

PROJECT AND CORPORATE UPDATE

Highlights

- Revised Walford Creek testwork program to consider evolved back-end cobalt flowsheet routes; PFS update to be provided in 4Q 2020 and completion now scheduled for 1Q 2021.
- New high-potential regional drilling program set to commence; part funded by recently announced CEI grant.
- OCP Asia loan facility limit increased by A\$3M to fund revised PFS process and regional drilling activities.

Aeon Metals Limited (ASX: AML) (**Aeon** or the **Company**) provides an activity update on its 100%-owned Walford Creek Copper-Cobalt Project in north-west Queensland (**Walford Creek**).

The Walford Creek Pre-Feasibility Study (**PFS**) metallurgical and process workstreams are now well advanced. The front-end flowsheet design to produce copper, zinc and lead concentrates has proceeded well and is nearing completion. Detailed evaluation of the proposed back-end flowsheet design (agitated bioleach to produce cobalt and nickel precipitate products) has indicated that this route will require significantly more cooling capacity than envisaged in the Walford Creek Scoping Study – with consequent capital and operating cost impacts.

Aeon is set to pursue further study work on alternative back-end cobalt flowsheet routes. These include lower capital intensity bioleach options based on either heap leaching or vat leaching of cobalt rich ore and/or a pyrite concentrate. As a result of this additional metallurgical testwork and evaluation, completion of the PFS is now expected in 1Q 2021. Aeon expects to provide a further update on PFS progress, including the additional metallurgical testwork programs, during 4Q 2020.

Aeon is also set to commence a new regional drilling program shortly. Phase 1 of this program is focussed on the large-scale Beauchamps (IOCG) and Sugarbag (sedimentary) targets which represents low-cost opportunities for Aeon to leverage its proven exploration discipline into potential large-scale regional exploration upside. However, and as previously highlighted, Aeon's core focus remains the rapid advancement of Walford Creek.

To provide the requisite funding for the revised PFS process, and the regional drilling program, Aeon has agreed with major shareholder and lender, OCP Asia Limited, to increase the limit on its existing loan facility by A\$3m million (to A\$22.6 million (includes capitalised interest)). All other terms of the facility remain unchanged.

Commenting on these developments, Managing Director and CEO, Hamish Collins, said:

"We are confident that there are several potential process solutions available as part of the revised PFS process and we will be rapidly progressing these options over the next few months with a view to completing the Walford Creek PFS as efficiently and effectively as possible. As previously announced, we anticipate drilling the Beauchamps and Sugarbag regional targets in coming months. A drilling contractor has been engaged and Phase 1 of this high-potential program is scheduled to start in the next few weeks. Finally, we would like to express our appreciation to OCP Asia for its continued support in providing the additional funding required to complete the revised PFS process and embark upon this exciting regional drilling."

Revised Pre-Feasibility Study (PFS) process

The Walford Creek Project PFS is being assisted by leading consultant engineering firm, Ausenco, with expert consultants utilised for each discipline. It is set to incorporate the updated Walford Creek Mineral Resources estimates (released December 2019) and a maiden Ore Reserve estimate underpinning the PFS-optimised mine schedule.

Recent finalisation of the PFS-level evaluation of the back-end agitated cobalt bioleach processing route (outlined in the Walford Creek Scoping Study) has indicated that capital and operating cost forecasts are likely to be significantly higher for this part of the circuit than originally anticipated. This dynamic is a function of both:

- The extreme exothermic nature of the leaching reactions on Walford Creek material specifically giving rise to the necessity for a substantial quantity of energy-intensive cooling capacity to sustain a habitable environment for the leach bacteria; and
- The precipitation of zinc from the bioleach pregnant liquor occurring in higher than expected quantities resulting in high precipitation costs.

In response, Aeon is now set to pursue alternative back-end cobalt bioleach pathways including lower capital intensity heap leaching and vat leaching routes. This evaluation requires additional metallurgical testwork before a new preferred route can be selected. As a result of this additional testwork and evaluation, completion of the Walford Creek PFS is now expected in 1Q 2021.

