			
Aeon Metals Limited			
Significant Subsidiaries			
Aussie NQ Resources Pty Ltd	Australia	100	100
SLW Queensland Pty Ltd	Australia	60	60
Aeon Walford Creek Ltd (previously Aston Metals (QLD) Ltd)	Australia	100	100

28. Subsequent events

On 3 August 2018, the Company announced that it has entered in to a non-binding Memorandum of Understanding (MOU) with Mitsubishi Corporation for the sale of the Company's Sulphuric Acid into offshore markets. Sulphuric Acid will be produced as a by-product by the Company and MC will provide the Company with new insights into the market and also provide a backstop to the domestic market.

29. Auditors' remuneration

<i>In AUD</i>	2018	2017
Audit and review services		
Auditors of the Company - BDO		
Audit and review of financial statements	62,245	-
Auditors of the Company - KPMG		
Audit and review of financial statements	-	112,375
	62,245	112,375
Other services		
Auditors of the Company - BDO		
Other non-audit services	-	-
Auditors of the Company - KPMG		
Other non-audit services	-	-
	-	-

Notes to the consolidated financial statements

30. Parent entity disclosures

As at, and throughout, the financial year ending 30 June the parent entity of the Group was Aeon Metals Limited.

in thousands of AUD

	2018	2017
Result of parent entity		
Loss for the year	(13,798)	(10,623)
Other comprehensive income	-	-
Total comprehensive income for the year	(13,798)	(10,623)
Financial position of parent entity at year end		
Current assets	13,196	1,967
Non-current assets	62,004	53,605
Total assets	75,200	55,572
Current liabilities	1,949	32,631
Non-current liabilities	14,623	-
Total liabilities	16,572	32,631
Net assets	58,628	22,941
Total equity of parent entity comprising of:		
Share capital	90,049	48,379
Reserves	8,406	4,096
Accumulated losses	(39,827)	(29,534)
Total equity	58,628	22,941

Directors' declaration

In the opinion of the directors of Aeon Metals Limited ("the Company"):

- a) the consolidated financial statements and notes set out on pages 30 to 65 and the remuneration report on pages 24 to 27 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; 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.

The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director (who performed the duties of the chief executive officer and chief financial officer) for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.



Hamish Collins
Managing Director

Dated at Sydney this 26th day of September 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Aeon Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aeon Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 are independent of the Group in accordance with 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* (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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 of the current period. These 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for loans and borrowings

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The accounting for the debt facility with OL Masters Limited is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance of the debt, being the largest liability on the Group's balance sheet; and • The judgement and complexity of management's calculation in evaluating the carrying value of the debt. <p>Details of the loans and borrowings are disclosed in Note 22.</p>	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"> • Evaluating management's calculation of the carrying value of the debt including critically assessing the key inputs with reference to the underlying loan agreement; • Tracing movements in the liability to underlying accounting records and bank statements; and • Obtaining third party confirmation of the fair value of the debt outstanding at 30 June 2018.

Accounting for the warrants issued as consideration for the extension of the debt facility

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The accounting for these warrants is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance of the warrants - forming a major part of the Group's reserves; and 	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"> • Critically assessing the inputs used in the Black Scholes model used to calculate the fair value of the warrants at grant date; and

- The level of management judgement and estimates required to prepare the fair value calculation in accordance with AASB 2: *Share-based Payment*.
- Evaluating the nature and substance of the transaction in accordance with applicable accounting standards, in particular AASB 123: *Borrowing Costs*.

Details of the warrants are disclosed in Note 17.

Exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Exploration and evaluation assets are a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the exploration and evaluation activities to the Group's business and the carrying value of these assets, being the largest group of assets on the balance sheet; and • The significance of management's estimates and assumptions regarding the recoverability of carrying values in accordance with AASB 6. <p>Details of the exploration and evaluation assets are disclosed in Note 11.</p>	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"> • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in AASB 6; • Reviewing the Group's tenement licences to assess the rights to tenure are current; • Testing a sample of the Group's additions to areas of interest for the year and agreeing additions to underlying records - including capitalised interest and borrowing costs; • Analysing management's assessment of the recoverability of assets through successful development and exploitation of the areas of interest, or by their sale, by evaluating the Group's documentation of planned activities including tenements expenditure commitments as per the approved work programs issued by the QLD Department of Natural Resources, Mines and Energy; • Evaluating internal budget and cash flow projections for consistency with management's stated intentions for continuing exploration and evaluation activities in the areas of interest and critically assessing feasibility of these intentions with regard to available cash; and

- Holding discussions with the Directors regarding their assessment of the future recoverable value of the exploration and evaluation expenditure.

