

Aeon Metals Limited and Controlled Entities  
ABN 91 121 964 725  
30 June 2020  
Annual Report

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## Aeon Metals Limited

### Directors' Report

#### For the year ended 30 June 2020

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 2020 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) retired 25 November 2019
- Dr Fred Hess (Non-Executive Director) appointed 2 July 2019
- Mr Andrew Greville (Non-Executive Director) appointed 15 May 2020

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 later in the Directors' report.

### Company Secretary

The Company Secretary at the end of the financial period was Mr David Hwang.

Mr Hwang was appointed Company Secretary on 29 January 2020. Details of Mr Hwang'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 Walford Creek (100% owned) Copper-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"); and
  - 7B Copper/Gold Project ("7B").
- A 100% interest in the Forsyth Gold Project.
- Various interests in permits of the Isa North base metals EPMs and MDLs.
- Various interests in permits of the Isa West base metals EPMs.
- Various interests in permits of the Isa South copper-gold EPMs.
- Various interests in 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.

# Aeon Metals Limited

## Directors' Report

For the year ended 30 June 2020

## Operating and financial review

### Operating Results

The loss of the Group amounted to \$5,402,000 (2019: \$4,015,000) including impairment losses of \$3,150,000 (2019: \$1,711,000).

### Dividends

No dividends were paid or declared, and no dividends have been recommended by the Directors (2019: \$Nil).

### Review of operations

During the 12-month period to 30 June 2020 the Company continued to progress towards a Pre-Feasibility Study (PFS) for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources at the 100% owned Walford Creek Cu-Co Project ("Walford Creek" or the "Project") - one of Australia's biggest undeveloped base metals projects in North-West Queensland.

A 2019 Walford Creek drill program commenced on 3 May 2019 with a single drill rig undertaking RC pre-collars. A second rig arrived on site and commenced diamond drilling of those RC pre-collars on 13 May 2019. Drilling was completed for the year in September 2019. The completed 2019 drill program comprised approximately 14,870m of drilling from 3 May 2019 to 27 September 2019 utilising 2 drill rigs. For the period from 1 July 2019 to 31 December 2019 37 holes were drilled for a total of 8,414m, no drilling occurring for the period from 1 January 2020 to 30 June 2020.

The 2019 drill program consisted of a combination of exploration outside of current Resource boundaries and drill holes planned as part of priority work for a Walford Creek PFS (including additions to the Resource, geotechnical, metallurgical, water, and environmental datasets). The 2019 drill campaign has shown the large strike extent of the currently known Walford Creek mineral system which is unlike anything currently being drilled in Australia.

On 21 October 2019, Aeon announced the key outcomes of a Scoping Study on the Walford Creek Project. The Scoping Study demonstrated that this high-grade polymetallic asset is amenable to development – both technically and economically. In addition, independent geological consultant H&S Consultants Pty Ltd (H&SC) incorporated all results from the 2019 Walford Creek drilling campaign and on 17 December 2019 completed an updated Mineral Resource estimates for the Walford Creek Project. A highlight of this Resource update was the increase in Measured and Indicated classification to over 95% of the total Vardy and Marley Resources.

The Company continues to progress towards a Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources. In parallel to this PFS work, extensive metallurgical testwork and assessment continued for the PFS process flowsheet.

Aeon also holds an extensive (~2,200km<sup>2</sup>) 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 locations of the projects are all close to major infrastructure (power, sealed highway, water) and are only 215km by highway to Gladstone port.

Whilst the Company decided to impair the exploration assets not related to the Walford Creek Project, it is the intention to seek out value in the future through either further exploration or other transactions.

## Aeon Metals Limited

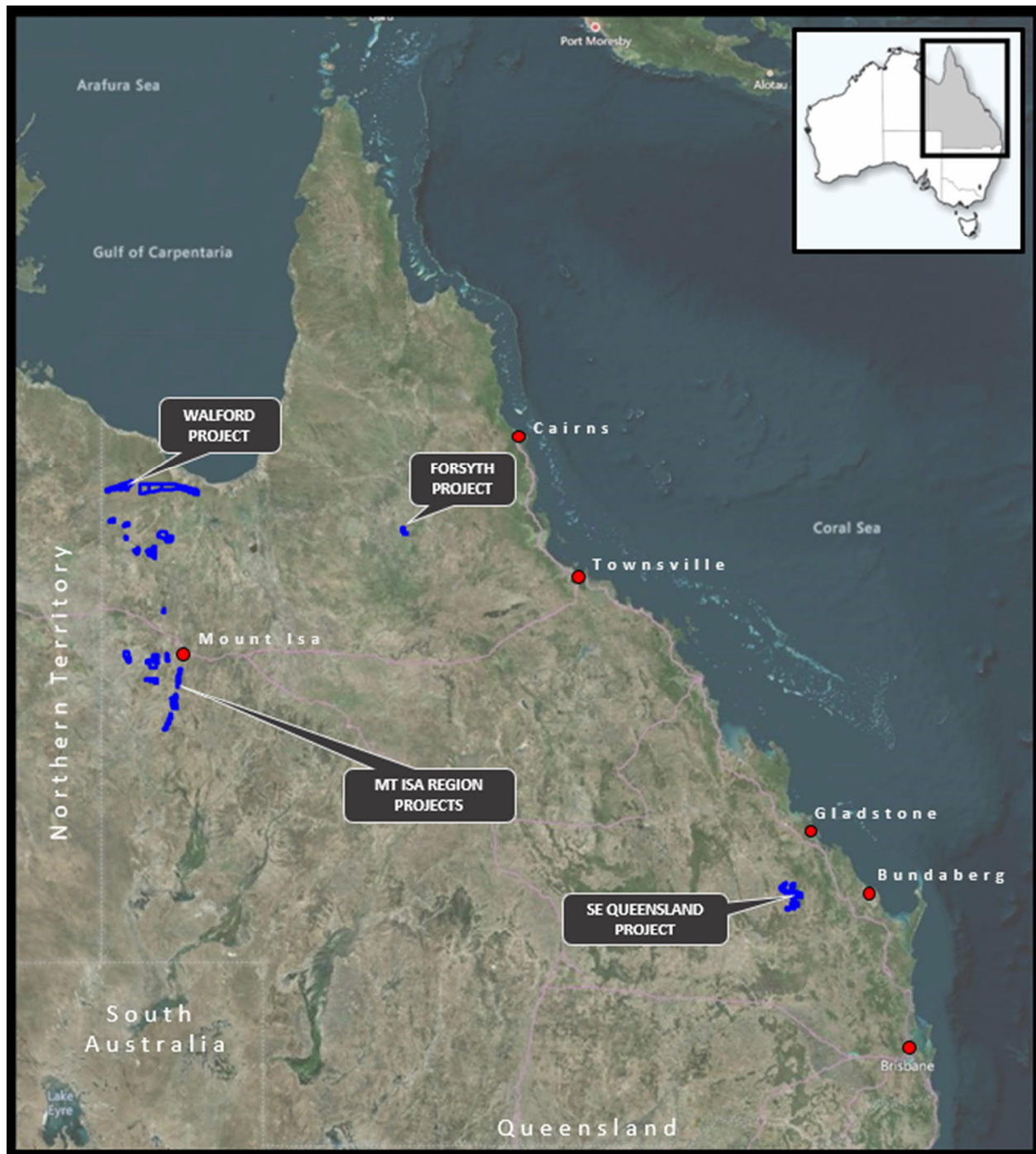
### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

