

December 1, 2021

## COMPANY SNAPSHOT

Stock code:	AML AU
Price:	A\$0.043
Market cap:	A\$38.4m
Average daily turnover:	A\$0.05m
Shares outstanding:	862.0m
Free float:	79%

### Chris Brown

+61 7 3334 4885

chris.brown@morgans.com.au

Analyst(s) own shares in the following stock(s) mentioned in this report:

– Aeon Metals

### Disclaimer

Morgans Financial Limited (Morgans) does not formally research this company. Investors should consider this note as general commentary only. Before making any investment decisions, an investor should speak with a financial adviser to determine what best suits their personal circumstances. FOR AUSTRALIAN DISTRIBUTION ONLY, NOT FOR INTERNATIONAL CLIENTS.

# Aeon Metals

## Walford Creek's big enough

- Aeon Metals is moving to complete a preliminary feasibility study into development of its wholly-owned Walford Creek Cu-Co project, NW Queensland. Previous scoping studies evaluated conventional flotation producing separate Cu, Pb, and Zn concentrates, and a Co-Ni product.
- Testwork of flotation to produce a bulk sulphide concentrate followed by pressure oxidation leach to produce saleable end products shows more efficient and likely more profitable metal recovery. It is the focus of the current study, and may prove a game changer for Walford Creek, with pilot plant results to be incorporated into a preliminary feasibility study delivered Q1 2022.
- Drilling has yet to fully evaluate the Vardy/Marley/Amy line of deposits, and geophysical surveys have indicated deeper mineralisation, with potential for a significant resource upgrade on exploration success.
- The confirmation of a commercially attractive process route remains a risk at this stage. The final investment decision (FID) has yet to be taken, after which the project will be subject to regulatory and financing risk, ahead of construction, commissioning and production risk, together with commodity price risk.

### Optimising the process route

- Laboratory-scale testwork has indicated that, after crushing and grinding, flotation to produce a bulk sulphide concentrate, followed by medium temperature pressure oxidation to produce a suite of mineral products should provide an attractive process route for Walford Creek. Pilot plant studies underway should better inform capital and operating cost estimates, and enable modelling of recoveries to payable product.

### Big enough

- The three currently defined deposits at Walford Creek were previously assessed as adequate to support production of 50,000tpy of Copper Equivalent (15,000-20,000tpy of copper, plus cobalt, zinc, silver and nickel product credits) over a 14-year mine life.

### May be bigger

- Success from drilling in the inadequately tested zone between Marley and Amy and drilling to extend the mineralisation along strike, coupled with deeper drilling to test gravity targets beneath Vardy and Marley has the potential to support a longer mine life or increased product output rate.

### Management

- Managing Director Dr Fred Hess, a professional metallurgist is the former MD and CEO of PanAust (ASX:PNA), subsequently acquired by GRAM. Prior to being appointed MD at PNA he managed the successful development of the Phu Kam Cu-Au project, PRD Laos. He is Chairman of Ironbark Zinc (ASX:IBG).
- Recently appointed in the new role of Project Manager, Jeff Botting was formerly BHP Coal Client Manager for Worley Limited (ASX:WOR), and has extensive project engineering skills and experience.

### Risks

- As with all resource projects, the share price is subject to sentiment to the broader market, and specifically to the commodities in the project resource. In production, profitability would be subject to prices for the product suite and exchange rate relationships.
- The process route and associated capital and operating costs have yet to be confirmed, as have the specifications of the various payable products. The final investment decision (FID) is yet to be made. The 2021 Annual Report noted A\$996m projected in 2021 Annual Report, with a changed process route and substantial cost inflation. AML is a relatively small company with a Market Capitalisation of A\$38.4m at A4.3cps. Financing the development may involve a combination of debt, mezzanine debt, equity and vendor and offtaker finance.

## Aeon Metals – ASX:AML

Aeon Metals Limited is an Australian based and ASX-listed mineral company holding a 100% interest in the Walford Creek polymetallic project and the surrounding exploration tenements approximately 340km to the north north-west of Mount Isa, NW Queensland, and 50km north-west of the Doomadgee community, on the traditional homelands of the Gangalidda and Waanyi.

Aeon completed a Scoping Study in June 2021 into development of a 3.0Mtpy open pit and underground mining operation and process plant, with associated infrastructure, at a capital cost of A\$996m, producing ≈50,000tpy of Copper Equivalent at an All-in Sustaining Cost (AISC) estimated at US\$2.00-2.20/lb CuEq. Annual average production was projected at, in order of decreasing revenue, 20,000tpy of copper, 2,500tpy cobalt, 23,000tpy zinc, 2Mozpy silver and 1,000tpy nickel. A Preliminary Feasibility Study is targeted for completion in Q1 CY2022.