Other information

The directors are responsible for the other information. The other information comprises the information contained in directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Group's annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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 Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 has 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 this 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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

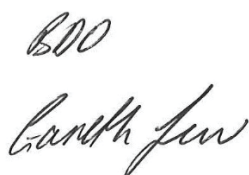
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Aeon Metals Limited, for the year ended 30 June 2018, 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.

BDO East Coast Partnership



Gareth Few
Partner

Sydney, 26 September 2018

Aeon Metals Limited

2018 asx additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is set out below.

Substantial Shareholders

The names of substantial holders and the number of shares in which each has a relevant interest as disclosed in substantial shareholders' notices given to the Company as at 25 September 2018, are as follows:

Shareholder	Number
OCP Group	180,110,733 (30.73%)

Equity Securities (as at 25 September 2018)

The number of holders of each class of equity securities is as follows:

Ordinary Shares (AML)	2093
Unlisted Options (warrants) expiring 17 December 2019 (AMLAP)	1

Voting Rights

At a General Meeting of shareholders, in respect of shares, one vote per member on a show of hands and one vote per share on a poll. Other equity securities do not carry voting rights.

Distribution of Equity Security Holders (as at 25 September 2018)

Category	Holders (Fully paid ordinary shares)
1 - 1,000	93
1,001 - 5,000	366
5,001 - 10,000	318
10,001 - 100,000	973
100,001 - and over	343
Total	2,093

There is one holder of 85,000,000 unlisted options (warrants) (AMLAP) being OL Master Limited.

Holders of Unmarketable Parcels (as at ASX closing on 25 September 2018)

The number of shareholders holding less than a marketable parcel of ordinary shares based on a market price of 36 cents per share is 109.

Aeon Metals Limited

2018 asx additional information

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Other Information

Aeon Metals Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Top 20 Shareholders (as at 25 September 2018)

Name	Number of ordinary shares held	Percentage of capital held
1. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	193,998,541	33.11
2. BLISS INVESTMENTS LIMITED	23,517,768	4.01
3. NATIONAL NOMINEES	19,996,604	3.41
4. SLW MINERALS CORPORATION PTY LIMITED	16,000,000	2.73
5. FRERE & ASSOCIATES PTY LIMITED <DERICK FRERE SUPER FUND A/C>	15,000,956	2.56
6. CITICORP NOMINEES PTY LIMITED	14,317,123	2.44
7. L&M GROUP LIMITED	13,540,169	2.31
8. UBS NOMINEES PTY LTD	12,260,539	2.09
9. WASHINGTON H SOUL PATTINSON & COMPANY LTD	9,382,410	1.60
10. BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	9,233,219	1.58
11. SLG AUSTRALIA PTY LIMITED	8,888,778	1.52
12. MOYA PTY LTD >JAAM A/C>	8,045,195	1.37
13. AVERILL HOLDINGS PTY LIMITED >AVERILL SUPER FUND A/C>	7,700,000	1.31
14. GROSVENOR PIRIE MANAGEMENT LTD <GROSVENOR P INV FUND 3 A/C>	7,450,000	1.27
15. WASHINGTON H SOUL PATTINSON AND COMPANY LTD	7,295,907	1.25
16. BACK9 INVESTMENT MANAGEMENT PTY LTD <SANTANA NO 2 INVESTMENTS A/C>	5,550,000	0.95
17. NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	4,332,464	0.74
18. LOUISE MAREE COLLINS	4,000,000	0.68
19. MS TRACEY GRIFF	4,000,000	0.68
20. MR FRANCESCO PAUL VIOLI & MRS LORRAINE VIOLI <VIOLI SUPER FUND A/C>	3,530,858	0.60
TOTAL SECURITIES OF TOP 20 HOLDINGS	388,040,531	66.22%
TOTAL OF SECURITIES	585,969,727	

On-market buy-back

There is no current on-market buy-back.

Aeon Metals Limited

2018 asx additional information

Securities Issues approved under Section 611 (7) of the Corporations Act

On 11 August 2017 shareholders approved the acquisition of relevant interest in Aeon Shares by the exercise of warrants (options) designated AMLAP by OCP Asia (Hong Kong) Limited and OL Master Limited and their respective related bodies corporate. As at 25 September 2018 none of these warrants (options) had been exercised.

