

Aeon Metals Limited and its controlled entities

ABN 91 121 964 725

31 December 2019

Interim Financial Report

Aeon Metals Limited
31 December 2019 Interim Financial Report

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Aeon Metals Limited

31 December 2019 Interim Financial Report

Directors' Report

The Directors of Aeon Metals Limited (the "Company" or "Aeon") and the entities it controlled (together, "the Group") present their report together with the consolidated financial statements for the six months ended 31 December 2019 and the auditors' review report thereon.

Directors

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

Name

Mr. Hamish Collins
Managing Director

Mr. Paul Harris
Chairperson
Non-Executive Director

Mr. Ivan Wong
Non-Executive Director

Mr. Stephen Lonergan (retired 25 November 2019)
Non-Executive Director

Dr Fred Hess (appointed 2 July 2019)
Non-Executive Director

Review of operations

During the 6-month period to 31 December 2019 the Company continued to progress towards Feasibility Study 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 during the half 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 half year period from 1 July 2019 to 31 December 2019, 8,414m of drilling was completed in 37 holes.

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 Feasibility Study (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. The Aeon 2018/19 drill campaigns have identified mineralised copper, cobalt, lead, zinc and silver in the Mount Les Siltstone stratigraphy over approximately 12.5 kilometres.

On 21 October 2019 the Company announced a Scoping Study on Walford Creek demonstrating that this high-grade polymetallic asset is amenable to development – both technically and economically. This study only considered Mineral Resources defined within the Vardy and Marley zones.

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Directors' Report (continued)

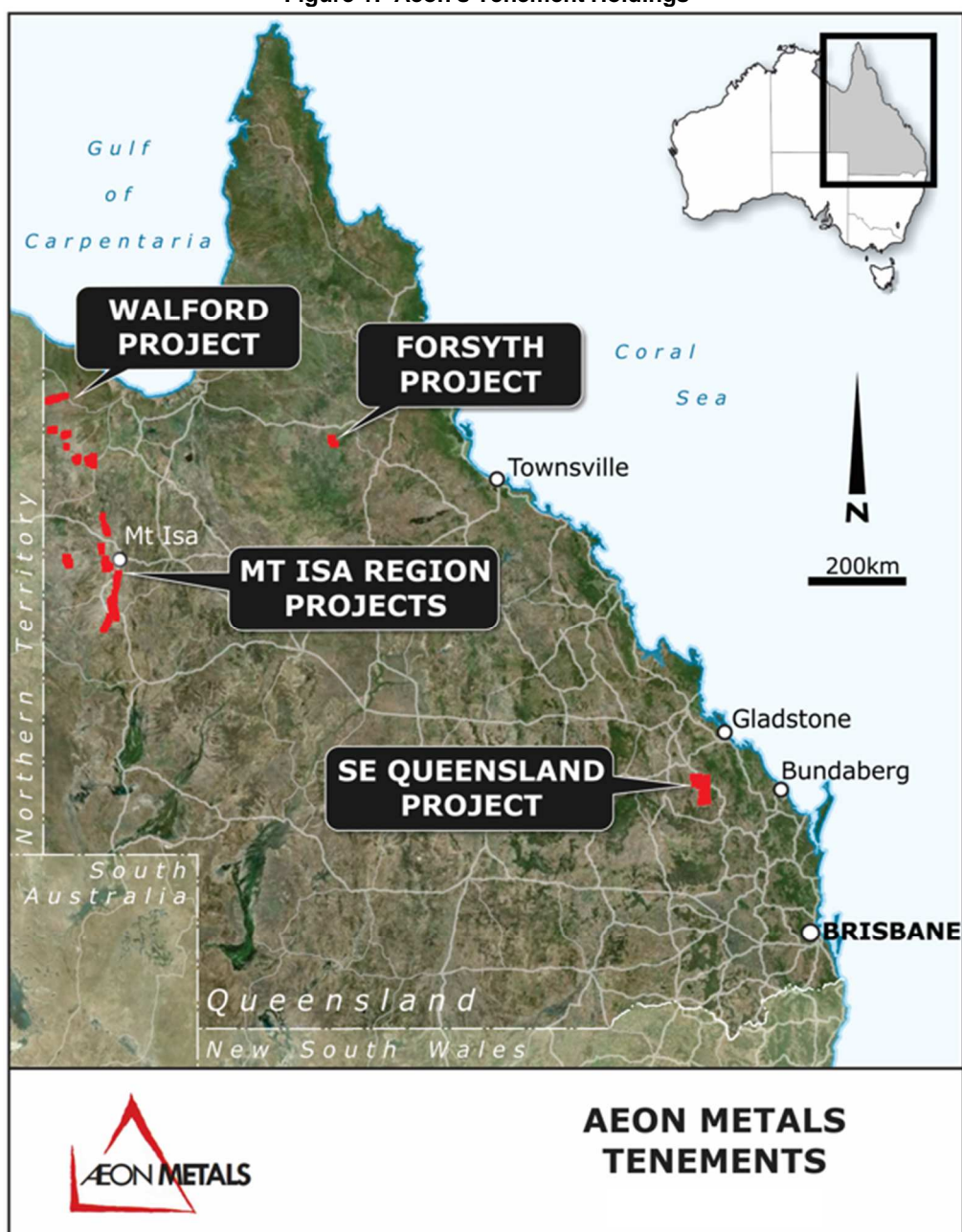
Review of operations (continued)