Aeon also has a number of other Exploration Licences and Mineral Development Licences in NW Queensland.

Figure 1: NW Qld - Walford Creek and Aeon's other tenements (in blue)



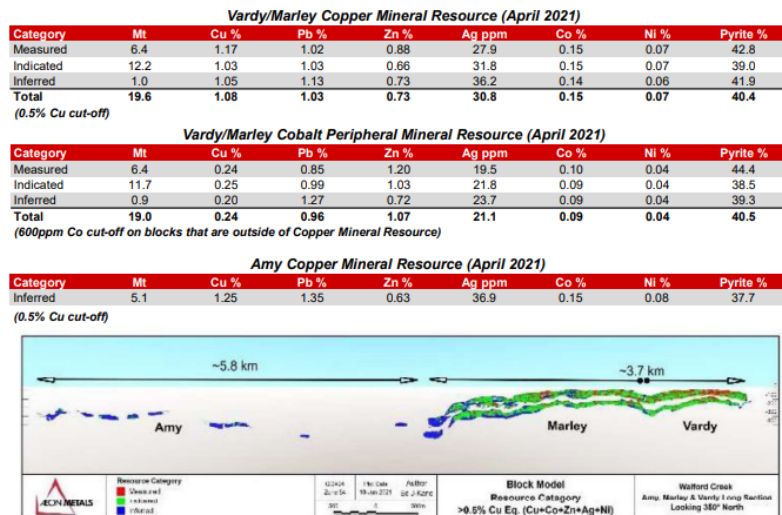
Source: Aeon Metals – Annual Report October 2021

## Walford Creek – copper, cobalt, zinc, nickel

Walford Creek has a resource to JORC Code (2012) standards as shown below, containing 321,000t of copper and 56,100t of cobalt, along with other metals, which, under the processing route now trialed, will contribute to the revenue stream. The profitability of Walford Creek will rely on monetising the value of these by-product metals. As can be seen from the long section below, the zone west of Marley, to Amy and beyond, is only lightly tested by drilling. There is some evidence that the mineralisation is down-thrown between Marley and Amy and deeper drilling has potential to add to the Walford Creek resource base.

The known Py1 and Py3 mineralised horizons are not adequately tested to the west along the Fish River fault over 5.8km of strike

Figure 2: Vardy, Marley and Amy zone resources

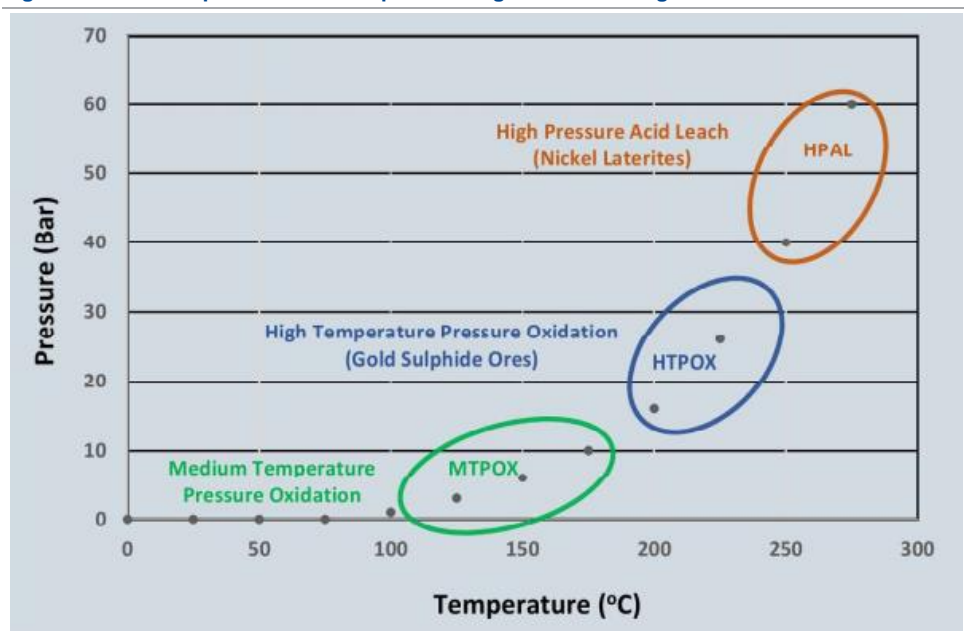


Refer to Aeon's ASX release of 19 April 2021 (Walford Creek Resource Update) for full details of the Mineral Resources Estimates update. Aeon confirms that it is not aware of any new information or data that materially affects the information included in that ASX release. All material assumptions and technical parameters underpinning the estimates in that ASX release continue to apply and have not materially changed.