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

Figure 1: Aeon's Tenement Holdings





# Aeon Metals Limited

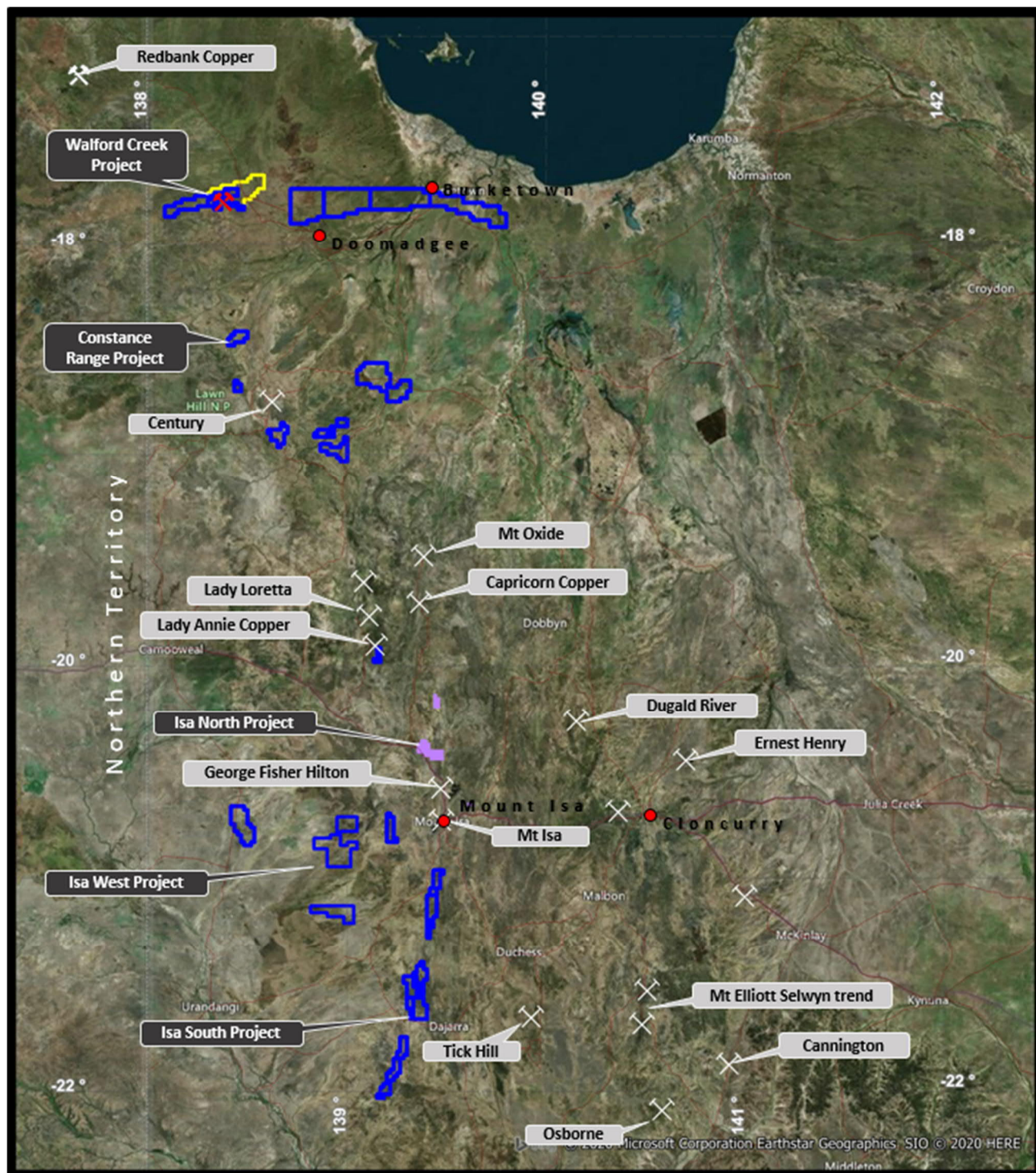
## Directors' Report

For the year ended 30 June 2020

## Review of operations (continued)

### NORTHWEST QUEENSLAND PROJECTS

Figure 2: Location of Aeon's Northwest Queensland Projects



## Aeon Metals Limited

### Directors' Report

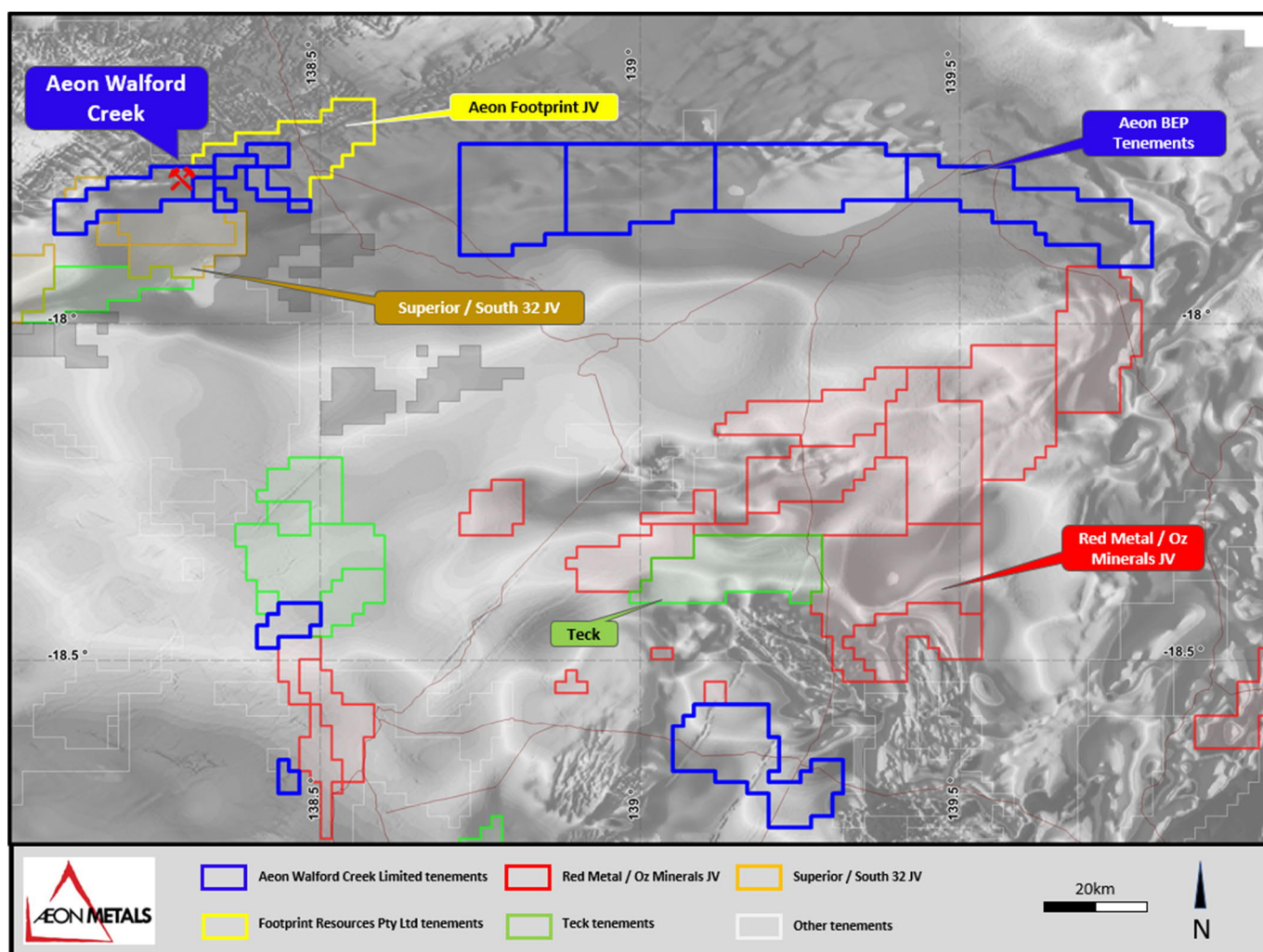
For the year ended 30 June 2020

### Review of operations (continued)

#### 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.

Figure 3: Walford Creek Tenements



At Walford Creek, Aeon holds (through its subsidiary Aeon Walford Creek Limited) the right to explore for minerals on 4 granted exploration permits covering a total area of 211.6km<sup>2</sup>. In addition, following the considerable success of the Walford Creek 2018 exploration campaign, recent regional transactional activity has highlighted increased corporate and strategic interest in the prospectivity of the broader Walford Creek mineral province. These recent investment activities include the South32/Superior JV abutting the north and south of the Walford Creek Project and the Oz Minerals/Red Metal JV focused on the southern edge of the basin (see Figure 3 above). Through application for five additional mineral exploration permits (EPMs) and finalisation of a low, upfront cost earn-in arrangement over an adjoining Footprint EPM, Aeon has now added additional strike potential to the east along the basin margin.



# Aeon Metals Limited

## Directors' Report

For the year ended 30 June 2020

## Review of operations (continued)

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

Tenement Summary							
EPM	Tenement Name	Project	Status	Sub Blocks	Kms <sup>2</sup>	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
EPM 26906	Walford Extended	WC	Granted	12	38.424	18-Dec-18	17-Dec-23
EPM 26316**	Walford North East	WC	Granted JV	60	192,120	29-May-17	28-May-22
EPM 27512	Vardy East	WC	Granted	4	12,808	09-July-20	08-Jul-25

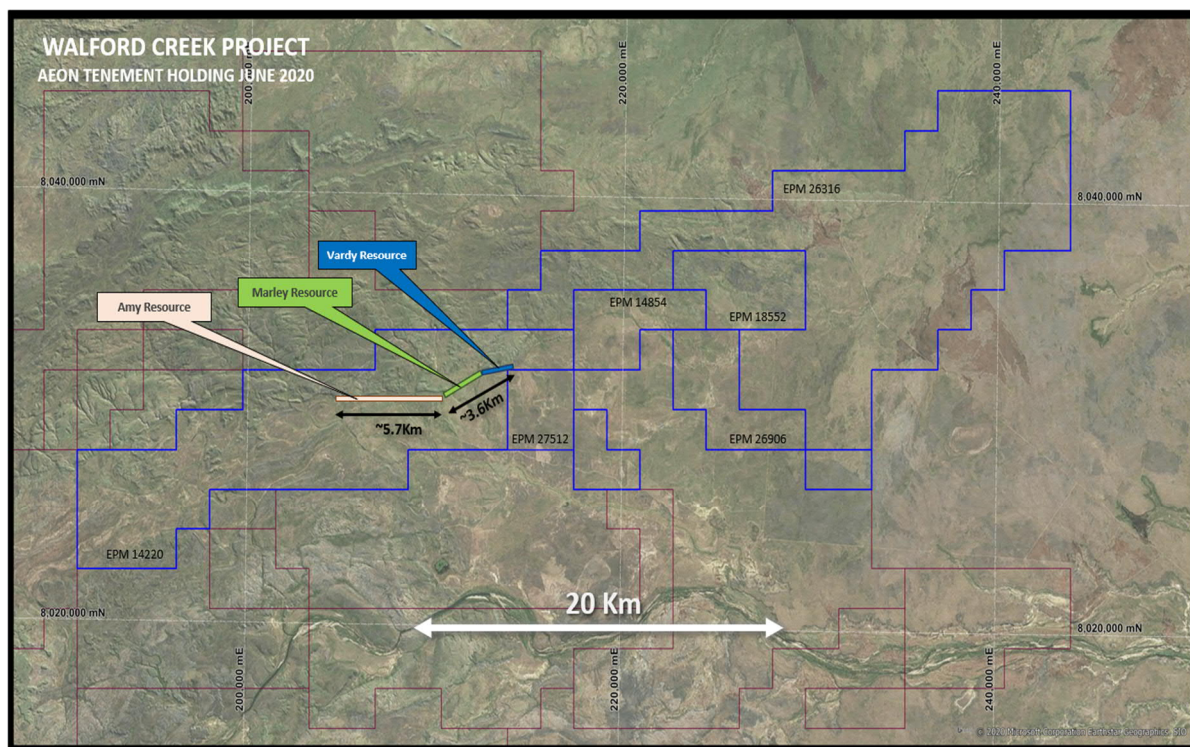
\*Renewal submitted for EPM14854.

\*\*EPM 26316 is currently being transferred into Aeon Walford Creek Pty Ltd from Footprint Resources Pty Ltd, Footprint have been granted a 1% Net Smelter Royalty for any sales derived from this EPM, capped at \$50 million.

The 2019 Walford Creek drilling program commenced on 3 May 2019 with a single drill rig undertaking reverse circulation (RC) pre-collars. A second rig arrived on site and commenced diamond drilling of those RC pre-collars on 13 May 2019. Drilling was concluded on the 27 September 2019 with no further drilling completed to 30 June 2020.

The 2019 drill program consists of a combination of exploration outside of current Resource boundaries and drill holes planned as part of priority work for the Walford Creek Pre-Feasibility Study (PFS) (including additions to the Resource, geotechnical, metallurgical, water, and environmental datasets).

**Figure 4: Plan of Walford Project tenure and location of the Vardy, Marley and Amy Resources**





## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

Drilling undertaken within the Vardy and Marley Resource was undertaken for several reasons including:

- conversion of inferred material to Indicated;
- testing of shallow potential resources in what would likely be open pit mined areas;
- gathering of metallurgical samples from mineralised zones;
- geotechnical; and
- testing of several gaps in what is otherwise very good continuity of the ore zones.

On 21 October 2019, Aeon announced the key outcomes of a Scoping Study on the Walford Creek Project. The Scoping Study demonstrated that this high-grade polymetallic asset is amenable to development – both technically and economically. The Scoping Study incorporated only those Mineral Resources defined within the Vardy and Marley zones. Scoping Study highlights include:

- Conventional open pit and underground mining of existing Vardy and Marley deposits delivering an initial operating life of approx. 11 years;
- 1.5Mtpa heap leach of lower-grade material combined with 2.0Mtpa flotation process plant to treat higher grade material. Commercially proven bio-leaching of cobalt concentrate;
- Final product streams of copper, lead and zinc concentrates plus cobalt-nickel sulphide and zinc sulphide;
- Total contained production of 146kt copper and 22kt cobalt (plus zinc, lead, silver and nickel). Total copper equivalent (CuEq) production of 446kt and average annual CuEq output of 42.5kt;
- Forecast LOM net revenue split of 33% copper, 39% cobalt, 9% zinc, 7% lead, 7% silver and 5% nickel (LOM avg price assumptions of US\$3.09/lb Cu, US\$23.31/lb Co and 0.725 A\$/US\$);
- Average cash operating cost of US\$1.52/lb CuEq and All-In-Sustaining-Cost (AISC) of US\$1.56/lb CuEq;
- Forecast pre-production capital expenditure of A\$323M, representing a globally attractive pre-production capital intensity of approximately US\$5,500/t of annual CuEq output;
- Ungeared, real, post-tax NPV8% of A\$431M. Post-tax internal rate of return (IRR) of 34% and payback of 3 years; and
- Projected LOM and average annual positive net cashflow of A\$894M and A\$111M respectively.