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

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

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

Figure 1: Aeon's Tenement Holdings



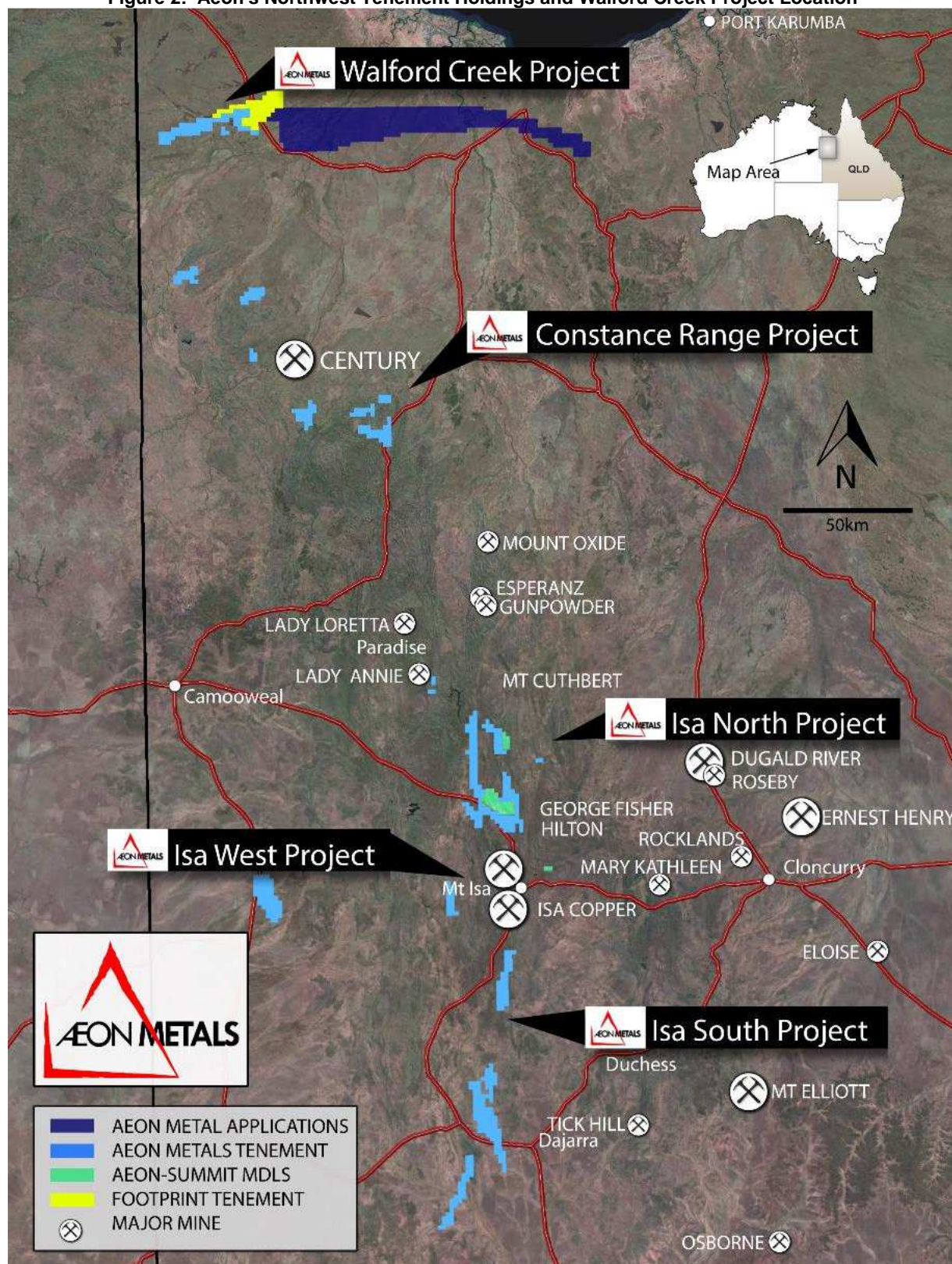
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Directors' Report (continued)