Mining Tenements

As at 30 June 2018, the Company and its subsidiaries held the following interests in mining tenements:

Tenement	Location	Interest held	Joint Venture Partner
EPM 14628	Northwest of Monto, Qld	100%	
EPM 15921	Northwest of Monto, Qld	100%	
EPM 17001	Northwest of Monto, Qld	100%	
EPM 17002	Northwest of Monto, Qld	100%	
EPM 17060	West of Monto, Qld	100%	
MDL 462	Northwest of Monto, Qld	100%	
EPM 18359	South of Georgetown, Qld	100%	
EPM 14220	Walford Creek, Qld	100%	
EPM 14854	Walford Creek, Qld	100%	
EPM 18552	Walford Creek, Qld	100%	
EPM 15911	Mount Isa South, Qld	100%	
EPM 17297	Mount Isa South, Qld	100%	
EPM 17300	Mount Isa South, Qld	100%	
EPM 13412	Mount Isa South, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 13413	Mount Isa South, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 13682	Mount Isa South, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 14040	Mount Isa South, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 14821	Mount Isa South, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 15156	Mount Isa South, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 14233	Mount Isa South, Qld	72%	Summit Resources (Aust) Pty Ltd 18% & Centaurus Metals Limited 10%
EPM 18395	Mount Isa West, Qld	100%	
EPM 18769	Mount Isa West, Qld	100%	
EPM 11897	Mount Isa West, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 11898	Mount Isa West, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 14712	Constance Range, Qld	80%	Pacific Mines Ltd 20%
EPM 14713	Constance Range, Qld	80%	Pacific Mines Ltd 20%
EPM 14935	Constance Range, Qld	80%	Pacific Mines Ltd 20%
EPM 15186	Constance Range, Qld	80%	Summit Resources (Aust) Pty Ltd 20%
EPM 16921	Mount Isa North, Qld	100%	
EPM 14694	Mount Isa North, Qld	80%	Summit Resources (Aust) Pty Ltd 20%

Aeon Metals Limited

2018 asx additional information

Mining Tenements (cont'd)

EPM 17511	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
EPM 17513	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
EPM 17514	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
EPM 17519	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
MDL 509	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
MDL 510	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
MDL 511	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%
MDL 513	Mount Isa North, Qld	20%	Summit Resources (Aust) Pty Ltd	80%

The following tenement is held by SLW Queensland Pty. Ltd. which is owned 60% by the Company and 40% by SLW Minerals Corporation Pty. Ltd.

Tenement	Location	Interest held
EPM 19029	West of Monto, Qld	60%

Mineral Resources

The Company's Mineral Resources are disclosed elsewhere in this Report and as the Company is not engaged in mining, these have not been subject to any material changes since they were announced.

The Company's governance arrangements and internal controls in place, with respect to its estimates of Mineral Resources and the estimation process, are as follows:

Governance and Internal controls

The Company maintains thorough QAQC protocols for conducting exploration, site practice, sampling, safety, monitoring and rehabilitation, which are documented in the Company's various standard operating procedures.

Drilling methods vary according to the nature of the prospect under evaluation. These can include auger, air core or reverse circulation drilling for unconsolidated formations; to reverse circulation (hammer) and diamond core drilling (HQ & NQ) for hard rock formations. Resource estimations are based on downhole geochemical assaying and the interpretation of that data based on robust geological models. Assay samples are collected predominantly over one metre intervals through all mineralised zones but can be selectively assayed over barren geological domains. The resource work combines the geochemical assay results with the logged geology.

QAQC controls for all acquired data is undertaken by both Company geologists and via external laboratory checks.

Assay samples are acquired by various methods depending on the drilling technique being adopted. RC samples are acquired by a three-tier riffle splitter or cone splitter at the drill site or may be spear sampled if the sample is wet. In this situation at Walford, it is generally the case that the drilling method coverts to HQ Triple Tube core drilling to improve recoveries particularly through mineralised

Aeon Metals Limited

2018 asx additional information

zones. The core is oriented, where possible, by Reflex ACT 3 tool and structural data recorded in the database.

