

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2021

Aeon Metals Limited (ASX:AML) (**Aeon** or the **Company**) is pleased to present its activities report for the quarter ending 31 December 2021.

Highlights:

- Site exploration activities were concluded in November 2021 ahead of wet season.
- All assay results for the 2021 drilling campaign have been received.
- Drilling at Vardy Deeps has revealed exciting new and highly prospective horizons within the Walford Dolomite.
- Updated Mineral Resource Estimate is scheduled for completion in February 2022.
- Metallurgical testwork continues with flowsheet optimisation progressing well.
- Walford Creek PFS remains on schedule for completion at end of Q1 2022.
- Commodity prices for the Walford Creek Project metal portfolio continue to perform strongly.
- Commonwealth R&D refund of A\$1.17 million received in December 2021.
- Bacchus Capital Advisers appointed in December 2021 and currently advancing financing options for Walford Creek Copper-Cobalt Project development.

Commenting on the activities for the quarter, Aeon Managing Director, Dr Fred Hess, said:

“Both exploration and study activities have continued to advance our knowledge of the Walford Creek mineral resources and the pathway to a successful project development. The 2021 drilling campaign concluded with the tantalising prospect for further expansion of mineralisation beyond the already known 10 km of Fish River Fault. In addition to the new exploration targets identified from the high resolution geophysical surveys conducted in 2021, the net will now be cast even wider in 2022 with the potential for the dolomite sequences to host previously unrecognised but similarly structurally controlled copper mineralisation.”

“The key to the turnaround in fortunes for the Walford Creek Project was adoption, in the Revised Scoping Study in June 2021, of an evolved flowsheet involving bulk flotation followed by leaching. Pleasingly, the past six months of metallurgical testwork has resulted in the optimisation of both flotation and leaching processes which in turn has reinforced confidence in the new approach. All key elements of the Pre-Feasibility Study continue to be advanced and it is expected that the results will be available at the conclusion of the Quarter 1.”

“Project financing is a key challenge for any significant mine development and to this end Aeon has secured the services of Bacchus Capital Advisers. Over the course of 2022, a range of potential financing options will be explored with the aim of resolution in conjunction with the completion of the subsequent Feasibility Study stage for Walford Creek.”

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Exploration

The 2021 field program at the Walford Creek Project had the following objectives:

- Obtaining suitable representative feed samples from the Vardy and Marley resources to allow comprehensive metallurgical test work to be completed.
- Providing further geotechnical data to support mine design.
- Completing infill drilling within the existing resource where appropriate to enhance confidence in mineralisation and continuity.
- Conducting exploration of the Vardy Deeps concept as detailed in ASX release dated 9 August 2021 (New Drill Targets at Walford Creek) and commencing exploration for further mineralisation along strike between the Marley and Amy deposits.

The metallurgical sample collection program was split between the Vardy and Marley zones, while the Amy zone was excluded (see Figure 1). The program commenced with a single, multi-purpose drill rig operating on double shift from 3 June 2021. A second rig was added on 18 September 2021. Drilling ceased in mid-November ahead of the wet season.

A total of 46 new drill holes were completed, plus an additional diamond tail to a historic drill hole, during the 2021 drilling program. This represents a total of 8,951 metres of drilling.

The results of the exploration activities were reported in the following ASX releases:

- 9 Aug 2021 – New drill targets at Walford Creek
- 3 Nov 2021 – 2021 Vardy drilling update
- 11 Nov 2021 – Vardy Deeps exploration update
- 11 Nov 2021 – Vardy and Marley drilling update
- 28 Jan 2022 – 2021 Vardy and Marley drilling update