Review of operations (continued)

Figure 2: Aeon's Northwest Tenement Holdings and Walford Creek Project Location



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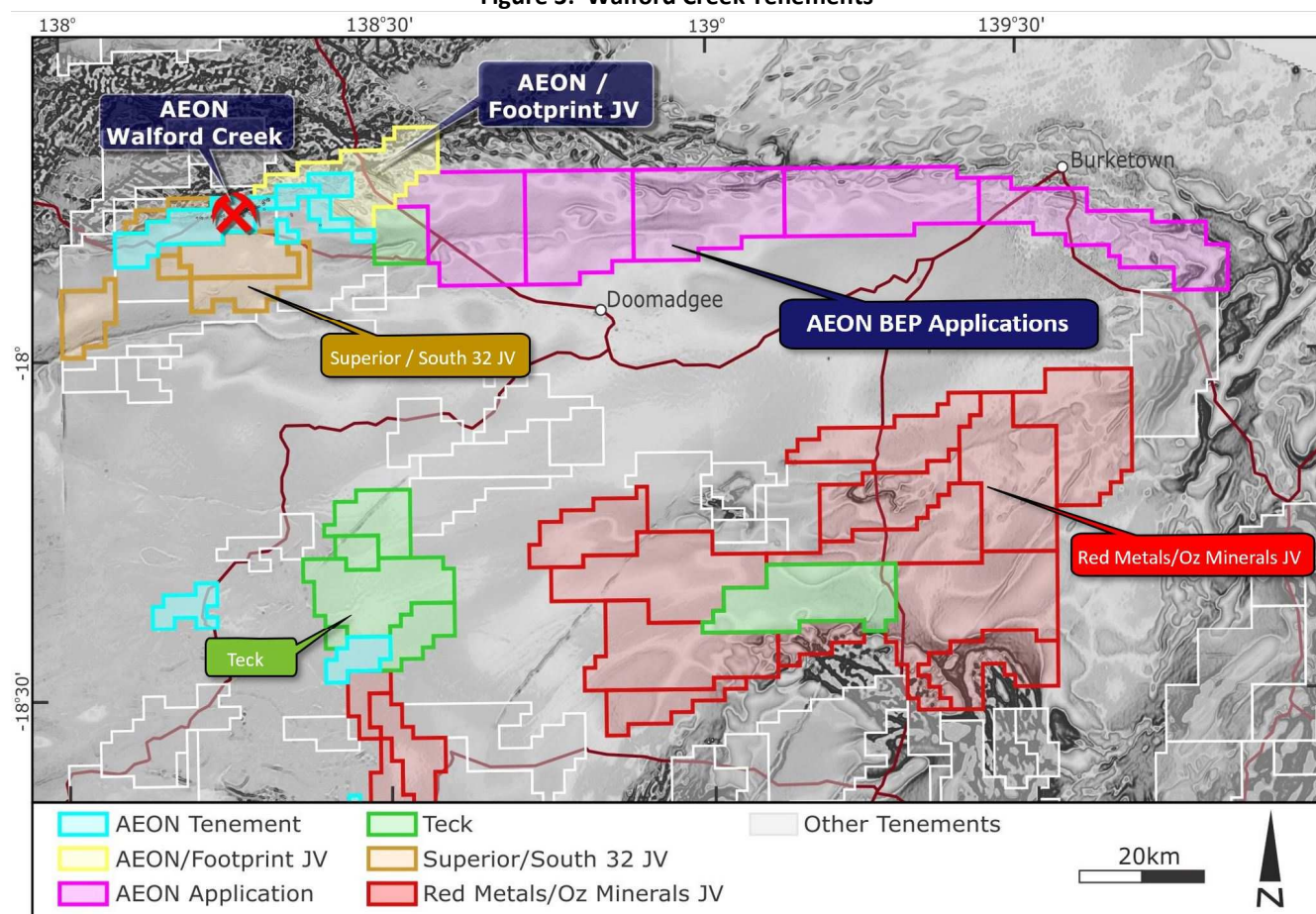
Directors' Report (continued)

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 211.6km². 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 six additional mineral exploration permits (EPMs) and finalisation of a low, upfront cost earn-in arrangement over an adjoining EPM, Aeon has now added a further 130km of potential strike extent to the east starting immediately from the eastern boundary of the Walford Creek tenements.