Diamond core is cut in half and the half-core crushed and assayed predominantly over one metre intervals. In cases where metallurgical sample is required, half-core is put aside for this later testing and a quarter cut core sample is analysed in this instance. The cutting and sampling of half core is statistically considered more accurate than only sampling quarter core.

An appropriate analytical method using a 4-acid digest with ICP finish has been adopted over the recent drill campaigns. All above grade results from the 4-acid digest are analysed for Cu, Pb, Zn, S and Ag by AH/OE method. This method for higher precision uses a multi-acid digest including Hydrofluoric, Nitric, Perchloric and Hydrochloric acids. It is analysed by inductively Coupled Plasma Optical (Atomic) Emission Spectrometry. All assaying has been carried out by an accredited assaying laboratory in Mount Isa, Townsville or Brisbane, Queensland. Aeon has an extensive and rigorous QAQC programme that incorporates industry standard blanks, external commercial reference standard material and field duplicates. At the laboratory, laboratory duplicates are taken and secondary lab checks undertaken. All the geochemical assay data is statistically validated both by the laboratories own QAQC methods and by the Company undertaking its own independent reviews.

All drill hole collars are DGPS-surveyed by an external operator, after an initial pick-up by hand-held GPS by company employees. Downhole directional surveys are completed usually every 30m downhole by the Independent Drilling Company during drilling.

Drill hole sample logging captures a suite of lithological, alteration, mineralogical and structural data, at varying intervals downhole. The field data is captured via digital input onto a laptop and secured on the on-site database. Following digital data validation in-house the data is then sent for offsite secure data storage and cross checking by an external database manager whose system undertakes confirmatory database validation.

Drill plans and sections generated from the drilling are used to constrain wireframe mineralisation models, upon which resource estimations are made. Resource estimations for Walford Creek have been calculated by an independent third-party consultant, Simon Tear of H&S Consultants Pty Ltd and have been reported under JORC 2012 rules.

Officers and offices

Company Secretary

Stephen Lonergan (LL.B, LL.M)

Principal registered office

Aeon Metals Limited
Level 7, Suite 32
88 Pitt Street
Sydney NSW 2000

Ph: 02 9232 2298

Location of share registry

Boardroom Pty Limited
Grosvenor Place,
Level 12, 225 George Street
Sydney NSW 2000

Ph: 02 9290 9600

Aeon Metals Limited

corporate governance statement

The Board of Directors of the Company is responsible for the corporate governance of Aeon Metals Limited and its subsidiaries (the Group). The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has approved this Corporate Governance Statement. This Corporate Governance Statement is current as of 4 October 2018.

In accordance with the ASX Corporate Governance Council's (the "Council's") Principles and Recommendations (3rd edition), the Corporate Governance Statement must contain certain specific information and also report on the Group's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Group, together with the reasons why they have not been adopted. The Group's corporate governance principles and policies are therefore structured with reference to the Council's best practice recommendations.

This Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Functions reserved to the Board and delegated to Senior Executives

The Company has established functions reserved to the Board and functions delegated to the Managing Director (MD). In essence, all policy is reserved to the Board and the MD is charged with implementing policy set by the Board.

In this context, the functions reserved to the Board include:

- (1) oversight of the Company, including its control and accountability systems;
- (2) appointing and removing the MD (or equivalent), including approving remuneration of the MD and the remuneration policy and succession plans for the MD;
- (3) ratifying the appointment and, where appropriate, the removal of the key management personnel including the Secretary;
- (4) final approval of corporate strategy and performance objectives;
- (5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (6) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (8) approving and monitoring financial and other reporting;
- (9) appointment and composition of committees of the Board;
- (10) on recommendation of the Audit Committee, appointment of external auditors; and
- (11) initiating Board and director evaluation.

The functions delegated to the MD include:

- (1) implementing the Company's vision, values and business plan;
- (2) managing the business to agreed capital and operating expenditure budgets;
- (3) identifying and exploring opportunities to build and sustain the business;
- (4) allocating resources to achieve the desired business outcomes;
- (5) sharing knowledge and experience to enhance success;
- (6) facilitating and monitoring the potential and career development of the Company's people resources;
- (7) identifying and mitigating areas of risk within the business;
- (8) managing effectively the internal and external stakeholder relationships and engagement strategies; and
- (9) sharing information and making decisions across functional areas.

The Group has a Board Charter, which is available on the Group's website.

Aeon Metals Limited

corporate governance statement (Cont...)