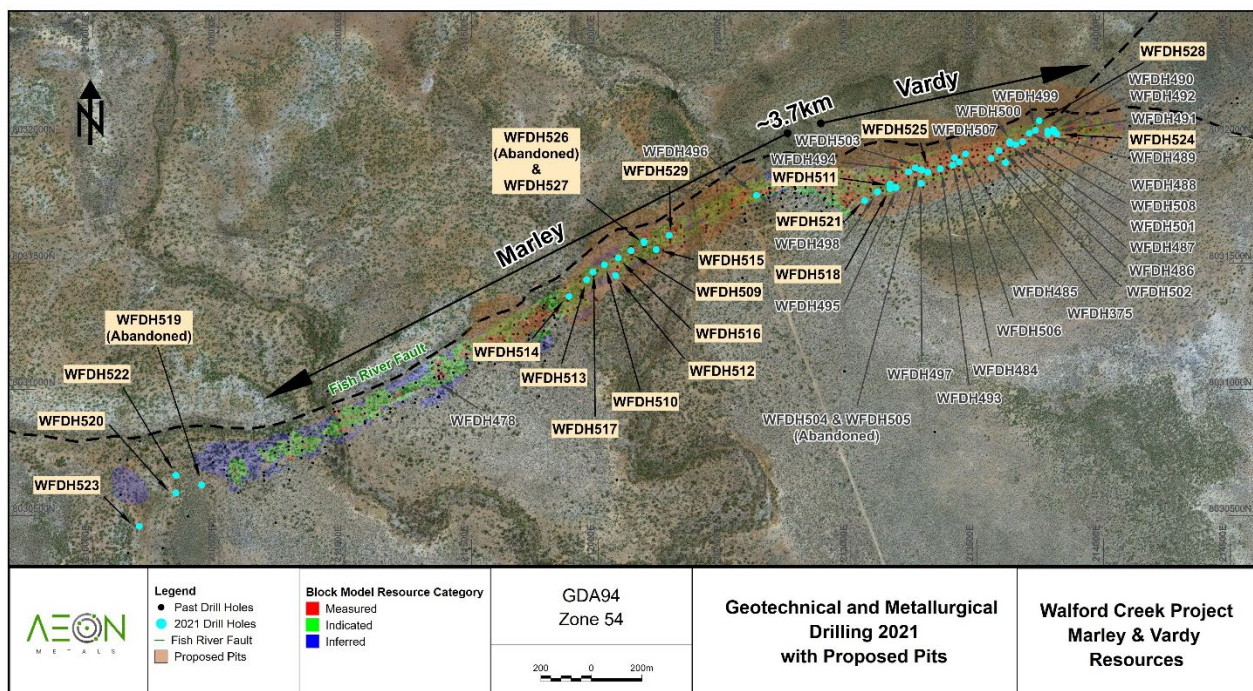


Figure 1: Distribution of the 2021 drilling in relation to the Marley and Vardy deposits

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The existing drill spacing at Vardy and Marley is variable. Where possible, the metallurgical drill holes were designed to tighten drill hole spacing with the objective to achieve a spacing approaching 20 metres. Assay results received are broadly consistent with historic results and continue to demonstrate the exceptional continuity and quality of the mineral resources at Vardy and Marley. The new drill data is currently being incorporated into the Mineral Resource Estimates, which is expected to be updated in February.

The Vardy Deeps target area was defined primarily from a geophysical anomaly using high resolution gravity data collected in Q2 2021. A dense body is modelled sitting beneath the Vardy mineral resource within the Walford Dolomite. This feature cannot be explained by the currently known stratigraphy in the area. A previous drill hole that pierced the upper margins of the Walford Dolomite (WFDH394 reported in ASX release dated 21 November 2018, Marley Resource Drilling – Mineralisation Continuity) returned 10m at 5% copper in the form of "clean" chalcopyrite. In the ASX release, the drill section in Figure 10 incorrectly showed this intersection occurring at the bottom of the Py3 zone when it is actually within the upper portion of the Walford Dolomite (as subsequently noted). This chalcopyrite intersection demonstrates that the Walford Dolomite can be a host of high-grade copper mineralisation.

Two exploratory holes into the Vardy Deeps target were also completed. Both holes intercepted two discrete prospective stratigraphic horizons within the Walford Dolomite that can be correlated between holes. These horizons host hydrothermal alteration textures containing minor chalcopyrite mineralisation (see Figure 2) that are now interpreted as exciting new prospective horizons within the Walford Dolomite itself.