Refer to Aeon's ASX release of 21 October 2019 (Walford Creek Project Highly Economic) for full details of the Scoping Study (including the specific equation and assumptions utilised for calculation of CuEq volumes).

During the year, independent geological consultant, H&S Consultants Pty Ltd (H&SC), incorporated all results from the 2019 Walford Creek drilling campaign and completed updated Mineral Resource estimates for the Walford Creek Project. H&SC also undertook the previous Mineral Resource estimates for the Walford Creek Project in February 2019. Refer to Aeon's ASX release of 17 December 2019 (Substantial Walford Creek Resource Upgrade) for full details of the Mineral Resource estimates update (including the specific equation and assumptions utilised for calculation of CuEq grades).

#### Vardy & Marley Zones

Total Vardy & Marley Mineral Copper and Cobalt Resources now stand at 35.8mt @ 1.94% CuEq (see Tables 2 and 3 below), extending over a strike of 3.6km. Of this total, over 95% of the Mineral Resource tonnage is classified as Measured and Indicated (34.3mt @ 1.94% CuEq).

#### Copper Mineral Resource (18.4mt @ 2.46% CuEq)

The Vardy & Marley Copper Mineral Resource has increased to 18.4mt @ 1.05% Cu, 0.14% Co, 29g/t Ag, 0.90% Pb and 0.72% Zn (previously 17.6 Mt @ 1.14% Cu, 0.13% Co, 28 g/t Ag, 0.87% Pb and 0.74% Zn).

The Measured and Indicated (M&I) component has increased significantly to 17.5mt @ 1.05% Cu, 0.14% Co, 29g/t Ag, 0.90% Pb and 0.71% Zn. This comprises approximately 95% of the total Vardy & Marley Copper Mineral Resource tonnage.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

**Table 2: Vardy/Marley Copper Mineral Resource (0.5% Cu cut-off)**

Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	CuEq %
Measured	6.2	1.15	0.89	0.86	26.5	0.15	2.62
Indicated	11.3	1.00	0.90	0.63	30.1	0.14	2.37
Inferred	0.9	1.04	1.06	0.80	35.2	0.14	2.49
<b>Total</b>	<b>18.4</b>	<b>1.05</b>	<b>0.90</b>	<b>0.72</b>	<b>29.1</b>	<b>0.14</b>	<b>2.46</b>

The new Vardy & Marley Copper Mineral Resource estimates represent a 4% increase in overall tonnes, inclusive of a 112% increase in Measured classification tonnage. The overall average copper grade has dropped slightly (~8%) but additional tonnes have been added (~800kt). This is mainly due to the change in the grade interpolation technique via dynamic interpolation along with the removal of the copper zone hard boundary, thus allowing for a more robust estimate.

Cobalt Peripheral Mineral Resource (17.4mt @ 1.39% CuEq)

The Vardy & Marley Cobalt Peripheral Mineral Resource has decreased to 17.4mt @ 0.26% Cu, 0.09% Co, 20g/t Ag, 0.80% Pb and 1.01% Zn (previously 19.8 Mt @ 0.16% Cu, 0.10% Co, 22 g/t Ag, 0.84% Pb and 0.99% Zn).

The Measured and Indicated (M&I) component has increased significantly to 16.8mt @ 0.26% Cu, 0.09% Co, 20g/t Ag, 0.78% Pb and 1.02% Zn. This comprises approximately 96% of the total Vardy & Marley Cobalt Peripheral Mineral Resource tonnage.

**Table 3: Vardy/Marley Cobalt Peripheral Mineral Resource (600ppm Co cut-off on blocks that are outside of Copper)**

Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	CuEq %
Measured	5.9	0.24	0.75	1.14	18.9	0.10	1.44
Indicated	10.9	0.27	0.80	0.95	20.9	0.09	1.37
Inferred	0.7	0.25	1.06	0.82	23.1	0.09	1.38
<b>Total</b>	<b>17.4</b>	<b>0.26</b>	<b>0.80</b>	<b>1.01</b>	<b>20.3</b>	<b>0.09</b>	<b>1.39</b>

The new Vardy & Marley Cobalt Peripheral Mineral Resource estimates represent a 12% decrease in overall tonnes, but with a 144% increase in Measured classification tonnage. The cobalt grade has dropped slightly (~5%) and in combination with the lower overall tonnes, this has resulted in an approximate 20% reduction in contained cobalt metal.

As noted earlier, the differences are predominantly attributable to the change in the grade interpolation technique via dynamic interpolation along with the removal of the copper zone hard boundary (allowing for a more robust estimate). This has meant that while there has been a reduction in Cobalt Peripheral Mineral Resource tonnage, a sizeable amount of this material is now included in the Copper mineralisation (hence the increase in contained cobalt metal seen in the section above). Further, this has also resulted in an approximate 60% increase in the average copper grade of the Cobalt Peripheral Mineral Resource, leading to an approximate 45% increase in contained copper associated with the Cobalt Peripheral mineralisation.

#### Amy zone

The Amy zone is located to the west of the Vardy/Marley zones and is considered a geological continuation of the same mineral system. Significant further drilling of the Amy zone in 2019 has delivered a substantial increase to the Copper Mineral Resource estimate for this zone. The updated estimate is defined in four discrete areas extending across a strike extent of approximately 5.7km. Geological continuity has been demonstrated further westwards of Amy, as well as immediately to the east, providing opportunity to potentially add significant further resources with additional drilling.

Copper Mineral Resource (5.1mt @ 2.63% CuEq)

The Amy Copper Mineral Resource has increased to 5.1mt at 1.25% Cu, 0.14% Co, 37g/t Ag, 1.35% Pb and 0.63% Zn (previously 1.8 Mt at 1.5% Cu, 0.15% Co, 32 g/t Ag, 0.75% Pb and 0.51% Zn). All of the Amy Copper Lode Mineral Resource is classified as Inferred.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

**Table 4: Amy Copper Mineral Resource (0.5% Cu cut-off)**

Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	CuEq %
Inferred	5.1	1.25	1.35	0.63	36.9	0.14	2.63

The H&SC report also provides an Exploration Target in relation to the Copper mineralisation not currently defined in the Amy Copper Lode Mineral Resource. This Exploration Target estimate is 2 to 4 mt @ 2.3% to 2.8% CuEq. See Table 5 below for full details of the Exploration Target estimate.

The Amy Exploration Target is based on interpolated block grades generated from using a 200m search radius plus 50% of the remaining blocks within the mineral wireframe that still don't have an interpolated grade. All drill hole locations and sections underpinning the Exploration Target have been the subject of prior public reports.

**Table 5: Amy Copper Exploration Target**

Amy Copper Exploration Target Estimate							
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	CuEq %
Exploration Target	2 - 4	1.1 - 1.5	1.1 - 2.0	0.5 - 1.6	30 - 60	0.11 - 0.20	2.3 - 2.8

The potential quantity and grade referred to above is conceptual in nature, as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. Aeon proposes to undertake further drilling within the Amy zone during the 2020 field program.

Analysis has continued on a selection of kinetic leach sample material and this material characterisation has enabled, along with the Resource block model, the construction of a geo-environmental Block Model. This model has classified all the material within the Vardy and Marley Resource model into 14 categories based on their geochemical parameters and the data derived from the kinetic leach work. Further refinement of the block model algorithm allowed these categories to be consolidated into 4 units which is used to provide the basis for material handling, scheduling and waste storage during mining. The model is iterative and will be updated as data continues to be gathered.

An external review of the Flora and Fauna databases has been carried out to determine additional baseline field work that will be required due to the extension of the Resource base to both the west and east of the Vardy pit area. This has included areas to be considered for mine infrastructure. Flora and Fauna surveys were carried out in Q2 2020 with the aim of targeting endangered species and establishing baseline data. These surveys captured information that will form part of the environmental approvals process.

Environmental timelines and work programs required for the Environmental Impact Statement (EIS) and other environmental approvals have been defined over the period. Several contractors have been engaged to carry out this vital work which includes, groundwater drilling and monitoring, surface water impact assessment, soils and land suitability assessment, landscape and visual impact assessment, terrestrial fauna and flora evaluations, groundwater dependent ecosystem assessment, Air/Noise/Vibrations assessment, cultural heritage management plan, social impact assessment, economic impact assessment, and traffic/transport assessment. The majority of this work is expected to be completed post PFS.

Additional review of the geological database and the seismic geophysical data collected has been carried out to identify drill targets for a sustainable water supply for the project further to the west where currently several artesian bores exist. Baseline sampling for dust and subsurface water continued throughout the period.

A PFS on the Walford Creek Project is currently underway with engineering firm Ausenco mandated to complete. The PFS is set to incorporate the updated Walford Creek Mineral Resources (outlined above).

The strong amenability of the Vardy cobalt concentrate to bioleaching combined with the high recovery results, short leach time, significantly lower estimated capital and operating costs, absence of surplus acid production and eco-friendly nature of bioleaching, have underpinned the bioleach pathway to treat the intermediate cobalt concentrate from Walford Creek. In July 2019, the Company announced the selection of bioleach as the process route for intermediate cobalt concentrate.



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

During the year, extensive metallurgical testwork and assessment continued for the PFS process flowsheet. This included:

#### A. Flotation Pilot Plant – undertaken at ALS Burnie, Tasmania (15 - 29 January 2020)

- 529 kg treated, producing 316 kg of cobalt concentrate;
- Results in line with Scoping Study;
- Approximate 87% copper recovery to copper concentrate. Concentrate grade within expectations at approximately 24% copper. Another approximate 12% of the copper was recovered in the cobalt concentrate. Current indications are that around two thirds of this will be extracted in the cobalt leach, with overall copper recovery increasing to 95%; and
- Cobalt and nickel recovery to cobalt concentrate both approximately 85% 2/3rds of this in the leach silver recovery increases to 66%.

#### B. Bioleach Pilot Plant – undertaken at ALS Burnie, Tasmania (3 February - 10 March 2020)

- 300 kg of cobalt concentrate treated;
- Metal recoveries in line with or slightly better than those achieved with Scoping Study; and
- Average approximate cobalt extraction of 97% from cobalt concentrate to pregnant leach solution (PLS).

#### C. Heap Leach Bottle Roll Testwork – undertaken at ALS Burnie, Tasmania (27 February - 6 March 2020)

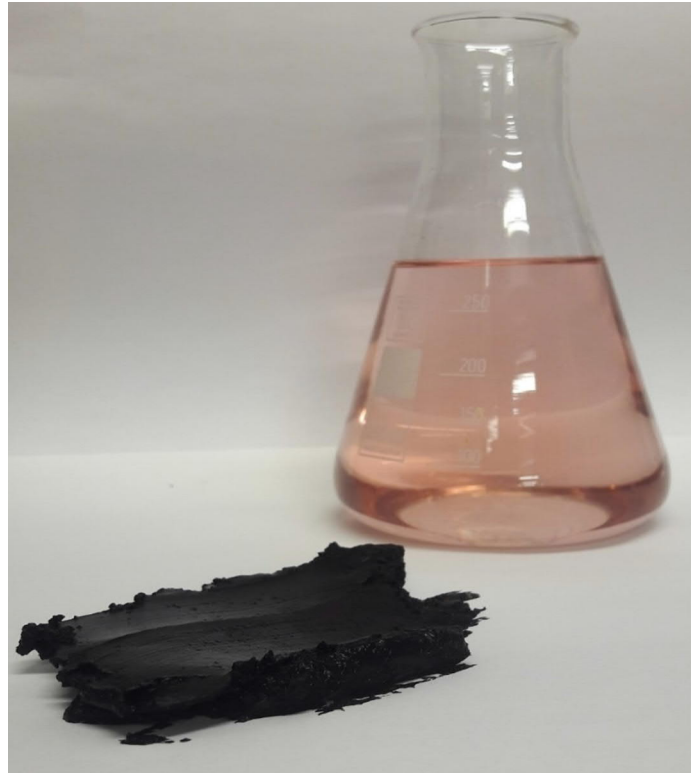
- Results in line with Scoping Study.