Recommendation 1.2 – Information in Relation to Board Candidates

The Board ensures that appropriate checks are undertaken before a person is appointed as a Director, or before a person is put forward to shareholders as a candidate for election as a Director. If the Board concludes that it would be appropriate to consider the appointment of an additional Director, an extensive process is undertaken to identify suitable candidates. That process will involve identifying the skills and experience required of the candidate, compiling lists of potential candidates, identifying a short list of candidates to be interviewed, conducting interviews, obtaining and checking information in relation to the character, experience, education, criminal record and bankruptcy history of the short listed candidates, and selecting a recommended candidate.

The Group provides shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director by providing all material information concerning the proposed Director in the Notice of Meeting at which candidates are proposed for election or re-election.

Recommendation 1.3 – Written Agreements with Directors and Senior Executives

The Group has letters of appointment with each non-executive Director, and service contracts with the MD and the two other senior executives. Further details are set out in the Remuneration Report. The letters of appointment with the non-executive Directors cover topics including:

- (1) the term of appointment;
- (2) the time commitment envisaged, including committee work;
- (3) remuneration;
- (4) disclosure requirements;
- (5) the requirement to comply with key corporate policies; and
- (6) insurance arrangements.

Recommendation 1.4 – Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- (1) advising the Board and its committees on governance matters;
- (2) monitoring that Board and committee policy and procedures are followed;
- (3) coordinating the timely completion and despatch of Board and committee papers;
- (4) ensuring accurate minutes are taken of Board and committee meetings; and
- (5) helping to organize and facilitate the induction and professional development of Directors.

Recommendation 1.5 – Diversity Policy

The Company has established a policy concerning diversity. The Company recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates.

A copy of the diversity policy is available from the Company's website. Given the relatively small size of the Company's current operations and the difficulties in framing measurable objectives for the fostering of diversity, diversity performance is not currently included in any key performance indicators for the Board or management. However, the Company will report annually on the proportion of women employed by (or consultants to) the Company.

At the date of this report the Company has 5 permanent employees (including the Managing Director) of whom two are female.

Three of the employees are male and are defined as senior management. The Group defines "senior executive positions" as positions held by employees who actively participate in the daily supervision, planning and administrative processes required by the Company to help meet its objectives. Of these, only the Managing Director is considered to be a member of the Company's Key Management Personnel for the purposes of the Company's Remuneration Report.

Aeon Metals Limited

corporate governance statement (Cont...)

The Board comprises four directors all of whom are male.

The Group is not a “relevant employer” under the Workplace Gender Equality Act, because the Group had less than 80 employees in Australia for more than 6 months of the year ending June 30, 2018.

Recommendation 1.6 - Process for evaluating the performance of the Board

The Board is responsible for evaluating the performance of Board members both individually and collectively. There is no particular process established other than by on going mutual evaluation of performance. During 2018 a performance review of the non-executive Directors was undertaken.

Recommendation 1.7 – Performance evaluation of Senior Executives

The Group has three senior executives, the MD, the Exploration Manager and the General Manager, Walford Creek Project. An evaluation of the first two of these executives was undertaken in 2017 and the General Manager, Walford Creek will be evaluated after the first anniversary of his employment. The Company does not seek external expertise in making these performance evaluations.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – Nomination Committee

The Group has not established a Nomination Committee as the Board considers that given the current size of the Board the functions of a Nomination Committee can be discharged by the full Board. The Company’s priority project is the advancement of Walford Creek and the Board’s prism is to anticipate the particular additional skills the Board may require to discharge its responsibilities effectively in that regard. Until the Company grows significantly, it is anticipated that the process of Board succession and renewal will be implemented by an internal Board process which has operated to date.

Recommendation 2.2 – Board Skills

The Board recognizes that it is important that the Board has an appropriate mix of skills, experience, expertise and diversity. The Board considers it important for the following skills and experience to be represented:

- Experience as a Chief Executive;
- International business experience;
- Financing and accounting experience;
- Operational (including exploration) experience in the resources industries;
- Strategy and strategic marketing experience;
- Corporate governance and risk management experience; and
- Project planning and development experience.

Information about the diversity of the Board is set out under Recommendation 1.5 above.

Recommendation 2.3 – Independence of Directors

The Council defines independence as being free from any interest, position, association or relationship that might influence, or could reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Group and its shareholders generally.

Aeon Metals Limited

corporate governance statement (Cont...)