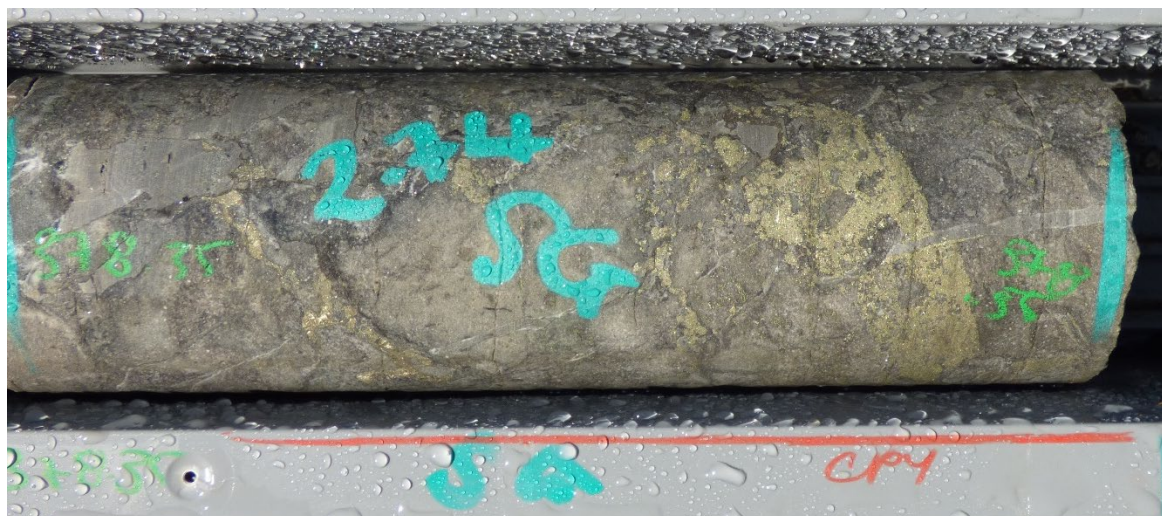


Figure 2: Drill core from WFDH375 378.7 metres showing chalcopyrite as matrix infill in the Walford Dolomite (sample is roughly 40m off the Fish River Fault)

Pre-Feasibility Study (PFS) Progress

The primary grind and flotation testwork has been undertaken at ALS Burnie Laboratory under the direction of Dr Greg Harbort from Geometecon. The hydrometallurgy testwork has been undertaken in the ALS Perth laboratory under the direction of Mr Bruce Wedderburn from Malachite Consulting.

The metallurgical testwork completed to date has focussed broadly on four key areas. These are:

1. Optimisation of primary grinding to achieve adequate metal sulphides liberation.
2. Optimisation of the bulk sulphide flotation to maximise metal sulphides recovery.

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3. Optimisation of bulk sulphide concentrate leaching conditions to maximise metal extractions into the pregnant leach solution.
4. Sighter testwork to identify the preferred process option for undertaking solid/liquid separation of the leach residue solids from the pregnant leach solution.

This testwork phase is now largely completed. A detailed update of the results is currently in preparation. The basic flowsheet has however been confirmed using the various samples collected from the 2021 drilling program. The operation of the pressure leaching circuit was remarkably robust and was essentially insensitive to the variability of the ore types characterised by flotation response. Thickening followed by filtration was demonstrated to be superior to counter-current decantation for solid/liquid separation of the autoclave discharge. Impurity removal and solvent extraction testwork on the pregnant leach solution are currently well advanced.

PFS work has continued to progress on a number of fronts including:

- Mining optimisation
- Site layout
- Logistics
- Power generation
- Marketing
- Environment
- Project execution strategy

The PFS remains on schedule for completion at the end of March with the results expected to be released shortly thereafter.

Corporate

On 7 December 2021, Aeon announced the appointment of Bacchus Capital Advisers as strategic financial advisers to Aeon Metals. Bacchus Capital Advisers (**BCA**), led by Peter Bacchus, has extensive experience in resource capital markets, both in Australia and the northern hemisphere. The BCA team has raised more than US\$15 billion in public and private capital for the global natural resources sector and engineered many transformational transactions. Their appointment is for an initial 12-month period to provide strategic corporate financial advice that includes with respect to potential funding options, strategic equity, M&A and defence. Specific to Aeon's Walford Creek Copper-Cobalt Project, BCA will progress considerations on debt funding, potential project partners and related major commercial opportunities.

In December 2021, Aeon received Federal Government R&D grant funds of A\$1.17 million for research and development work already completed. This grant is associated with the selection, design and operation of metallurgical processes that seek to produce high grade concentrates consistently and at maximum recovery.

At quarter end, Aeon held A\$2.8 million cash and had drawn debt of A\$26.3 million.