New regional drilling program set to commence

Aeon has engaged a drilling contractor and is set to commence Phase 1 of a new regional drilling program shortly. This high-potential program focusses on large-scale prospects with Phase 1 targeting the large-scale Beauchamps (IOCG) and Sugarbag (sedimentary) targets.

The Beauchamp target is located approximately 100km to the west of Mt Isa and has clear similarities with the geophysical signatures of a number of world-class Iron-Oxide-Copper-Gold (IOCG) deposits (including Olympic Dan, Ernest Henry and Carapateena). As previously announced, Aeon has also been granted A\$200,000 of CEI funding to be applied to the drilling of the Beauchamp Tier 1 target anomaly.

A diamond drill hole (with an RC collar) to test the Beauchamp Tier 1 anomaly is expected to commence shortly. The hole is planned to be approximately 800m in length and should take around two weeks to complete.

In addition to the Beauchamp target, the recent reprocessing of an old large-scale airborne electromagnetic survey highlighted several other significant anomalies between Beauchamp and Mt Isa. Two new tenements have been subsequently applied for over these targets, called Sugarbag North and Sugarbag South.

Aeon plans to initially test the Sugarbag North T1 anomaly, which is a sediment hosted base metals target with a similar setting to the Century and Kupferscheifer deposits.

These regional targets represent a low-cost opportunity for Aeon to leverage its proven exploration discipline into potential large-scale regional exploration upside. However, and as previously highlighted, Aeon's core focus remains the rapid advancement of the world-class Walford Creek Project.