#### D. Product Purification Pilot Plant

1. Outotec Research Facility, Pori, Finland (October - November 2019)
  - The campaign consisted of two phases:
    - a leach phase for generation of pregnant leach solution (PLS), including iron-arsenic removal; and
    - a purification phase where copper sulphide, zinc sulphide and cobalt-nickel sulphide products were produced (see Figure 5 below).
  - Average approximate cobalt extraction from PLS to product of 95% for cobalt.
2. ALS Burnie, Tasmania (19 - 25 May 2020)
  - Iron-Arsenic Removal (19 - 25 May 2020):
    - 1,000 litres of bioleach PLS was treated in the iron-arsenic removal pilot plant;
    - Iron and arsenic removal rates >99% achieved, with minor cobalt loss; and
    - Performance was in line with both the Outotec pilot and the Scoping Study.
  - Copper precipitation pilot plant (9 - 25 June 2020):
    - 1,000 litres of bioleach PLS was treated in the copper precipitation plant;
    - Copper recovery to precipitate was in line with both the Outotec pilot and the Scoping Study; and
    - Copper recovery from PLS to precipitate varied from 91% to 98%, producing a precipitate of typically 45% copper.

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Directors' Report  
For the year ended 30 June 2020  
Review of operations (continued)

Figure 5: Pregnant Leach Solution (PLS) and Nickel-Cobalt Filtered Precipitate



E. Product Purification Pilot Plant – Cobalt-Nickel Precipitation – in progress at ALS Burnie, Tasmania

- Semi-continuous cobalt-nickel precipitation tests are in progress to confirm conditions for the 1000 litre cobalt-nickel precipitation pilot plant.

Figure 6: Co-Ni PLS (feed stock for Cu-Ni precipitation pilot plant)



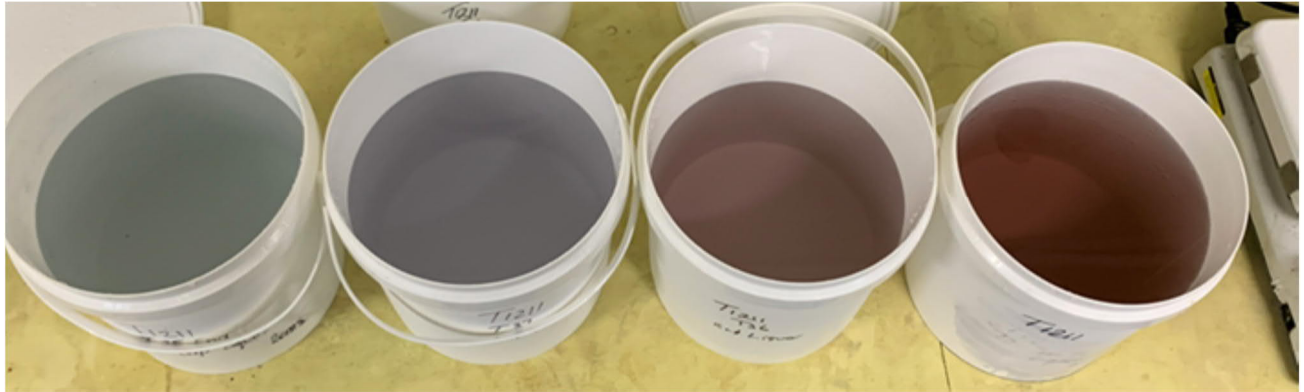
## Aeon Metals Limited

### Directors' Report

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### Review of operations (continued)

Figure 7: Progressive extraction of copper from Pregnant Leach Solution (PLS) (PLS in bucket second from left showed maximum copper extraction with minimum cobalt loss)



#### F. Lead and Zinc Evaluation – in progress at ALS Burnie, Tasmania

- Comminution evaluation in line with Scoping Study;
- Lead composite flotation results to date, with modified reagent scheme, exceed Scoping Study estimates;
- Lead-zinc composite flotation results to date, with modified reagent scheme, exceed Scoping Study estimates; and
- Zinc composite flotation results to date, with modified reagent scheme, exceed Scoping Study estimates.

#### Infrastructure & Logistics

Aeon is undertaking a detailed assessment of a third-party solar power solution (with associated battery storage and back-up diesel generation facilities) for the Walford Creek Project. If selected, this energy system is anticipated to be provided under a Build-Own-Operate (BOO) arrangement. The third-party proponent is a well-known and highly credentialled party.

The logistics study fieldwork that was previously delayed (due to COVID-19 movement restrictions) is now complete with the outcomes to be included in the PFS.



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

#### "Other" Northwest Queensland Tenements

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 1,441km<sup>2</sup>, and located in the world-class Mount 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 Mount 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 and it has its own airport connecting the region to major centres in Australia.

Table 6: Other Northwest Queensland Tenement Summary as at 28 August 2020

Exploration Permit for Minerals (EPM) - Tenement Summary							
EPM No.	Tenement Name	Project	Status	Sub Blocks	Kms <sup>2</sup>	Grant Date	Expiry Date
EPM 11898	May Downs South	IW	Granted	16	51.232	7/07/2004	6/07/2023
EPM 13412	Yappo	IS	Granted	20	64.04	16/12/2011	15/12/2021
EPM 13413	Rufus	IS	Granted	9	28.818	16/12/2011	15/12/2021
EPM 13682	Wonomo	IS	Granted	22	70.444	16/12/2011	15/12/2021
EPM 14040	Kahko	IS	Granted	6	19.212	20/04/2005	19/04/2021
EPM 14233	Mt Guide	IS	Granted	15	48.03	20/04/2005	19/04/2021
EPM 14694	Mount Kelly South	IN	Granted	4	12.808	19/10/2005	18/10/2023
EPM 14712	Constance Range	C	Granted	21	67.242	21/08/2006	20/08/2024
EPM 14821	Waverly	IS	Granted	20	64.04	8/01/2007	7/01/2021
EPM 14935	Riversleigh	C	Granted	20	64.04	21/08/2006	20/08/2020
EPM 15156	Rufus South	IS	Granted	38	121.676	22/03/2007	21/03/2022
EPM 15911	Blue Hills	IS	Granted	16	51.232	15/11/2007	14/11/2020
EPM 18769	Beauchamps	IW	Granted	50	160.1	23/05/2012	22/05/2022
EPM 27435	Sugarbag 1	IW	Granted	95	304.19	27/07/2020	26/07/2025
EPM 27436	Sugarbag 2	IW	Granted	45	144.09	2/07/2020	2/07/2025
EPM 27535	Gregory	C	Application	91	291.382	N/A	N/A

Table 7: 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





Aeon Metals Limited

## Directors' Report

For the year ended 30 June 2020

## Review of operations (continued)

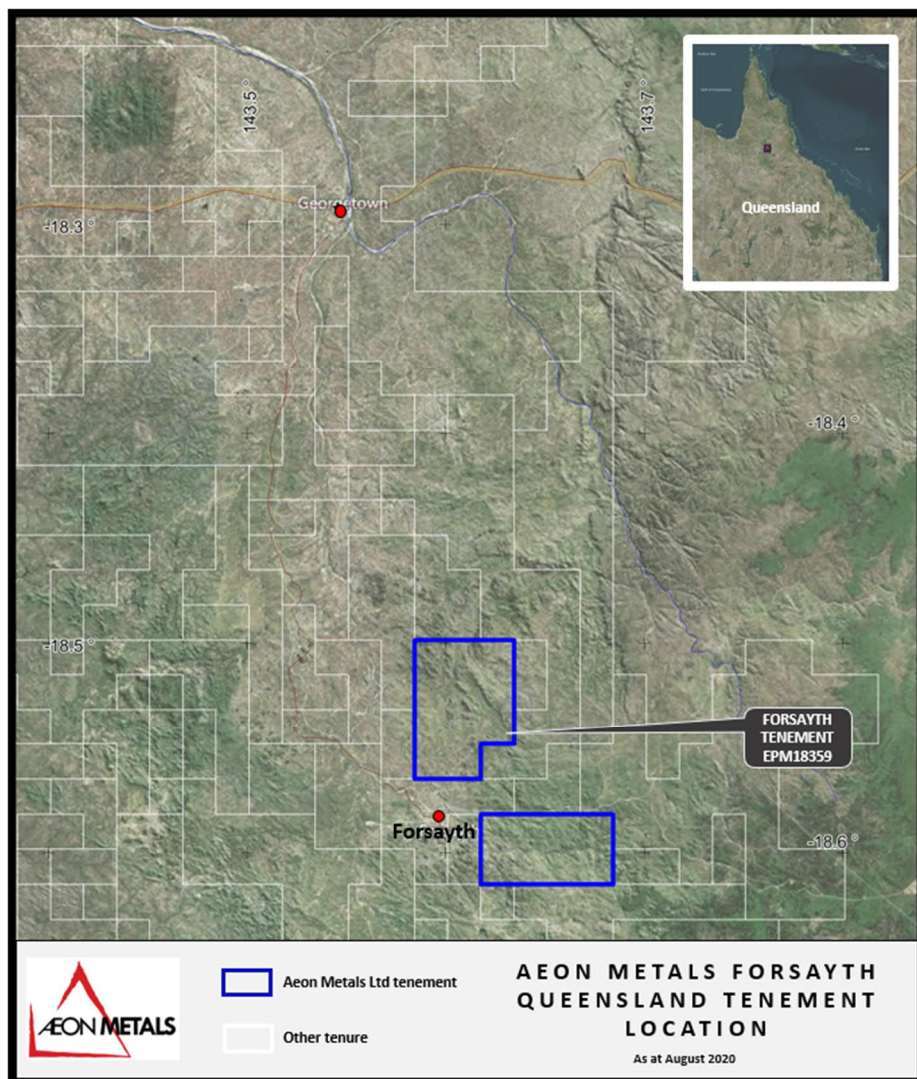
The Group controls 5 EPMs: EPMs 14628, 15921, 17001, 17002, 17060 and 27604, all of which are held 100% by the Company. It should be noted that MDL462 has been relinquished and the ground secured by recent application EPM 27604 as shown in Figure 8 above. This new tenement covers recently identified porphyry bodies which the Company plans to explore.

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.

EPM 18359 – FORSAYTH – Gold

No work has been undertaken in the field on the Company's Forsayth EPM 18359. The tenement is located centrally around the township of Forsayth and approximately 35 km south southeast of Georgetown in North Queensland as shown in Figure 9.