Commodity Price Trends

Figures 3a to 3d highlight the consistent upwards trend in metal prices for the proposed Walford Creek products over the course of 2021. The commitment of most major developing countries to the target of achieving net zero carbon dioxide emissions by 2050 is set to have far-reaching effects for future supply and demand across a number of metals, including all of the key products from Walford Creek

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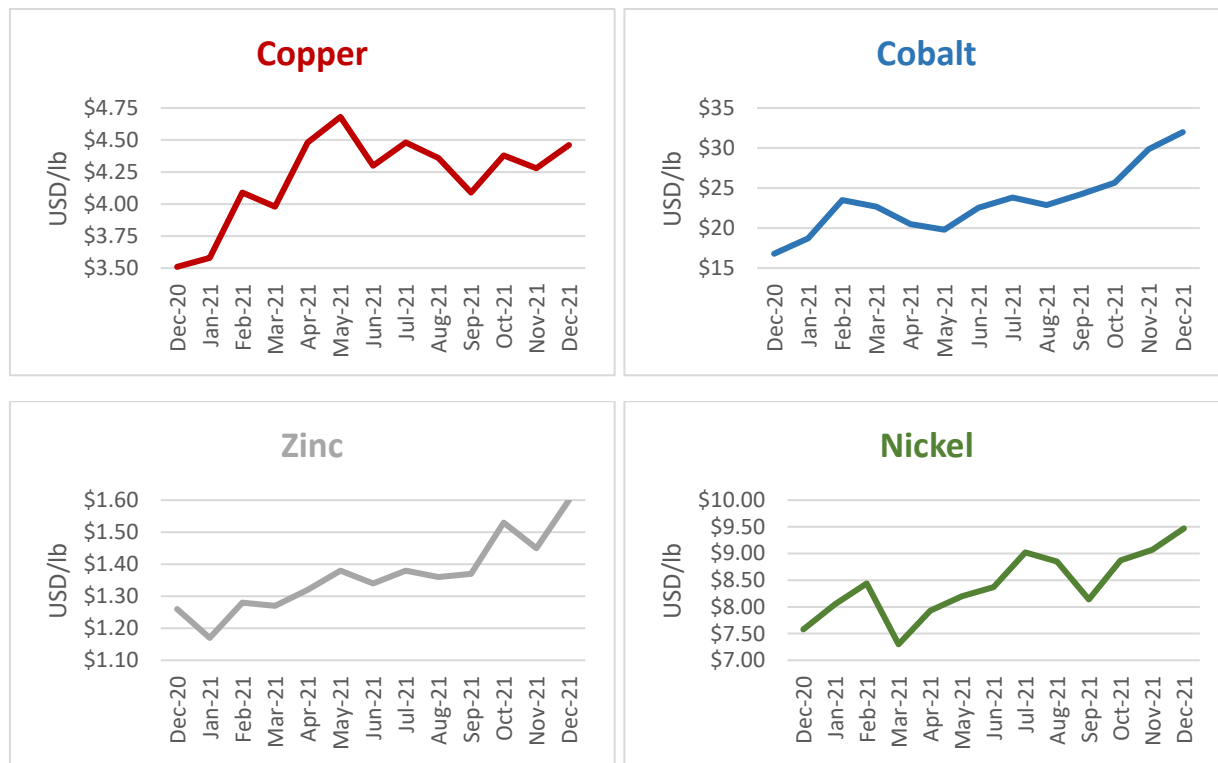
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Project. Realistically, this potentially enormous increase in demand can only be satisfied by a corresponding substantial increase in supply which will largely be driven by new project developments. To ensure that these project developments occur in a timely fashion, commodity prices need to sustain levels that can incentivise investment in new production. The Walford Creek Project is ideally positioned with its potential copper, cobalt, zinc and nickel metal products all capable of participating strongly in this new wave of demand.

Figures 3(a-d): Commodity price trends in 2021



ASX Additional Information

ASX listing rule 5.3.1: Exploration and evaluation expenditure during the quarter was A\$4.0 million. Details of exploration activity during the December 2021 quarter are set out in this report and are mostly associated with costs relating to the Walford Creek Project.

ASX listing rule 5.3.2: There were no substantive mining production or development activities during the quarter.

ASX listing rule 5.3.5: Appendix 5B, Section 6.1 – description of payments: During the December 2021 quarter, Aeon paid directors fees of A\$191,000.

Appendix 5B

The Company’s Appendix 5B cash report has also been released today.

This ASX release has been authorised by the Aeon Board:

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ABOUT AEON METALS

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

A Pre-Feasibility Study on the Walford Creek Project is targeted for completion in Q1 2022.

Aeon's vision: making a difference – creating sustainable value by delivering key metals driving the low carbon future.

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