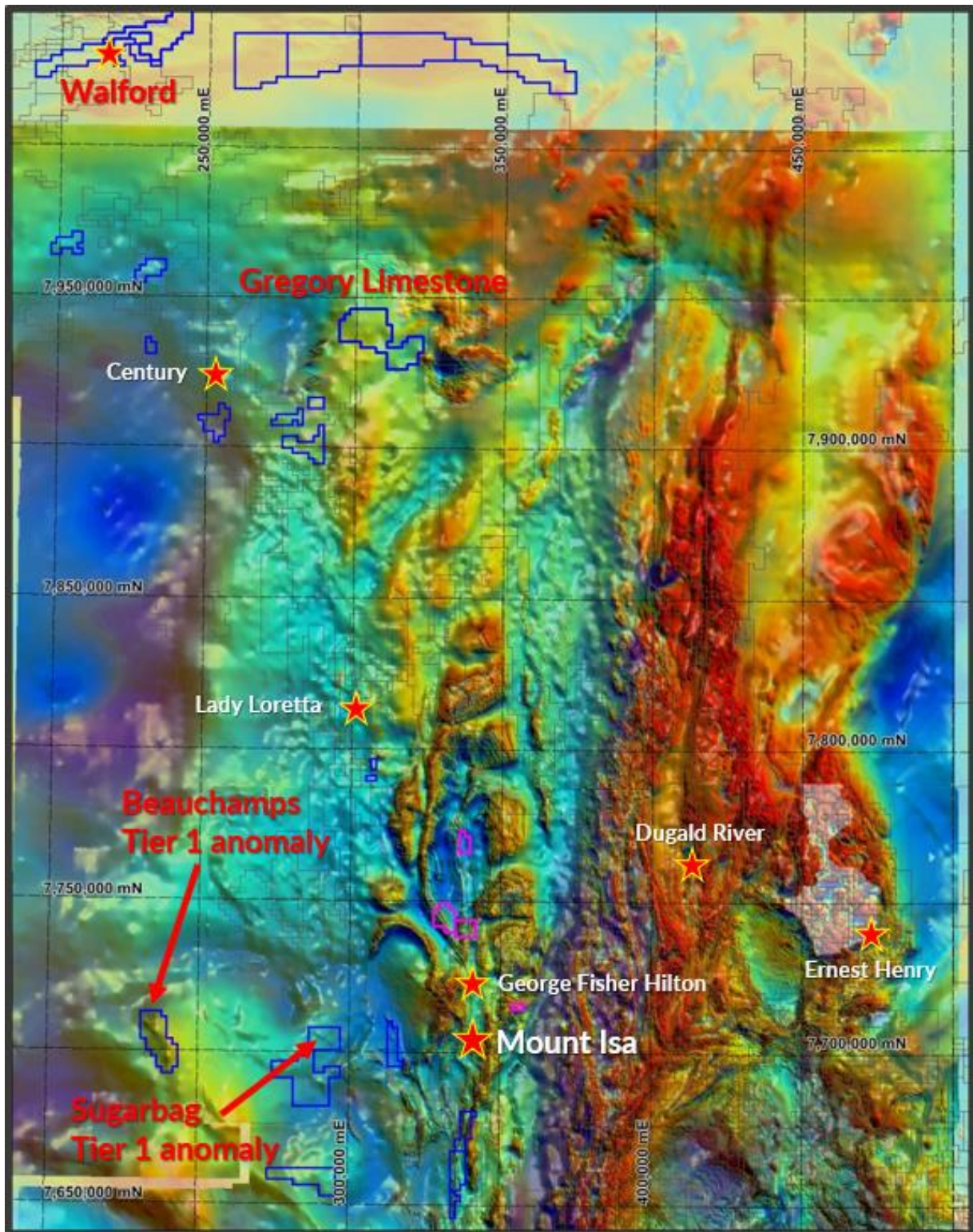


Figure 1: Location of the Beauchamps tenement and the Sugarbag tenure showing regional magnetics over regional gravity data

OCP facility increase

Aeon has agreed with Aeon's major shareholder and lender, OCP Asia Limited, to increase the limit on its existing loan facility (**OCP Facility**).

Under this agreement, the OCP Facility limit has increased by A\$3 million (to A\$22.6 million (includes capitalised interest to date)).

All other terms of the OCP Facility remain unchanged. In particular, there are no changes to the existing security arrangements under the OCP Facility. A fee of 2% is being given by Aeon for the limit increase.

The increased OCP Facility is expected to provide sufficient funds to take Aeon through to completion of the revised PFS on Walford Creek, which is expected in 1Q 2021, and fund Phase 1 of the new regional drilling program.

Key terms of the OCP Facility are outlined in Appendix A. For further detail in relation to the OCP Facility, see Aeon's ASX releases dated 30 March 2020, *12-month OCP Loan Maturity Extension*, 18 March 2020, *OCP Loan Facility Increased*, 23 October 2019, *2019 Annual Report*, 18 March 2019, *Exercise of 85 million warrants and Appendix 3B*, 8 May 2017, *Loan Extension Agreed with OCP Asia Group*, and 9 April 2014, *Notice of General Meeting*.

This ASX release has been authorised for and on behalf of the Aeon Board by:

Hamish Collins, Managing Director and CEO

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ABOUT AEON METALS

Aeon Metals Limited (**Aeon**) is an Australian based mineral exploration and development company listed on the Australian Securities Exchange (ASX: AML). Aeon holds a 100% ownership interest in the Walford Creek Copper-Cobalt Project (**Walford Creek Project**) located in north-west Queensland, approximately 340km to the north north-west of Mount Isa.

Aeon completed a Scoping Study on the Walford Creek Project in October 2019. A Pre-Feasibility Study is targeted for completion in 1Q 2021.

APPENDIX A: Key terms of the OCP Facility

Facility type: Limited recourse senior notes

Counterparty: OL Master Limited, a fund managed by OCP Asia Limited

New facility size: A\$22.6 million

Currently drawn: A\$19.6 million (includes all capitalised fees and interest to date)

Maturity: 17 December 2021

Interest rate: 12% p.a.; calculated and payable quarterly in arrears

Capitalisation: Interest payments may be capitalised at Aeon's election

Fees: 2% of the limit increase

Security: No change to OCP's existing security arrangements over the assets of Aeon Walford Creek Limited (**AWCL**), a subsidiary of Aeon, and Aeon's shares in AWCL

Early repayment: At Aeon's election with no penalties or fees