Figure 9: Shows the two portions of the Forsayth tenement EPM18359



Aeon applied for the tenement in the belief that the Forsayth Project geology offered the opportunity to identify deep porphyry-related hydrothermal gold, base metal and molybdenum mineralisation. Several rock chip 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.



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

#### 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 (Australasia) Pty Ltd. 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.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Review of operations (continued)

#### Corporate

On 2 July 2019, the Company announced the appointment of Dr Fred Hess as an independent non-executive Director. Fred brings extensive and diverse operating and development experience to the Aeon Board. His career spans more than 35 years in mining project development, operations and senior management across the Asia Pacific region.

On 29 January 2020, the Company announced the appointment of Mr David Hwang as Company Secretary. David is a Principal and CCO of Automic Group and is an experienced corporate lawyer specialising in listings on the ASX, equity capital markets and providing advice on corporate governance and compliance issues.

On 18 March 2020, the Company announced that OL Master Limited, a fund managed by OCP Asia (Singapore) Pte Ltd ("OCP"), had agreed to increase the limit on its existing loan facility by \$4 million. All the other terms of the facility remain unchanged. The loan facility was approximately \$17.7 million at the date of the increase.

On 30 March 2020, the Company announced that OCP had agreed to extend the existing loan facility by 12 months, the new maturity date of the facility is now 17 December 2021. Under the agreement the Company is to pay an additional fee equivalent to 3% of the loan facility, the fee is to be capitalised and repaid with the principal at maturity. All the other terms of the facility remain unchanged.

On 15 May 2020, the Company announced the appointment of Mr Andrew Greville as an independent non-executive Director. Andrew is a senior international mining executive with over 36 years' experience and a track record of success. His expertise is particularly strong in the fields of business development, mergers and acquisitions, product marketing and strategy.

The Coronavirus (Covid-19) pandemic up to 30 June 2020 has had a very minimal impact for the Company, the only item to note is the delay in completing the PFS.

#### Financial Position

The net assets of the Group at 30 June 2020 were \$63 million (2019: \$68 million) including cash of \$2.4 million (2019: \$7.0 million).

On 17 December 2019, the Company announced the results of an updated Independent Resource estimation (reported in accordance with the 2012 JORC Code and Guideline). The increase in JORC confidence level in Measured and Indicated Resources will enable the further advancement of the Walford Creek project.

On 20 December 2019, the Company announced receipt of R&D grant funds amounting to \$1.65 million. The grant is associated with the selection, design and operation of metallurgical processes that seek to produce high grade concentrates consistently and at maximum recovery. The Company intends to lodge a further R&D claim for FY2020 based on the continuance of the aforementioned work.

The financial statements have been prepared on a going concern basis, refer to note 2.

#### Significant Changes in State of Affairs

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

#### Events Since the End of the Financial Year

The Coronavirus (COVID-19) pandemic is ongoing and is rapidly developing but, other than the ongoing PFS delays, is not having a significant impact after the reporting date.

On 25 September 2020, the Company announced that OCP Asia Group had agreed to increase the limit on its existing loan facility by up to \$3 million, on the same terms as the extended tranches disclosed in note 19.

#### 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 completing a PFS. A PFS sets the Project parameters (plant throughput, product outputs, operating and capital costs, etc) enabling a decision to advance towards a final Feasibility Study and project development.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Environmental regulation

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 development and 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 2020, ten (10) Meetings of the Board of Directors were held. Attendances by each Director during the period were as follows:

Director	Number eligible to attend	Number attended
Hamish Collins	10	10
Paul Harris	10	10
Ivan Wong	10	10
Stephen Lonergan <sup>(i)</sup>	6	6
Fred Hess <sup>(ii)</sup>	10	10
Andrew Greville <sup>(iii)</sup>	2	2

<sup>(i)</sup> On 25 November 2019 Mr Lonergan retired as a director.

<sup>(ii)</sup> On 2 July 2019 Mr Hess was appointed a director.

<sup>(iii)</sup> On 15 May 2020 Mr Greville was appointed a director.

During the period, there were 2 meetings of the Audit Committee and both were attended by all Directors that were in office at the time.

### 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 2020

### Information on Directors and Company Secretary at the year end

Hamish Collins (age 50)	—	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 28 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	—	944,270 shares held by the Collins Family Superannuation Fund; 7,535,716 shares held by Louise Collins. 7,500,000 of these shares are funded by a limited recourse loan and considered to be options.
Directorships held in other listed entities in the last 3 years	—	None
Paul Harris (age 52)	—	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 28 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	—	2,517,858 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). 174,294 shares held by Wunulla Holdings Pty Ltd.
Directorships held in other listed entities in the last 3 years	—	Aurelia Metals Ltd



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Information on Directors and Company Secretary at the year end (continued)

Ivan Wong (age 57)	—	Non-Executive Director (appointed 1 July 2016)
Qualifications	—	B.Sc. Hons
Experience	—	Mr Wong has strong IT background and over 27 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.
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).  16,000,000 shares held by SLW Minerals Corporation Pty Ltd.
Directorships held in other listed entities in the last 3 years	—	None
Fred Hess (age 63)	—	Non-Executive Director (appointed 2 July 2019)
Qualifications	—	B.Sc. Hons Ph.D. University of Queensland MAusIMM
Experience	—	Mr Hess has more than 36 years' experience in mining project development, operations and senior management across the Asia Pacific region. His experience covers open cut and underground mine development and operation across both base and precious metals. Most recently Fred was Managing Director of PanAust Limited.
Interest in Shares and Options	—	2,500,000 shares held by Fred Hess; 2,500,000 of these shares are funded by a limited recourse loan and considered to be options.
Directorships held in other listed entities in the last 3 years	—	Ironbark Zinc Ltd

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Information on Directors and Company Secretary at the year end (continued)

Andrew Greville (age 57)	—	Non-Executive Director (appointed 15 May 2020)
Qualifications	—	B.Eng (Mining), University of Queensland MAICD
Experience	—	Mr Greville is a senior international mining executive with over 36 years' experience and a track record of success. His expertise is particularly strong in the fields of business development, mergers and acquisitions, product marketing and strategy.
Interest in Shares and Options	—	No shares are held by Andrew Greville.
Directorships held in other listed entities in the last 3 years	—	Rimfire Pacific Mining Ltd
David Hwang (age 35)	—	Company Secretary (appointed 29 January 2020)
Qualifications	—	LL.B, University of New South Wales
	—	BA (Media & Communications), University of New South Wales
Experience	—	Mr Hwang is a Principal and CCO of Automic Group and is an experienced corporate lawyer specialising in listings on the ASX, equity capital markets and providing advice on corporate governance and compliance issues.
Interest in Shares and Options	—	No shares are held by David Hwang.
Directorships held in other listed entities in the last 3 years	—	None

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### 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. No external remuneration consultants were used during the year.

Mr. Collins' salary for the year ended 30 June 2020 was \$400,000 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 as required 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 were in consideration of provision of his services as Company Secretary of the Company. Mr. Lonergan was paid \$24,000 for his services during the year ended 30 June 2020.

Directors' incentive shares funded by limited recourse loans issued during the year ended 30 June 2020 were approved at the 2019 AGM. 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 shares 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 2020

### 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.

In thousands of AUD	2020	2019	2018	2017	2016
Net loss attributable to owners of the company	\$(5,402)	\$(4,015)	\$(13,892)	\$(8,241)	\$(2,465)
Dividends paid	-	-	-	-	-
Change in share price	\$(0.130)	\$(0.135)	\$0.210	\$0.080	\$0.002

#### 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:

In AUD		Short-term			Long-term	Post-employment	Share-based payments	Total	Performance based on percentage of remuneration
		Salary & fees \$	Cash bonus \$	Consultancy fees \$	Leave entitlements \$	Super-annuation benefits \$	Options & rights \$		
Directors									
Non-executive directors									
Paul Harris	2019	180,000	-	-	-	12,825	-	192,825	0%
	2020	180,000	-	-	-	-	-	180,000	0%
Stephen Lonergan <sup>(i)</sup>	2019	50,000	-	60,000	-	-	-	110,000	0%
	2020	20,000	-	24,000	-	-	-	44,000	0%
Ivan Wong	2019	50,000	-	-	-	4,750	-	54,750	0%
	2020	51,208	-	-	-	4,865	-	56,073	0%
Fred Hess <sup>(ii)</sup>	2019	-	-	-	-	-	-	-	-
	2020	51,208	-	-	-	4,865	198,585	254,658	0%
Andrew Greville <sup>(iii)</sup>	2019	-	-	-	-	-	-	-	-
	2020	7,659	-	-	-	728	-	8,387	0%
Executive directors									
Hamish Collins	2019	400,000	-	-	(3,076)	25,000	-	421,924	0%
	2020	400,000	-	-	1,539	25,000	79,434	505,973	0%
Total									
	2019	680,000	-	60,000	(3,076)	42,575	-	779,499	0%
	2020	710,075	-	24,000	1,539	35,458	278,019	1,049,091	0%

<sup>(i)</sup> On 25 November 2019 Mr Lonergan retired as a director.

<sup>(ii)</sup> On 2 July 2019 Mr Hess was appointed a director.

<sup>(iii)</sup> On 15 May 2020 Mr Greville was appointed a director.

Short-term remuneration includes salaries and fees and consultancy fees paid to non-executive Directors 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.



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Remuneration Report (Continued)

#### Details of incentive-based remuneration

On 25 November 2019, shareholders approved the issue of 2.5 million and 1.0 million fully paid ordinary shares to Fred Hess and Hamish Collins or their nominees respectively, to be funded by limited recourse loans. These were issued at 17.0 cents per share on 18 December 2019, the recourse on the loan is limited to the shares issued, the loans are interest free and repayable on 18 December 2022. In accordance with AASB 2 the loans are required to be valued and accounted for as options. A fair value of \$278,019 was calculated using the Black Scholes model with inputs of 17.0 cents strike price, three-year period to expiry, 0.74% risk free interest rate and 71% volatility. There are no performance or service conditions attached to the loan other than directors are not permitted to sell these shares 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 2020.

#### 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

Key management persons, or their related parties made no transactions that were 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 2020

### Remuneration Report (Continued)

#### 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 2019	Granted as compensation	Other changes	Held at 30 June 2020
Directors				
Hamish Collins	6,500,000	1,000,000	-	7,500,000
Paul Harris	2,500,000	-	-	2,500,000
Stephen Lonergan	3,500,000	-	(3,500,000) <sup>(i)</sup>	-
Ivan Wong	2,500,000	-	-	2,500,000
Fred Hess	-	2,500,000	-	2,500,000
Andrew Greville	-	-	-	-
Total	15,000,000	3,500,000	(3,500,000)	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. Other than in respect of 4,000,000 shares held by Mr Collins, the sale of the above shares are not permitted at a price less than the issue placement price plus 25%.