The Board has determined that only one of its four directors is independent.

Mr Lonergan has been determined to be independent as his function of Company Secretary is aligned to the Board and not to management.

Mr Harris is considered to be a non-independent Director due to a past consultancy arrangement with the OCP Asia Group, the Company's largest substantial shareholder. Mr Harris's status as an independent Director will be restored after 3 years unless otherwise determined by the Board (excluding Mr Harris) in accordance with the ASX Corporate Governance Council's recommendations.

Mr Collins is a non-independent Director because of his executive employment as MD.

Mr Wong is not considered to be independent because of his relationship with an entity which has a substantial holding in the Company and which has an exploration joint venture with the Company.

Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.3, all directors bring an independent judgment to bear on Board decisions.

The length of service of each Director who held office as at 30 June 2018 is as follows:

S Lonergan	25 months
H Collins	78 months
I Wong	26 months
P Harris	45 months

Recommendation 2.4 – Majority of Independent Directors

As noted above in relation to Recommendation 2.3 the Board does not have a majority of independent Directors.

Recommendation 2.5 – The chair should be an Independent Director and not the same person as the CEO

The Company's Chairman, Mr Harris is considered a non-independent Director. Mr Harris is not the CEO of the Company.

Recommendation 2.6 – Director Induction and Professional Development

The Group does not have a program for inducting new Directors. Induction arrangements are ad hoc and primarily address the new Directors' concerns including the Chair's role, key contacts, remuneration, indemnities, insurance, access to information and disclosure.

The Board expects Directors to identify and suggest appropriate professional development opportunities to develop and maintain the skills required to perform their roles effectively and necessary and reasonable costs are borne by the Company.

Aeon Metals Limited

corporate governance statement (Cont...)

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 – Code of Conduct

The Company has established a code of conduct for its Directors, senior executives and employees concerning:

- (1) the practices necessary to maintain confidence in the Company's integrity;
- (2) the practices necessary to take into account the Company's legal obligations and the expectations of stakeholders; and
- (3) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1 – Audit Committee

The Company has established an Audit Committee.

The Company's Audit Committee does not comply with all of the requirements of Recommendation 4.1. The Audit Committee consists of three members, one of whom is an-independent Director. The members of the Audit Committee are currently Messrs. Lonergan (Chairman), Harris and Wong. All Directors are invited to attend Audit Committee meetings.

Two meetings of the Committee (attended by all Directors) were held during the financial year ended 30 June 2018.

The Company has adopted an Audit Committee Charter which sets out its role, responsibilities and membership requirements and reflects the matters set out in the commentary and guidance for Recommendation 4.1.

The Audit Committee Charter is available on the Company's website.

Recommendation 4.2 – Statement from the Chief Executive Officer and the Chief Financial Officer

Before the Board approves the Group's financial statements for a financial period, the Board receives a declaration from the MD in accordance with section 295A of the *Corporations Act 2001* that, in his opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 – Auditor Attendance at AGM

The Group holds an Annual General Meeting of shareholders (AGM) in October or November of each year. The Group ensures that its external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – ASX Listing Rule Disclosure Requirements

The Company has established a Continuous Disclosure Policy which sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the *Corporations Act*. The policy also provides procedures for internal notification and external disclosures, as well as procedures for promoting understanding of compliance with disclosure requirements.

The Company's Continuous Disclosure Policy is available on the Company's website.

Aeon Metals Limited

corporate governance statement (Cont...)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 – Information on the Group's Website

The Group provides information about itself and its governance to its shareholders via the Company's website. Information about governance is available under the Corporate Governance tab of the website.

Recommendation 6.2 – Investor Relations Program

The Group has an investor relations program to facilitate effective two-way communication with shareholders. The Group's investor relations program includes the following:

- (1) an email link on the Group's website for shareholders to ask questions;
- (2) actively engaging with shareholders at the AGM;
- (3) periodic meetings with institutional investors, analysts and financial media representatives; and
- (4) engagement of professional investor relations consultants to disseminate information.

Recommendation 6.3 – Encouraging Shareholder Participation at AGMs

The Group's processes to encourage shareholder participation at AGMs include providing an email link on the Group's website for shareholders to contact the Company and the provision of convenient, electronic voting for shareholder meetings.

In addition, the Group has adopted a Communications with Shareholders Policy for:

- (1) promoting effective communication with shareholders; and
- (2) encouraging shareholder participation at AGMs.