Source: Aeon Metals – ASX Release August 2021

The revised processing route incorporates medium temperature pressure oxidation (MTOX) of the whole sulphide fraction from flotation. It is not as technically challenging as higher temperature and pressure leaching, and all in relatively common use. Aeon's studies indicate that the value of copper and cobalt will comprise 70% of the life-of-mine revenue stream.

Figure 3: Indicative pressure and temperature regime for leaching



Source: Aeon Metals – ASX Release October 2021



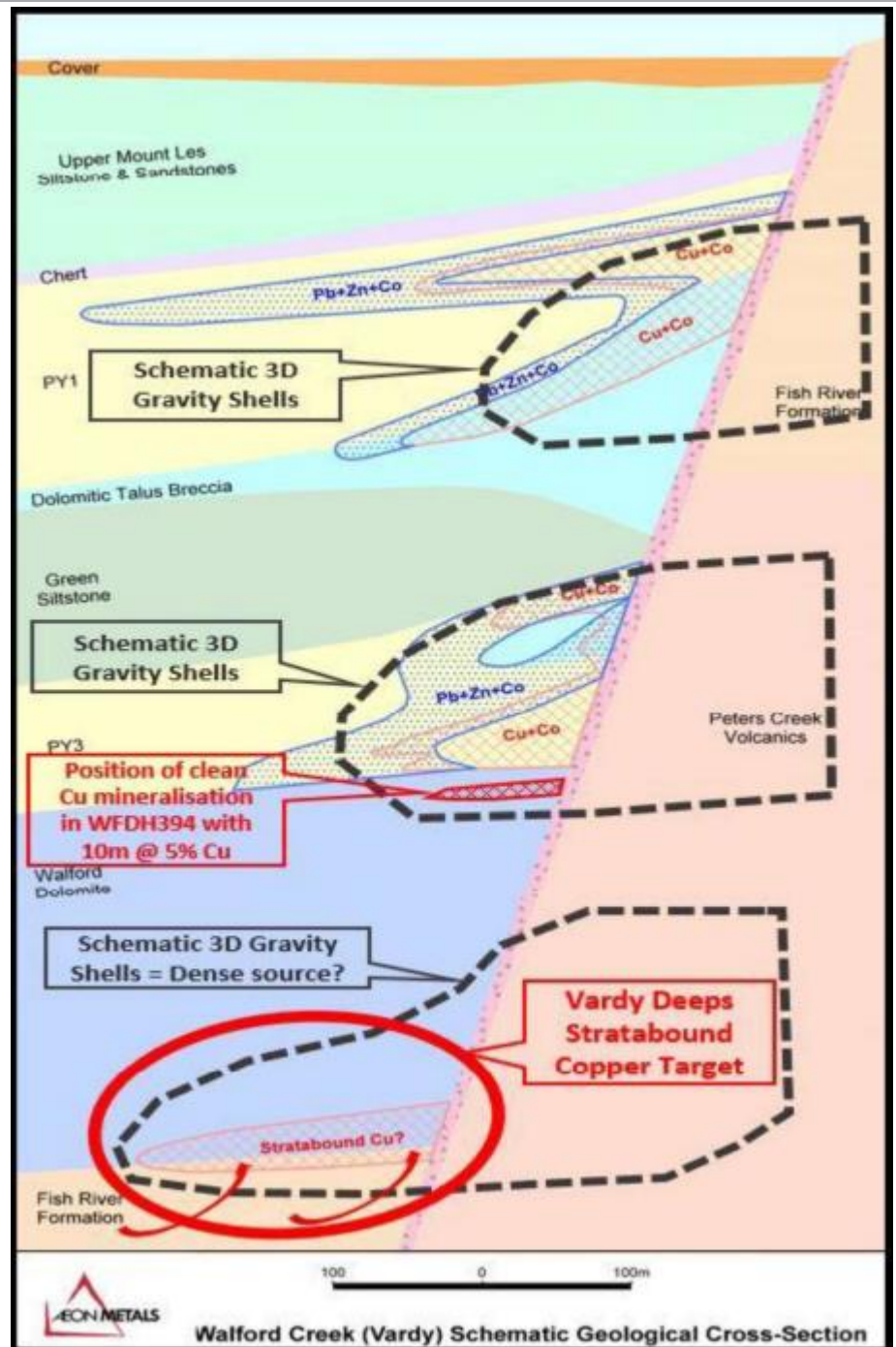
The known resource is confined to a corridor close to the fault and in two pyritic horizons

### Upside to the Resource base

As shown in Figure 2 above, deeper drilling between Marley and Amy has the potential to add resources. Drilling to date has shown that the mineralisation is confined close to the Fish River Fault structure, and does not extend significantly laterally into the sedimentary package. Tightly targeted drilling is required to adequately delineate the resource, as shown in the schematic cross section below. Drilling has intersected strong mineralisation – 10m @ 5% Cu – below the Py3 host, and geophysical exploration suggests a deeper target.