#### 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 2019	Purchases	Incentive shares granted	Disposals/ Other	Held at 30 June 2020
Directors					
Hamish Collins	7,252,914	227,072	1,000,000	-	8,479,986
Paul Harris	2,692,152	-	-	-	2,692,152
Stephen Lonergan	3,535,716	-	-	(3,535,716) <sup>(i)</sup>	-
Ivan Wong	18,847,061	-	-	-	18,847,061
Fred Hess	-	-	2,500,000	-	2,500,000
Andrew Greville	-	-	-	-	-
Total	32,327,843	227,072	3,500,000	(3,535,716)	32,519,199

<sup>(i)</sup> On 25 November 2019 Mr Lonergan retired as a director.

#### Voting and comments made at the company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 86% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the Remuneration Report which has been audited.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2020

### Auditor's independence declaration

The auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 29 of the financial report and forms part of the Directors' Report for the year ended 30 June 2020.

### 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.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### 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 25<sup>th</sup> day of September 2020.

## 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 2020, 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 period.



Gareth Few  
Director

BDO Audit Pty Ltd

Sydney, 25 September 2020



## Aeon Metals Limited

## 30 June 2020 Annual Report

## Consolidated Statement of Financial Position

As at 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	11	2,425	6,980
Trade and other receivables	12	264	232
Other investments	13	52	51
Prepayments		73	72
Total current assets		2,814	7,335
Property, plant and equipment	14	334	413
Other assets		38	53
Exploration and evaluation assets	15	79,953	75,445
Total non-current assets		80,325	75,911
Total assets		83,139	83,246
<b>Liabilities</b>			
Trade and other payables	16	754	2,105
Employee benefits	17	256	226
Provisions	18	50	50
Total current liabilities		1,060	2,381
Loans and borrowings	19	19,044	12,790
Total non-current liabilities		19,044	12,790
Total liabilities		20,104	15,171
Net assets		63,035	68,075
<b>Equity</b>			
Share capital	20	108,465	108,465
Reserves	20	2,531	2,169
Accumulated losses		(47,939)	(42,564)
Total equity attributable to owners of the Company		63,057	68,070
Non-controlling interests		(22)	5
Total equity		63,035	68,075

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Other income		102	-
Administrative expenses		(1,318)	(1,248)
Impairment loss	15	(3,150)	(1,711)
Other expenses	8	(1,074)	(1,155)
Results from operating activities		(5,440)	(4,114)
Finance income		38	99
Finance costs		-	-
Net finance income	7	38	99
Loss before income tax		(5,402)	(4,015)
Income tax expense	10	-	-
Loss for the period		(5,402)	(4,015)
<a href="#">Other comprehensive income</a>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(5,402)	(4,015)
Loss attributable to:			
Owners of the Company		(5,375)	(4,014)
Non-controlling interests		(27)	(1)
Loss for the period		(5,402)	(4,015)
Total comprehensive Loss attributable to:			
Owners of the Company		(5,375)	(4,014)
Non-controlling interests		(27)	(1)
Total comprehensive Loss for the period		(5,402)	(4,015)
<a href="#">Loss per share</a>			
Basic loss per share (cents per share)	22	(0.80)	(0.66)
Diluted loss per share (cents per share)	22	(0.80)	(0.66)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Aeon Metals Limited

## 30 June 2020 Annual Report

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	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 2018		90,049	8,406	(38,550)	59,905	6	59,911
Total comprehensive loss for the period		-	-	(4,014)	(4,014)	(1)	(4,015)
Loss for the period		-	-	(4,014)	(4,014)	(1)	(4,015)
Total comprehensive loss for the period		-	-	(4,014)	(4,014)	(1)	(4,015)
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the company							
Exercise of options & warrants	20	6,483	(6,483)	-	-	-	-
Issue of options	20	-	246	-	246	-	246
Issue of ordinary shares	20	13,633	-	-	13,633	-	13,633
Warrant conversion costs	20	(1,700)	-	-	(1,700)	-	(1,700)
Total contributions by and distributions to owners of the company		18,416	(6,237)	-	12,179	-	12,179
Balance at 30 June 2019		108,465	2,169	(42,564)	68,070	5	68,075
Balance at 1 July 2019		108,465	2,169	(42,564)	68,070	5	68,075
Total comprehensive loss for the period		-	-	(5,375)	(5,375)	(27)	(5,402)
Loss for the period		-	-	(5,375)	(5,375)	(27)	(5,402)
Total comprehensive loss for the period		-	-	(5,375)	(5,375)	(27)	(5,402)
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the company							
Issue of options	20	-	362	-	362	-	362
Total contributions by and distributions to owners of the company		-	362	-	362	-	362
Balance at 30 June 2020		108,465	2,531	(47,939)	63,057	(22)	63,035

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

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Consolidated Statement of Cash Flows

For the year ended 30 June 2020

#### Cash flows from operating activities

Other income	51	-
Cash paid to suppliers and employees	(1,960)	(1,852)
Cash used in operations	(1,909)	(1,852)
Interest received	38	99
Net cash used in operating activities	(1,871)	(1,753)

#### Cash flows from investing activities

Acquisition of property, plant and equipment	(1)	(73)
Payments for exploration activities (net of grants received)	(6,683)	(11,881)
Net cash used in from investing activities	(6,684)	(11,954)

#### Cash flows from financing activities

Proceeds from the issue of share capital	-	33
Proceeds from borrowings	4,000	8,000
Net cash from financing activities	4,000	8,033

Net decrease in cash and cash equivalents

Cash and cash equivalents at 1 July

Cash and cash equivalents at 30 June

Note	30 June 2020 \$'000	30 June 2019 \$'000
	51	-
	(1,960)	(1,852)
	(1,909)	(1,852)
	38	99
21	(1,871)	(1,753)
	(1)	(73)
	(6,683)	(11,881)
	(6,684)	(11,954)
	-	33
19	4,000	8,000
	4,000	8,033
	(4,555)	(5,674)
	6,980	12,654
11	2,425	6,980

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



# Aeon Metals Limited

## 30 June 2020 Annual Report

### 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 2020 were authorised for issue in accordance with a resolution of the directors on 25 September 2020.

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 permits 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 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 2020. The new and revised Standards and Interpretations did not have any significant impact.

##### Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 2. Basis of preparation (continued)

##### 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 2020, the Group incurred a net loss before tax of \$5.4 million (2019: \$4.0 million) and net cash outflow from operating and investing activities of \$8.6 million (2019: \$13.7 million).

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. In addition to progressing the Walford Creek project, the financing arrangements with OCP Asia Group as disclosed in Note 19 are required to be repaid by 17 December 2021. 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 2020, the Group had net assets of \$63.0 million (June 2019: \$68.1 million) including cash of \$2.4 million (June 2019: \$7.0 million). The Directors regularly monitor the Company's cash position on an ongoing basis and have demonstrated a successful track record of raising capital and funding when required.

As announced on 25 September 2020, the Group has had an offer from the OCP Asia Group to increase the limit on its existing loan facility by up to \$3 million. 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.

Discussions are ongoing in relation to the financing of the Walford Creek project. The nature and timing of the financing is to be determined after finalisation of all feasibility studies, with the PFS currently ongoing. Based on the scoping study economics of ungeared, real, post-tax NPV (8%) of A\$431M, post-tax internal rate of return (IRR) of 34% and modelled payback of 3 years, the directors would be confident of the ability to finance the project (and refinance the OCP facility).

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.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 2. Basis of preparation (continued)

##### Critical accounting judgements, estimates and assumptions

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

##### Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than delay in completing the PFS there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

##### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 20 for further information.

##### Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

##### Recovery of deferred tax assets

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

# Aeon Metals Limited

## 30 June 2020 Annual Report

### 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

##### Transactions eliminated on consolidation

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

##### 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.

##### Acquisitions

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

##### 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.

##### 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.

##### 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.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 3. Significant accounting policies (continued)

##### 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:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- 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.

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 evaluation expenditure to mining property and development assets within property, plant and equipment.



# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 3. Significant accounting policies (continued)

Exploration and evaluation expenditure (continued)

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.

##### (ii) 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.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 3. Significant accounting policies (continued)

##### 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.

##### (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 adjustment 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.

##### 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

AASB 16 is effective for the annual reporting period beginning 1 July 2019 and replaces AASB 117 Leases. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet, together with an option to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

The Group adopted AASB 16 using the modified retrospective approach without restatement of comparative figures and elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 17 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019. Based on the assessment made under AASB 16, the Group did not hold any material right of use assets or lease liabilities at the date of transition. The Group does not have significant leasing activities acting as a lessor.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 3. Significant accounting policies (continued)

##### Leases (continued)

The Group's real estate leases include leases of offices and workshops. All the Group's lease terms are for 12 months or less and is therefore taking advantage of the short-term lease exemption. The Group is assessing the leases on the future needs of the business. The associated expense of the leases is recognised as an expense on a straight-line basis over the value of the lease in accordance with AASB 16 Paragraph 6, this is in line with the previous policy.

The value of the expense relating to short-term leases for the year is \$52,000 and a further \$106,000 was capitalised to exploration and evaluation assets.

##### Finance income

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

##### 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.

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.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 3. Significant accounting policies (continued)

##### 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.

##### 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 2020, and have not been applied in preparing these consolidated financial statements. None of the new standards and amendments to standards are expected to have a material effect on the Group. The Group does not plan to adopt these standards early.

# Aeon Metals Limited

## 30 June 2020 Annual Report

### 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, including shares issued to Directors and employees as incentives, 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 for 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 and evaluation phase, so it has no products or services nor any major customers.

## Aeon Metals Limited

## 30 June 2020 Annual Report

## Notes to the consolidated financial statements

## 7. Finance income and finance costs recognised in profit or loss

	2020	2019
	\$'000	\$'000
Interest income	38	99
	<u>38</u>	<u>99</u>

## 8. Other expenses

	2020	2019
	\$'000	\$'000
Employee benefits expense	(658)	(825)
Superannuation expense	(54)	(84)
Share based payments	(362)	(246)
	<u>(1,074)</u>	<u>(1,155)</u>

## 9. Expenses by nature

	2020	2019
	\$'000	\$'000
Employee benefits expense – including superannuation	(712)	(909)
Depreciation expense	(81)	(95)
Consultancy expense	(445)	(437)
Impairment loss	(3,150)	(1,711)
Share based payments	(362)	(246)
Other expenses	(792)	(716)
	<u>(5,542)</u>	<u>(4,114)</u>



Aeon Metals Limited  
 30 June 2020 Annual Report  
 Notes to the consolidated financial statements

10. Income tax

	2020 \$'000	2019 \$'000
Income tax recognised in profit		
Current tax expense		
Current year	-	-
Deferred tax expense	-	-
Total income tax expense	-	-
Reconciliation of effective tax rate		
	2020 \$'000	2019 \$'000
Loss for the year	(5,402)	(4,015)
Total tax expense	-	-
Loss excluding tax	-	-
	(5,402)	(4,015)
Tax using the Company's domestic tax rate of 27.5 percent (2019: 30 percent)	(1,486)	(1,204)
Non-assessable income	333	247
Losses not brought to account	1,153	957
	-	-
Unrecognised deferred tax assets		
	2020 \$'000	2019 \$'000
Deductible temporary differences	(21,388)	(22,634)
Tax losses	22,888	24,139
	1,500	1,505

From 1 July 2019 Aeon Metals Limited, as head entity, and its subsidiaries elected to form a tax consolidated group.

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.

11. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Bank balances	2,425	6,980
	2,425	6,980

Refer to note 24 for further information on financial instruments.