A copy of the Group's Communications with Shareholders Policy is available on the Group's website.

Recommendation 6.4 – Electronic Communications

The Group gives shareholders the option to receive communications from, and to send communications to, the Group and its share registry electronically. The Group periodically sends communications to those shareholders who have provided an email address. In addition, there is an email link on the Group's website, for shareholders to communicate with the Group electronically.

The Group's share registry, Boardroom Pty Ltd, has similar arrangements that are accessible via its website www.boardroomlimited.com.au.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1 – Risk Management Committee

The Group has not established a Risk Committee but has established policies for the oversight and management of its material business risks as follows:

- (1) the Audit Committee oversees financial risks pursuant to the Audit Committee charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators;
- (2) management will oversee the Company's other material business risks at the relevant stage of the Group's development.

Aeon Metals Limited

corporate governance statement (Cont...)

Recommendation 7.2 – Risk Management Framework

The Board reviews the group's risk management framework at least annually to satisfy itself that it continues to be sound and operates within the risk parameters set by the Board.

The Board requires management to implement risk management and internal control systems to manage the Company's business risks. The Board requires management to report to it on whether those risks are being managed effectively.

Recommendation 7.3 – Internal Audit

The Group does not have an internal audit function. The processes that the Group employs for evaluating and continually improving the effectiveness of its risk management and internal control processes include the following:

- (1) The Group's risk management framework addresses the roles and accountabilities of the Board, the Audit Committee and management;
- (2) The Board and Audit Committee oversee the Group's material business risks;
- (3) The MD is accountable for operational risk management, safety, health, environment and community matters;
- (4) The Audit Committee oversees financial risks pursuant to its Charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

Recommendation 7.4 - Economic, Environmental and Social Sustainability Risks

The categories of risk to which the Group has exposure include economic, environmental and social sustainability risks.

At this stage of the Group's development these risks are largely environmental and social. The Group manages these risks as follows:

- (1) The Group takes expert external advice on environmental issues which may impact on the development of its projects;
- (2) The Group fosters a mutually advantageous relationship with affected landholders and aboriginal interests;
- (3) The Group manages environmental risks by adopting environmental management programs for each of its sites; and
- (4) The Group recognises that a strong mutual relationship with each community in which it operates is necessary for successful operations. In addition, the Group recognises the importance of maintaining its reputation with all of its stakeholders including shareholders, regulatory authorities, communities, customers and suppliers. The Group strives to build relationships with each of the communities in which it operates.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 – Remuneration Committee

The Company has not established a Remuneration Committee as the Board considers, given the current simplicity of the Group, that the function can be best discharged by the Board. The processes employed in setting remuneration is by reference to comparable companies in the market, particularly as informed by published remuneration surveys, always as tempered by the financial resources available to the Company.

Recommendation 8.2 – Remuneration of Executive Directors, Executives and Non-Executive Directors

The Company complies with Recommendation 8.2 by clearly distinguishing the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors' fees are fixed, currently being \$180,000 pa for the non-executive Chairman and \$50,000 pa for the two non executive Directors. Aggregate Directors fees for all non-executive directors is not to exceed \$375,000 per annum.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than applicable statutory superannuation contributions.

Aeon Metals Limited

corporate governance statement (Cont...)

Details of the remuneration of the MD (being the only executive Director) during the financial year are set out in the Remuneration Report section of the Directors' Report. The fixed remuneration paid to the MD is clearly distinguished from the fees paid to Non-Executive Directors.

Recommendation 8.3 – Use of Derivatives and Similar Transactions

The Group's equity based remuneration arrangements are based on limited recourse, term loans to fund share placements at market prices on the date of allotment. Because these arrangements are essentially downside liability free for participants, the Group has no policy precluding participants entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under this equity-based remuneration scheme. Dealing in shares under the scheme is otherwise regulated by the Group's share trading policy available on the Company's website.

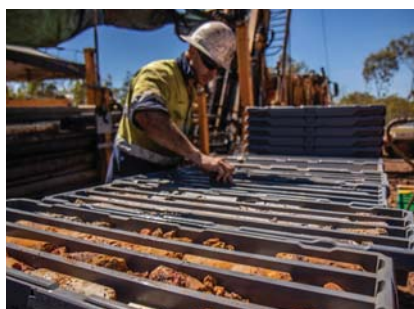
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