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Directors' Report (continued)

Review of operations (continued)

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

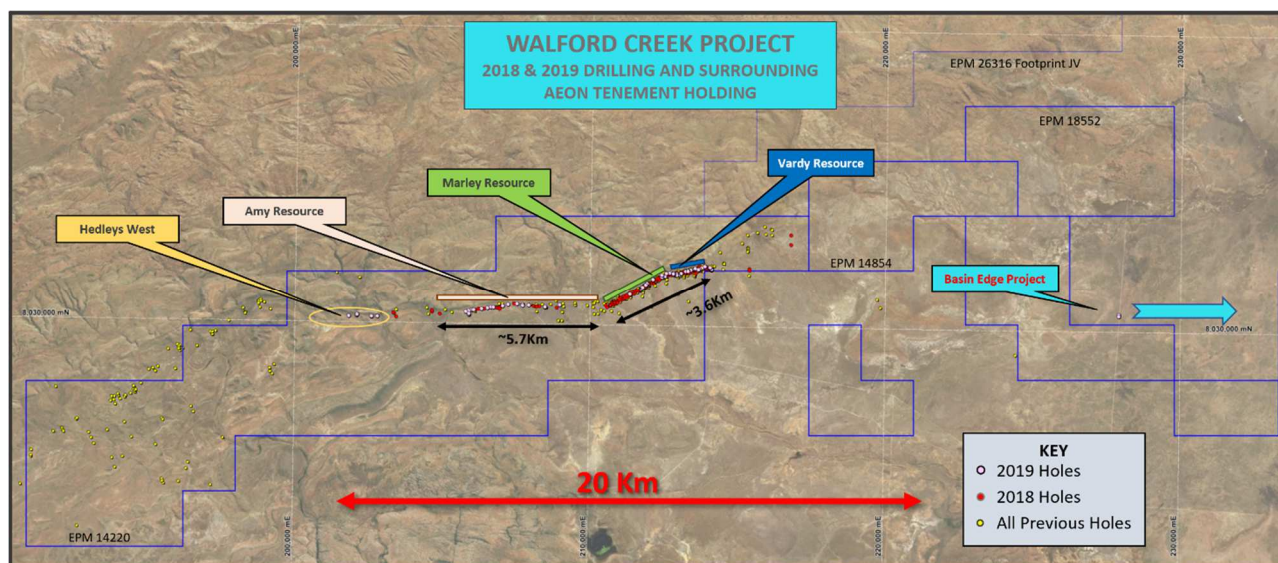
Tenement Summary							
EPM	Tenement Name	Project	Status	Sub Blocks	Kms ²	Grant Date	Expiry Date
EPM 14220	Walford Creek	WC	Granted	41	131.282	08-Mar-04	07-Mar-22
EPM 14854	Walford East	WC	Granted	6	19.212	22-Nov-05	21-Nov-20
EPM 18552	Walford Far East	WC	Granted	7	22.414	30-Nov-12	29-Nov-22
EPM 26906	Walford Extended	WC	Granted	12	38.424	18-Dec-18	17-Dec-23
EPM 26316	Walford North East	WC	Farmin	60	192,120	29-May-17	28-May-22

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.

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).

During the half year period, a total of 37 holes were either started or completed for 8,414m of drilling. (NB – these were all RCDD and some of these holes had already been previously pre-collared as RC in earlier quarters).

Figure 4: Plan of Walford Project tenure and drilling conducted in 2019 in the Marley and Vardy Resource area and the highly successful western exploration drilling



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Directors' Report (continued)

Review of operations (continued)

Drilling undertaken with 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
- to test 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.
- 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). In addition, please go to the link on the Aeon website for a 3D interactive Walford Creek Project display.

During the half period, 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.

Vardy & Marley Zones

Total Vardy & Marley Mineral Resources now stand at 35.8mt @ 1.94% CuEq, extending over a strike extent 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.