12. Trade and other receivables

	2020 \$'000	2019 \$'000
Other debtors	50	1
GST receivable	214	231
	264	232

Refer to note 24 for further information on financial instruments.

## Aeon Metals Limited

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## Notes to the consolidated financial statements

## 13. Other Investments

	2020	2019
	\$'000	\$'000
Current investments		
Term deposit	52	51
	<u>52</u>	<u>51</u>

The term deposit had an average interest rate of 1.62% (2019: 2.48%) and matures in 1 month.

Refer to note 24 for further information on financial instruments.

## 14. Property, plant and equipment

	Computer equipment	Mining and exploration equipment	Plant and equipment	Motor vehicles	Property improvements	Total
in thousands of AUD						
Cost						
Balance at 1 July 2018	80	394	66	140	171	851
Additions/(Disposals)	5	64	12	(8)	-	73
Balance at 30 June 2019	<u>85</u>	<u>458</u>	<u>78</u>	<u>132</u>	<u>171</u>	<u>924</u>
Balance at 1 July 2019	85	458	78	132	171	924
Additions/(Disposals)	-	1	1	-	-	2
Balance at 30 June 2020	<u>85</u>	<u>459</u>	<u>79</u>	<u>132</u>	<u>171</u>	<u>926</u>
Depreciation						
Balance at 1 July 2018	(66)	(215)	(26)	(101)	(6)	(414)
Charge for the year	(9)	(43)	(13)	(10)	(22)	(97)
Disposals	-	-	-	-	-	-
Balance at 30 June 2019	<u>(75)</u>	<u>(258)</u>	<u>(39)</u>	<u>(111)</u>	<u>(28)</u>	<u>(511)</u>
Balance at 1 July 2019	(75)	(258)	(39)	(111)	(28)	(511)
Charge for the year	(5)	(41)	(8)	(5)	(22)	(81)
Disposals	-	-	-	-	-	-
Balance at 30 June 2020	<u>(80)</u>	<u>(299)</u>	<u>(47)</u>	<u>(116)</u>	<u>(50)</u>	<u>(592)</u>
Carry amounts						
At 1 July 2018	14	179	40	39	165	437
At 30 June 2019	<u>10</u>	<u>200</u>	<u>39</u>	<u>21</u>	<u>143</u>	<u>413</u>
At 1 July 2019	10	200	39	21	143	413
At 30 June 2020	<u>5</u>	<u>160</u>	<u>32</u>	<u>16</u>	<u>121</u>	<u>334</u>

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 Notes to the consolidated financial statements

15. Exploration and evaluation of assets

	2020	2019
	\$'000	\$'000
Balance at 1 July	75,445	62,988
Additions, including capitalised interest and fees	9,303	14,168
R&D claim received	(1,645)	-
Impairment losses	(3,150)	(1,711)
Balance at 30 June	79,953	75,445

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

Included in additions is an amount of \$2,254,000 (2019: \$2,067,000) relating to capitalised interest and fees, this represented 100% of interest and fees.

The impairment loss of \$3.2 million relates to all other exploration and evaluation assets except for Walford Creek, this is due to Walford Creek being the main focus of the Company. Whilst these assets have been impaired it is still the intention of the Company to further these projects in the future.

16. Trade and other payables

	2020	2019
	\$'000	\$'000
Trade payables	614	1,680
Accrued expenses	140	425
	754	2,105

Refer to note 24 for further information on financial instruments.

17. Employee Benefits

	2020	2019
	\$'000	\$'000
Salaries and wages accrued	47	41
Liability for annual leave	188	167
Liability for long service leave	20	18
Liability for superannuation	1	-
Total employee benefit – current	256	226

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18. Provisions

	Site restoration \$'000	Total \$'000
Balance at 1 July 2019	50	50
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Balance at 30 June 2020	50	50

	Site restoration \$'000	Total \$'000
Current	50	50
Non-current	-	-
	50	50

Site Restoration

A provision of \$50,000 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 15.

19. Loans and borrowings

	2020 \$'000	2019 \$'000
Non-current		
Limited recourse notes	19,044	12,790
	19,044	12,790

Refer to note 24 for further information on assets pledged as security and financing arrangements.

Refer to note 24 for further information on financial instruments.

Reconciliation of movement in loans and borrowings

	2020 \$'000	2019 \$'000
Outstanding at 1 July	12,790	14,623
New loan during the year	4,000	8,000
Repaid during the year	-	(11,900)
Accrued interest and fees during the year	2,254	2,067
Outstanding at 30 June	19,044	12,790

Year Ended 30 June 2020

On 18 March 2020, the company announced that OCP had agreed to advance a further cash loan of \$4 million with a repayment date of 17 December 2020.

On 30 March 2020, the company announced that OCP had agreed to extend the repayment date of the facility to 17 December 2021.

The Company has accrued interest of \$1.8 million and was charged a facility extension fee of \$0.5 million during the year ended 30 June 2020. These transactions have 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.

# Aeon Metals Limited

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### Notes to the consolidated financial statements

#### 19. Loans and borrowings (continued)

Year Ended 30 June 2019

On 18 March 2019, the company received notice from OL Master Limited exercising an aggregate of 85 million warrants each exercisable at 16 cents. This, less fees, was used 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 \$11.9 million to \$4 million.

Also on 18 March 2019, the company announced that OCP had agreed to advance a further cash loan of \$8 million with a repayment date of 17 December 2019. OCP also agreed to extend the repayment date of the remaining \$4 million facility to 17 December 2019.

The Company has accrued interest of \$1.7 million and was charged a financing fee of \$0.4 million during the year ended 30 June 2019. These transactions have 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.

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	Currenc	Nominal Interest Rate	Year of maturity	2020		2019	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Limited recourse notes	AUD	12.00%	Dec 2021	19,044	19,044	12,790	12,790
Total interest-bearing liabilities				19,044	19,044	12,790	12,790

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

## Aeon Metals Limited

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## Notes to the consolidated financial statements

## 20. Capital and reserves

## Share capital

	2020		2019	
	no. of ordinary shares (thousands)	\$'000	no. of ordinary shares (thousands)	\$'000
On issue at 1 July	673,070	108,465	585,969	90,049
Shares issued for cash	-	-	85,000	11,933
Incentive shares issued for services	4,500	-	2,101	-
Transfer between reserves from exercise of warrants	-	-	-	6,483
On issue at 30 June	<u>677,570</u>	<u>108,465</u>	<u>673,070</u>	<u>108,465</u>

## 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.

Issuance of ordinary shares for the year to 30 June 2020

Date	no. of shares issued	Price per share \$	Total consideration \$	Purpose
20 August 2019	1,000,000	0.15	-	Share based payment*
18 December 2019	<u>3,500,000</u>	<u>0.17</u>	<u>-</u>	<u>Share based payment*</u>
	<u>4,500,000</u>		<u>-</u>	

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



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### Notes to the consolidated financial statements

#### 20. Capital and reserves (continued)

##### Year Ended 30 June 2020

4,500,000 shares were granted to employees as incentive for services, these shares were provided through a limited recourse loan arrangement.

##### Year Ended 30 June 2019

650,000 shares that were granted to an employee as incentive for services were exercised during the year. These shares were issued in a prior year. The 650,000 shares were initially provided through a limited recourse loan arrangement which expired during the current year. The exercise of the share options had no effect on the number of shares issued for the year.

Capital raising costs incurred as part of share issues during the year were \$Nil (2019: \$1,700,000). These costs are deducted directly from equity.

##### 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

No new warrants were issued during the year (2019: Nil)

##### Exercise of warrants

No warrants were exercised during the year (2019: 85 million).

##### Expiration of warrants

No warrants expired during the year (2019: Nil).

##### Warrants on issue

The total number of warrants on issue at 30 June 2020 is Nil (June 2019: Nil).

##### Share based payments

##### Description of the share-based payment arrangements

##### Year Ended 30 June 2020

On 20 August 2019, 1.0 million ordinary shares were purchased by a participant in the Company's Share Incentive Plan through a limited recourse loan provided by the company. The limited recourse loan is limited to shares issued, is interest free and repayable within 3 years. The fair value of these shares of \$84,000 was calculated using the Black Scholes Model as at 30 June 2020. The shares are not able to be sold until specific conditions are satisfied.

On 18 December 2019, 3.5 million ordinary shares were purchased by participants in the Company's Share Incentive Plan through limited recourse loans provided by the company. The limited recourse loans are limited to shares issued, are interest free and repayable within 3 years. The fair value of these shares of \$278,000 was calculated using the Black Scholes Model as at 30 June 2020. The shares are not able to be sold until specific conditions are satisfied.

## Aeon Metals Limited

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## Notes to the consolidated financial statements

## 20. Capital and reserves (continued)

Year Ended 30 June 2019

On 29 October 2018, 1.5 million ordinary shares were purchased by a participant in the Company's Share Incentive Plan through a limited recourse loan provided by the company. The limited recourse loan is limited to shares issued, is interest free and repayable within 3 years. The fair value of these shares of \$203,000 was calculated using the Black Scholes Model as at 30 June 2019. The shares are not able to be sold until specific conditions are satisfied.

On 4 March 2019, 0.6 million ordinary shares were purchased by participants in the Company's Share Incentive Plan through limited recourse loans provided by the company. The limited recourse loans are limited to shares issued, are interest free and repayable within 3 years. The fair value of these shares of \$43,000 was calculated using the Black Scholes Model as at 30 June 2019. The shares are not able to be sold until specific conditions are satisfied.

From time to time the Company may issue shares to employees pursuant to the Company's Employee Share Incentive Plan which are funded by interest free loans from the Company, with recourse on these loans being limited to the shares issued. In accordance with AASB 2 the loans provided to the employees and shares issued are required to be valued as options.