The Vardy Deeps schematic 3D gravity shell suggests potential for mineralisation below the current resource

Figure 4: Vardy Deeps interpreted geophysical cross section

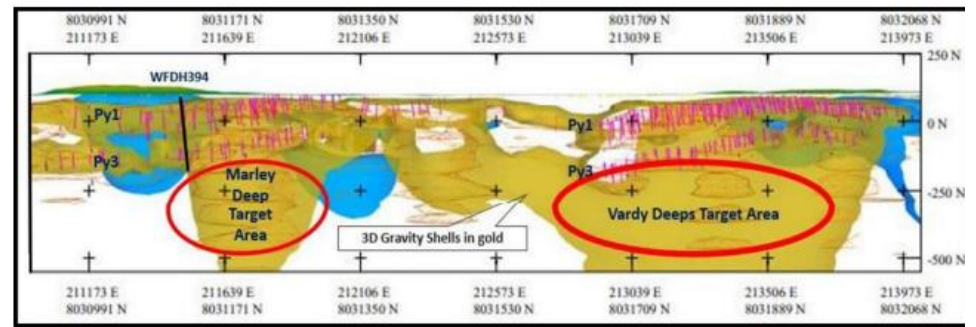


Source: Aeon Metals – ASX Release August 2021

The long section below shows the deeper geophysical target positions. Aeon has a number of other exploration tenements along the Fish River structure, and various splays and offset.

*The deep target has considerable lateral extent*

**Figure 5: Walford Creek – Untested geophysical targets beneath the resource**



Source: Aeon Metals – ASX Release August 2021

### Risks

Preliminary analysis of these changes to the process route, and currently being further evaluated, suggest a substantial improvement in financial returns. Should the process route prove successful, it should also deliver Aeon considerably greater potential optionality with respect to financing of the Walford Creek development.

The higher forecast recoveries and final payability levels of all metals produced from Walford Creek have significantly extended the Company's ability to utilise potential financing routes such as silver streaming (forecast LOM silver revenue of A\$691 - 934 million), offtake financing and/or sale of a strategic asset interest. Given the location of the Walford Creek Project in northern Australia, Aeon also plans to investigate the potential for a substantial funding contribution to be delivered from the Australian Federal Government's A\$5 billion Northern Australia Infrastructure Fund (NAIF) initiative.

Risk is attached to confirmation of the proposed process route, and to financing the development. Construction, commissioning and operation would carry the conventional risks, and the profitability would carry operational, commodity and AUD/USD exchange rate risks, with site costs in AUD and revenues in USD.

## Queensland

Brisbane	+61 7 3334 4888
Stockbroking, Corporate Advice, Wealth Management	
Brisbane: Edward St	+61 7 3121 5677
Brisbane: Tynan Partners	+61 7 3152 0600
Brisbane: North Quay	+61 7 3245 5466
Bundaberg	+61 7 4153 1050
Cairns	+61 7 4222 0555
Gladstone	+61 7 4972 8000
Gold Coast	+61 7 5581 5777
Holland Park	+61 7 3151 8300
Kedron	+61 7 3350 9000
Mackay	+61 7 4957 3033
Milton	+61 7 3114 8600
Newstead	+61 7 3151 4151
Noosa	+61 7 5449 9511
Redcliffe	+61 7 3897 3999
Rockhampton	+61 7 4922 5855
Springfield-Ipswich	+61 7 3202 3995
Spring Hill	+61 7 3833 9333
Sunshine Coast	+61 7 5479 2757
Toowoomba	+61 7 4639 1277
Townsville	+61 7 4725 5787