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
Total	18.4	1.05	0.90	0.72	29.1	0.14	2.46

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Directors' Report (continued)

Review of operations (continued)

The new Vardy & Marley Copper Mineral Resource estimates represented 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
Total	17.4	0.26	0.80	1.01	20.3	0.09	1.39

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 almost immediately to the west of the Vardy/Marley zones. 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.

Table 3: 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

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Directors' Report (continued)

Review of operations (continued)

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 4 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 4: 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.

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).

Data collection continued on a selection of material characterisation kinetic leach samples has enabled, along with the developing the Resource block model, the construction of a geo-environmental Block Model. This model classified all the material within the Vardy 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.

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 Pre-Feasibility Study (PFS) on the Walford Creek Project is currently underway with engineering firm Ausenco mandated to complete and is targeted for completion in 2Q 2020. The PFS is set to incorporate the updated Walford Creek Mineral Resources (outlined above) with a potential upside case to include the Amy zone, which represents a further approximate 6km of strike length from Vardy/Marley (3.6km strike).

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Directors' Report (continued)

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 1,441km², and located in the world-class Mt. Isa minerals province in North West Queensland.

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

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

Southeast Queensland Tenements

The Southeast Queensland tenement package (see Figure 13) lies approximately 30kms west of the town of Monto, Queensland. Monto is a town of 1,300 people and located approximately 115kms south west of Gladstone, a deep-water port.

The region hosts exceptionally good infrastructure including a mining-oriented town with a willing workforce, bitumen highways that pass through the permit areas, a viable rail system, extensive power grid and large-scale water resources.

The Group controls 5 EPMs and 1 MDL: EPMs 14628, 15921, 17001, 17002, 17060 and MDL462, all of which are held 100% by the Company.

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

Financial Position

The net assets of the Group at 31 December 2019 were \$66.3 million (30 June 2019: \$68.1million) including cash of \$2.4 million (30 June 2019: \$7.0million).

Significant Changes in State of Affairs

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

After Balance Date Events

There have been no significant subsequent events to note.

Future Developments, Prospects and Business Strategies

The Company's priority is to advance the Walford Creek Project towards the development of a world class base metals mine as well as continue to explore on priority exploration tenements.

Aeon's near-term strategy at Walford Creek includes completing a Pre-Feasibility Study and advancing the Project towards a Definitive Feasibility status incorporating the updated Resource within Vardy and Marley. The Feasibility items include finalising metallurgical test work, mining optimisation studies, environmental studies, infrastructure/logistics studies, and product offtake assessment.

The Board continues to review the exploration strategy for all the Company's prospects.

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Directors' Report (continued)

Review of operations (continued)

Environmental Issues

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

The exploration undertaken on the Company's combined tenements in Queensland to date has not created significant environmental issues. However, environmental issues will arise as and when the Group moves into development and subsequently 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.

Auditor's independence declaration

The auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 13 of the financial report and forms part of this directors' report.

Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191* and in accordance with that instrument, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 12th day of March 2020.

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

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

As lead auditor for the review of Aeon Metals Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 12 March 2020

Aeon Metals Limited

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Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		2,365	6,980
Trade and other receivables		205	232
Other investments		52	51
Prepayments		37	72
Total current assets		2,659	7,335
Property, plant and equipment		374	413
Other assets		54	53
Exploration and evaluation assets	10	77,989	75,445
Total non-current assets		78,417	75,911
Total assets		81,076	83,246
Liabilities			
Trade and other payables		889	2,105
Employee benefits		291	226
Provisions		50	50
Loans and borrowings	6	13,576	-
Total current liabilities		14,806	2,381
Loans and borrowings	6	-	12,790
Total non-current liabilities		-	12,790
Total liabilities		14,806	15,171
Net assets		66,270	68,075
Equity			
Share capital	7	108,465	108,465
Reserves		2,531	2,169
Accumulated losses		(44,730)	(42,564)
Total equity attributable to owners of the Company		66,266	68,070
Non-controlling interests		4	5
Total equity		66,270	68,075

The accompanying notes are an integral part of these consolidated financial statements.