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

	no. of incentive shares (thousands)	Weighted average exercise price \$	no. of incentive shares (thousands)	Weighted average exercise price \$
	2020	2020	2019	2019
Outstanding at 1 July	21,600	0.16	20,150	0.16
Granted during the year	4,500	0.17	2,100	0.28
Expired during the year	-	-	-	-
Exercised during the year	-	-	(650)	(0.05)
Outstanding at 30 June	26,100	0.16	21,600	0.16

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:

	Employee incentive shares 2020	Director incentive shares 2020	Employee incentive shares	
	2020	2020	2019	2019
Number of incentive shares	1,000,000	3,500,000	1,500,000	600,000
Grant date	20 Aug 2019	18 Dec 2019	29 Oct 2018	4 Mar 2019
Fair value at grant date	\$0.084	\$0.079	\$0.135	\$0.072
Share price at grant date	17.0 cents	17.0 cents	27.5 cents	27.5 cents
Exercise price	15.2 cents	17.0 cents	28.2 cents	27.8 cents
Expected volatility	71%	71%	75%	82%
Expected life	3 years	3 years	3 years	3 years
Risk-free interest rate	0.70%	0.70%	2.00%	2.00%
Dividend yield	0%	0%	0%	0%

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

## Aeon Metals Limited

## 30 June 2020 Annual Report

## Notes to the consolidated financial statements

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

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Loss for the year		(5,402)	(4,015)
Adjustments for:			
Depreciation	14	81	97
Impairment of exploration and evaluation assets	15	3,150	1,711
Share-based payments	20	362	246
		(1,809)	(1,961)
Change in trade and other receivables		(50)	176
Change in prepayments		(1)	44
Reclassification of exploration costs		89	-
Change in trade and other payables		(130)	(65)
Change in provisions and employee benefits		30	53
Net cash used in operating activities		(1,871)	(1,753)
Non-cash financing activities			
Issue of share capital	20	-	11,900
Repayment of borrowings	19	-	(11,900)
		-	-

## 22. Earnings per share

## Basic earnings per share

The calculation of basic earnings per share at 30 June 2020 was based on the loss attributable to ordinary shareholders of \$5,402,000 (2019: \$4,015,000) and a weighted average number of ordinary shares outstanding of 675,792,000 (2019: 611,455,000), calculated as follows:

## Loss attributable to ordinary shareholders (basic)

	2020 \$'000	2019 \$'000
Loss for the year	(5,402)	(4,015)
Loss attributable to ordinary shareholders	(5,402)	(4,015)

## Weighted average number of ordinary shares (basic)

	2020 thousands	2019 thousands
Issued ordinary shares at 1 July	673,070	585,969
Effect of shares issued	2,723	25,486
Weighted average number of ordinary shares at 30 June	675,793	611,455

	2020 cents per share	2019 cents per share
Basic loss per share	0.80	0.66

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 22. Earnings per share (continued)

##### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2020 was based on loss attributable to ordinary shareholders of \$5,402,000 (2019: \$4,015,000) and a weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, of 675,792,000 (2019: 611,455,000), calculated as follows:

##### Loss attributable to ordinary shareholders (diluted)

	2020	2019
	\$'000	\$'000
Loss attributable to ordinary shareholders (basic)	(5,402)	(4,015)
Loss attributable to ordinary shareholders (diluted)	(5,402)	(4,015)

##### Weighted average number of ordinary shares (diluted)

	2020	2019
	thousands	thousands
Weighted average number of ordinary shares at 30 June (basic)	675,793	611,455
Effect of shares options on issue	-	-
Weighted average number of ordinary shares at 30 June (diluted)	675,793	611,455

	2020	2019
	cents per share	cents per share
Diluted loss per share	0.80	0.66

#### 23. Operating Leases

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

	2020	2019
	\$'000	\$'000
Less than one year	15	15
Between one and five years	-	-
More than five years	-	-
	15	15

The Group leases four premises under operating leases. Of these four leases, two leases are on a month to month basis. The rental payments of these leases is \$10,000 per month. One other lease is under a six-month contract, expiring in September 2020, the rental payment on this lease is \$700 per month. The remaining lease is under a 12-month contract which expires in December 2020. The rental payments on this lease is \$2,000 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.

# Aeon Metals Limited

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### Notes to the consolidated financial statements

#### 24. 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:

	Note	Carrying amount	
		2020	2019
		\$'000	\$'000
Interest bearing investments	13	52	51
Trade and other receivables	12	264	232
Cash and cash equivalents	11	2,425	6,980
		<u>2,741</u>	<u>7,263</u>
Impairment losses			
		2020	2019
		\$'000	\$'000
Neither past due nor impaired		264	232
Past due 1 – 30 days		-	-
Past due 31 – 90 days		-	-
Past due 91 + days		-	-
		<u>264</u>	<u>232</u>

Based on historic default rates, the Group believes that 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 \$30,000 credit card facility (2019: \$30,000). At 30 June 2020 the undrawn amount is \$30,000 (2019: \$30,000).

At 30 June 2020 the Group has payables of \$754,000 (2019: \$2,105,000) 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.

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## Notes to the consolidated financial statements

## 24. Financial instruments (continued)

30 June 2020

Carrying Amount \$'000	Contractual cash flows					
	Total \$'000	2 months or less \$'000	2-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Liabilities						
Limited recourse notes <sup>(i)</sup>	19,044	22,647	-	-	22,647	-
Trade payables	754	754	754	-	-	-
	19,798	23,401	754	-	22,647	-

30 June 2019

Carrying Amount \$'000	Contractual cash flows					
	Total \$'000	2 months or less \$'000	2-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Liabilities						
Limited recourse notes <sup>(i)</sup>	12,790	15,216	-	-	15,216	-
Trade payables	2,105	2,105	2,105	-	-	-
	14,895	17,321	2,105	-	15,216	-

<sup>(i)</sup> 22,647,000 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.

## 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.



## Aeon Metals Limited

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## Notes to the consolidated financial statements

## 24. Financial instruments (continued)

## 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:

	Interest rate 2020	Carrying amount 2020	Interest rate 2019	Carrying amount 2019
Fixed rate instruments				
Financial liabilities <sup>(i)</sup>	12%	19,044	12%	12,790
		19,044		12,790
Variable rate instruments				
Financial assets	1.00%	2,425	1.50%	6,980
Amortised cost	1.62%	52	2.48%	51
		2,477		7,031

<sup>(i)</sup> 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.

## 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.

	Variable rate instruments	
	2020	2019
	\$'000	\$'000
Profit or loss		
100bp increase	40	64
100bp decrease	(40)	(64)

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 24. Financial instruments (continued)

##### 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:

	Note	2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Assets carried at amortised costs					
Interest bearing investments	13	52	52	51	51
Trade and other receivables	12	264	264	232	232
Cash and cash equivalents	11	2,425	2,425	6,980	6,980
		<u>2,741</u>	<u>2,741</u>	<u>7,263</u>	<u>7,263</u>
Liabilities carried at amortised cost					
Trade and other payables	16	(754)	(754)	(2,105)	(2,105)
Limited recourse notes	19	(19,044)	(19,044)	(12,790)	(12,790)
		<u>(19,798)</u>	<u>(19,798)</u>	<u>(14,895)</u>	<u>(14,895)</u>

##### 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).

	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
30 June 2020			
Financial assets designated at fair value through profit or loss	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2019			
Financial assets designated at fair value through profit or loss	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>-</u>

There have been no transfers from Level 1 to Level 2 during the year ended 30 June 2020 (2019: no transfers in either direction).

#### 25. Commitments and contingencies

There are no contractual commitments or contingent liabilities at 30 June 2020 (2019: Nil).

# Aeon Metals Limited

## 30 June 2020 Annual Report

### Notes to the consolidated financial statements

#### 26. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

	2020	2019
	\$	\$
Short-term employee benefits	710,075	680,000
Consulting fees	24,000	60,000
Long-term employment benefits	1,539	(3,076)
Post-employment benefits	35,458	42,575
Share based payments	278,019	-
	<u>1,049,091</u>	<u>779,499</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.

#### 27. Group entities

##### Significant subsidiaries

	Country of incorporation	2020	2019
		%	%
Parent entity:			
Aeon Metals Limited	Australia		
Significant subsidiaries:			
Aussie NQ Resources Pty Ltd	Australia	100	100
SLW Queensland Pty Ltd	Australia	60	60
Aeon Walford Creek Ltd	Australia	100	100
Aeon Isa Exploration Pty Ltd	Australia	100	100
Aeon Monto Exploration Pty Ltd	Australia	100	100
Aeon Walford Exploration Pty Ltd	Australia	100	-

During the year the Group formed a new company, being Aeon Walford Exploration Pty Ltd, Aeon Metals Limited own all the share capital of the new company.

#### 28. Events Since the End of the Financial Year

The Coronavirus (COVID-19) pandemic is ongoing and is rapidly developing but, other than the ongoing PFS delays, is not having a significant impact after the reporting date.

On 25 September 2020, the Company announced that OCP Asia Group had agreed to increase the limit on its existing loan facility by up to \$3 million, on the same terms as the extended tranches disclosed in note 19.

## Aeon Metals Limited

## 30 June 2020 Annual Report

## Notes to the consolidated financial statements

## 29. Auditors' remuneration

	2020	2019
	\$	\$
Audit and review of financial statements		
Auditors of the Company – BDO and related network firms		
Group	60,000	59,000
Controlled entities and joint operations	5,000	5,000
Total audit and review of financial statements	65,000	64,000
Non-audit services		
Auditors of the Company – BDO and related network firms		
Taxation compliance services	31,696	17,234
R&D compliance services	30,000	30,000
Total non-audit services	61,696	47,234
Total services provided by BDO and related network firms	126,696	111,234

On 31 July 2020, the Company announced that BDO East Coast Partnership had resigned as auditor and BDO Audit Pty Ltd had been appointed.

## 30. Parent entity disclosures

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

	2020	2019
	\$'000	\$'000
Results of the parent entity		
Loss for the year	(4,250)	(4,007)
Other comprehensive income	-	-
Total comprehensive income for the year	(4,250)	(4,007)
Financial position of parent entity at year end		
Current assets	2,808	7,324
Non-current assets	80,099	74,500
Total assets	82,907	81,824
Current liabilities	951	2,234
Non-current liabilities	19,044	12,790
Total liabilities	19,995	15,024
Net assets	62,912	66,800
Total equity of parent entity comprising of:		
Share capital	101,981	101,981
Reserves	2,531	2,169
Accumulated losses	(41,600)	(37,350)
Total equity	62,912	66,800

## Aeon Metals Limited

### 30 June 2020 Annual Report

#### 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 60 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 2020 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 2020.

Signed in accordance with a resolution of the Directors.



Hamish Collins  
Managing Director

Dated at Sydney this 25<sup>th</sup> day of September 2020

## 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 2020, 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 2020 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

#### Exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation assets are a key audit matter due to:</p> <p>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</p> <p>The significance of management's estimates and assumptions regarding the recoverability of carrying values in accordance with AASB 6.</p> <p>Details of the exploration and evaluation assets are disclosed in Note 15.</p>	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"><li>• Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in AASB 6;</li><li>• Reviewing the Group's tenement licences to assess the rights to tenure are current;</li><li>• 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;</li><li>• 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;</li><li>• Evaluating internal budget and cash flow projections for consistency with</li></ul>



	<p>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;</p> <ul style="list-style-type: none"> <li>• Holding discussions with Management regarding their assessment of the future recoverable value of the exploration and evaluation expenditure; and</li> <li>• Considering management's conclusion on the impairment of non-core exploration &amp; evaluation assets and recalculating the impairment loss recognised.</li> </ul>
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#### Accounting for loans and borrowings

Key audit matter	How the matter was addressed in our audit
<p>The accounting for the debt facility with OL Masters Limited is a key audit matter due to:</p> <p>The significance of the balance of the debt, being the largest liability on the Group's balance sheet; and</p> <p>The increase in the balance of the debt during the year.</p> <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"> <li>• Evaluating management's calculation of the carrying value of the debt including critically assessing the key inputs with reference to the underlying loan agreements;</li> <li>• Tracing movements in the liability to underlying accounting records and relevant supporting documentation;</li> <li>• Reviewing the accounting treatment for loan extension and new issuance during the period, including any fees paid; and</li> <li>• Obtaining third party confirmation of the debt outstanding at 30 June 2020.</li> </ul>

#### Other information

The directors are responsible for the other information. The other information comprises the information contained in the financial report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. 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](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 2020.

In our opinion, the Remuneration Report of Aeon Metals Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.



## Responsibilities

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

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Gareth Few'. Above the signature, the letters 'BDO' are written in a small, cursive script.

Gareth Few  
Director

Sydney, 25 September 2020