## Northern Territory

Darwin	+61 8 8981 9555
--------	-----------------

## New South Wales

Sydney	+61 2 9043 7900
Stockbroking, Corporate Advice, Wealth Management	
Sydney: Grosvenor Place	+61 2 8215 5000
Sydney: Reynolds Securities	+61 2 9373 4452
Sydney: Currency House	+61 2 8216 5111
Armidale	+61 2 6770 3300
Ballina	+61 2 6686 4144
Balmain	+61 2 8755 3333
Bowral	+61 2 4851 5555
Chatswood	+61 2 8116 1700
Coffs Harbour	+61 2 6651 5700
Gosford	+61 2 4325 0884
Hurstville	+61 2 8215 5079
Merimbula	+61 2 6495 2869
Mona Vale	+61 2 9998 4200
Neutral Bay	+61 2 8969 7500
Newcastle	+61 2 4926 4044
Orange	+61 2 6361 9166
Port Macquarie	+61 2 6583 1735
Scone	+61 2 6544 3144
Wollongong	+61 2 4227 3022

## Australian Capital Territory

Canberra	+61 2 6232 4999
----------	-----------------

## Victoria

Melbourne	+61 3 9947 4111
Stockbroking, Corporate Advice, Wealth Management	
Brighton	+61 3 9519 3555
Domain	+61 3 9066 3200
Geelong	+61 3 5222 5128
Hawthorn	+61 3 9900 4350
South Yarra	+61 3 9006 9955
Southbank	+61 3 9037 9444
Traralgon	+61 3 5176 6055
Warrnambool	+61 3 5559 1500

## Western Australia

West Perth	+61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management	
Perth	+61 8 6462 1999

## South Australia

Adelaide	+61 8 8464 5000
Stockbroking, Corporate Advice, Wealth Management	
Exchange Place	+61 8 7325 9200
Norwood	+61 8 8461 2800
Unley	+61 8 8155 4300

## Tasmania

Hobart	+61 3 6236 9000
--------	-----------------

## Disclaimer

The information contained in this report is provided to you by Morgans Financial Limited as general advice only, and is made without consideration of an individual's relevant personal circumstances. Morgans Financial Limited ABN 49 010 669 726, its related bodies corporate, directors and officers, employees, authorised representatives and agents ("Morgans") do not accept any liability for any loss or damage arising from or in connection with any action taken or not taken on the basis of information contained in this report, or for any errors or omissions contained within. It is recommended that any persons who wish to act upon this report consult with their Morgans investment adviser before doing so. Those acting upon such information without advice do so entirely at their own risk.

This report was prepared as private communication to clients of Morgans and is not intended for public circulation, publication or for use by any third party. The contents of this report may not be reproduced in whole or in part without the prior written consent of Morgans. While this report is based on information from sources which Morgans believes are reliable, its accuracy and completeness cannot be guaranteed. Any opinions expressed reflect Morgans judgement at this date and are subject to change. Morgans is under no obligation to provide revised assessments in the event of changed circumstances. This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever.

## Disclosure of interest

Morgans may from time to time hold an interest in any security referred to in this report and may, as principal or agent, sell such interests. Morgans may previously have acted as manager or co-manager of a public offering of any such securities. Morgans affiliates may provide or have provided banking services or corporate finance to the companies referred to in the report. The knowledge of affiliates concerning such services may not be reflected in this report. Morgans advises that it may earn brokerage, commissions, fees or other benefits and advantages, direct or indirect, in connection with the making of a recommendation or a dealing by a client in these securities. Some or all of Morgans Authorised Representatives may be remunerated wholly or partly by way of commission.

## Regulatory disclosures

Analyst owns shares in the following mentioned company(ies): Aeon Metals

## Recommendation structure

For a full explanation of the recommendation structure, refer to our website at [morgans.com.au/research\\_disclaimer](https://morgans.com.au/research_disclaimer)

## Research team

For analyst qualifications and experience, refer to our website at [morgans.com.au/research-and-markets/our-research-team](https://morgans.com.au/research-and-markets/our-research-team)

## Research coverage policy

For an overview on the stock selection process, refer to our website at [morgans.com.au/research-and-markets/company-analysis/Research-Coverage-Policy](https://morgans.com.au/research-and-markets/company-analysis/Research-Coverage-Policy)

## Research independence statement

[morgans.com.au/Research-Independence-Statement](https://morgans.com.au/Research-Independence-Statement)

## Stocks under coverage

For a full list of stocks under coverage, refer to our website at [morgans.com.au/research-and-markets/company-analysis/ASX100-Companies-under-coverage](https://morgans.com.au/research-and-markets/company-analysis/ASX100-Companies-under-coverage) and [morgans.com.au/research-and-markets/company-analysis/EX-100-Companies-under-coverage](https://morgans.com.au/research-and-markets/company-analysis/EX-100-Companies-under-coverage)

If you no longer wish to receive Morgans publications please contact your local Morgans branch or write to GPO Box 202 Brisbane QLD 4001 and include your account details.

**morgans.com.au**