Aeon Metals Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Administrative expenses		(690)	(585)
Impairment loss	10	(719)	(1,451)
Other expenses		(784)	(690)
Results from operating activities		(2,193)	(2,726)
Finance income		26	63
Finance costs		-	-
Net finance income		26	63
Profit/(loss) before income tax		(2,167)	(2,663)
Income tax expense		-	-
Profit/(loss) for the period		(2,167)	(2,663)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit/(loss) for the period		(2,167)	(2,663)
Profit/(loss) attributable to:			
Owners of the Company		(2,166)	(2,663)
Non-controlling interests		(1)	-
Profit/(loss) for the period		(2,167)	(2,663)
Total comprehensive Profit/(loss) attributable to:			
Owners of the Company		(2,166)	(2,663)
Non-controlling interests		(1)	-
Total comprehensive Profit/(loss) for the period		(2,167)	(2,663)
Profit/(loss) per share			
Basic profit/(loss) per share (cents per share)	8	(0.32)	(0.45)
Diluted profit/(loss) per share (cents per share)	8	(0.32)	(0.45)

The accompanying notes are an integral part of these consolidated financial statements.

Aeon Metals Limited

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Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

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, as previously reported	90,049	8,406	(38,550)	59,905	6	59,911
Total comprehensive loss for the period						
Loss for the period	-	-	(2,663)	(2,663)	-	(2,663)
Total comprehensive loss for the period	-	-	(2,663)	(2,663)	-	(2,663)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Issue of options	-	203	-	203	-	203
Total contributions by and distributions to owners of the company	-	203	-	203	-	203
Balance at 31 December 2018	90,049	8,609	(41,213)	57,445	6	57,451
Balance at 1 July 2019, as previously reported	108,465	2,169	(42,564)	68,070	5	68,075
Total comprehensive loss for the period						
Profit for the period	-	-	(2,166)	(2,166)	(1)	(2,167)
Total comprehensive loss for the period	-	-	(2,166)	(2,166)	(1)	(2,167)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Issue of options	-	362	-	362	-	362
Total contributions by and distributions to owners of the company	-	362	-	362	-	362
Balance at 31 December 2019	108,465	2,531	(44,730)	66,266	4	66,270

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash flows from operating activities			
Cash paid to suppliers and employees		(1,016)	(1,068)
Cash used in operations		(1,016)	(1,068)
Interest received		26	63
Net cash used in operating activities		(990)	(1,005)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1)	(4)
Payments for exploration activities (net of grants received)		(3,624)	(7,985)
Net cash used in from investing activities		(3,625)	(7,989)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	-
Payment of capital raising costs		-	-
Repayment of borrowings		-	-
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(4,615)	(8,994)
Cash and cash equivalents at 1 July		6,980	12,654
Cash and cash equivalents at 31 December		2,365	3,660

The accompanying notes are an integral part of these consolidated financial statements.

Aeon Metals Limited

31 December 2019 Interim Financial Report

Notes to the consolidated interim financial statements

1. Corporate Information

The financial statements of Aeon Metals Limited ('Company' or 'Aeon') and its controlled entities ('the Group') for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 12 March 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 half-year was exploration and evaluation of mineral licences in Australia.

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

2. Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report of the Company as at 30 June 2019 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Basis of Preparation

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

The interim 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.

The Company is of a kind referred to in ASIC Corporations Instrument 2017/191 (Rounding in Financial/Directors' Reports) 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.

New standards and interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Aeon Metals Limited

31 December 2019 Interim Financial Report

Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)**AASB 16 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.

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 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 half-year \$26 thousand.

Aeon Metals Limited

31 December 2019 Interim Financial Report

Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)

Going concern

The interim 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 interim period ended 31 December 2019, the Group incurred a net loss before tax of \$2.2 million (2018: \$2.7 million) and had a net cash outflow from operating and investing activities of \$4.6 million (2018: \$9.0 million).

As at 31 December 2019, the Group had net assets of \$66.3 million (June 2019: \$68.1 million) including cash of \$2.4 million (June 2019: \$7.0 million).

The borrowings of the Group from the OCP Asia Group (which is also the Company's largest shareholder) are due to mature on 17 December 2020 and have been classified as a current liability resulting in a current liability position for the Group at 31 December 2019 of \$12.1 million (30 June 2019: \$5.0 million current asset). The borrowings are secured by a charge over the Group's subsidiary, Aeon Walford Creek Limited.

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 continue the progression of the Walford Creek Project and repay the borrowings. 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.

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 16 December 2019, the Group has had an offer from the OCP Asia Group to increase the limit on its existing loan facility by up to \$4 million. The Group has the capacity, if necessary, to defer expenditure or raise additional funds in the period as required. Steps can be taken to defer discretionary expenditure or moderate the operating cash outflows of the business to ensure that the Group maintains expenditure in line with the level of funding available. Additional funding may also be generated through capital raising, new debt facilities or refinancing of current debt facilities.

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.

Judgements and estimates

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods except where the implementation of AASB 16 discussed, whereby the significant estimates and judgements that have been required for the implementation of this standard are:

- The determination of whether an arrangement contains a lease; and
- The determination of lease term for some lease contracts in which the Group is a lessee that include renewal options and termination options, and the determination whether the Group is reasonably certain to exercise such option or will not exercise such option.

Aeon Metals Limited

31 December 2019 Interim Financial Report

Notes to the consolidated interim financial statements

3. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019 unless amended due to the adoption of new accounting standards effective for the period.

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2019.

5. Operating segments

The Group's only operation is exploration of minerals in Queensland, Australia.

The Group's operations form a single business segment, performing exploration activities in one geographical area, being Queensland, Australia.

6. Loans and Borrowings

	Dec-19 \$'000	Jun-19 \$'000
Current liabilities		
Limited recourse notes	13,576	-
	<u>13,576</u>	<u>-</u>
Non-current liabilities		
Limited recourse notes	-	12,790
	<u>-</u>	<u>12,790</u>

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

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

			31 December 2019		30 June 2019		
	Currency	Nominal Interest rate	Year of maturity	Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Limited recourse notes	AUD	12.00%	Dec 2020	13,576	13,576	12,790	12,790
Total interesting-bearing liabilities				13,576	13,576	12,790	12,790

Aeon Metals Limited

31 December 2019 Interim Financial Report

Notes to the consolidated interim financial statements

7. Capital and reserves

Share capital

	31 December 2019		30 June 2019	
	No. of Ordinary shares	\$'000	No. of Ordinary shares	\$'000
In thousands of shares				
In issue at 1 July	673,070	108,465	585,969	90,049
Exercise of warrants, net of costs	-	-	85,000	11,900
Issued for services	4,500	-	2,101	-
Exercise of incentive shares	-	-	-	33
Transfer from equity compensation reserve on Exercise of warrants	-	-	-	6,483
In issue at 31 December/30 June	677,570	108,465	673,070	108,465

Ordinary shares

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

Reserves

Equity compensation reserve

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

Incentive shares

4,500,000 incentive shares were issued during the period, none were exercised.

The total number of incentive shares on issue at 31 December 2019 is 26.1 million (30 June 2019: 21.6 million), these have been funded by limited recourse loans.

Warrants

No warrants were issued or exercised during the period.

The total number of warrants on issue at 31 December 2019 is Nil (30 June 2019: Nil).

8. Earnings/(loss) per share

Basic earnings/(loss) per share has been calculated using:

	Dec-19 \$'000	Dec-18 \$'000
Net loss for the period attributable to owners of the Company	(2,166)	(2,663)
Weighted average number of ordinary shares	674,025	586,485
Diluted earnings/(loss) per share has been calculated using:		
Net loss for the period attributable to owners of the Company	(2,167)	(2,663)
Weighted average number of ordinary shares – basic	674,025	586,485
Effect of share options on issue	-	-
Weighted average number of ordinary shares - diluted	674,025	586,485

At 31 December 2019, no warrants and options (31 December 2018: 85 million) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

Aeon Metals Limited

31 December 2019 Interim Financial Report

Notes to the consolidated interim financial statements

9. Related parties

Arrangements with related parties, involving only key management personnel compensation, continued to be in place. For details on these arrangements, refer to Note 26 of the 30 June 2019 Annual Financial Report.

10. Exploration and evaluation of assets

	Dec-19	Jun-19
	\$'000	\$'000
Balance at 1 July	75,445	62,988
Additions, including capitalised interest	4,908	14,168
R&D claim received	(1,645)	-
Impairment losses	(719)	(1,711)
Balance at 31 December/30 June	77,989	75,445

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

11. Subsequent events

There have been no significant subsequent events to note.

Aeon Metals Limited
31 December 2019 Interim Financial Report

Directors' Declaration

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

1. the consolidated interim financial statements and notes set out on pages 14 to 23, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 12th day of March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aeon Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Aeon Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134



Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A stylized, handwritten-style 'BDO' logo in black ink.

A handwritten signature in black ink that reads 'Gareth Few'.

Gareth Few
Partner

Sydney, 12 March 2020