

Aeon Metals Limited
ABN 91 121 964 725

Annual report
30 June 2017

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Aeon Metals Limited

Directors Report

For the year ended 30 June 2017

The directors present their report together with the consolidated financial statements of the Group comprising of Aeon Metals Limited (the Company and/or Aeon) and its subsidiaries (the Group) for the financial year ended 30 June 2017 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Directors:

Mr. Thomas Joseph Mann	(appointed 28 June 2010, resigned 18 November 2016)
Mr. John Leslie Goody	(appointed 28 September 2006, resigned 7 September 2016)
Mr. Hamish Collins	(appointed 28 March 2012)
Mr. Paul Harris	(appointed 17 December 2014)
Mr. Ivan Wong	(appointed 1 July 2016)
Mr. Stephen Lonergan	(appointed 7 September 2016)

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 in Section 7 of the Directors' report.

2. Company secretary

The Company Secretary at the end of the financial period was Stephen J. Lonergan LL.B (Hons), LL.M (McGill).

Mr. Lonergan was appointed Company Secretary on 28 September 2006. Details of Mr Lonergan's skills and experience are set out in Section 7 of this Report.

3. Principal activities

The principal activities of the Group during the financial period were the exploration and development of the Walford Creek (100% owned) base metal project. The Group's mineral assets comprise a regionally extensive, but disparate, tenement holding in Queensland, namely:

- A 100% interest in the Walford Creek copper-lead-zinc-cobalt project.
- A 100% interest in permits in the SE Queensland project comprising:
 - Greater Whitewash Polymetallic Project ("Greater Whitewash");
 - Ben Hur Copper Project ("Ben Hur") (a combined John Hill/Kiwi Carpet project); and
 - 7B Copper/Gold Project ("7B").
- A 100% interest in the Forsyth Project.
- Various interests in 6 permits of the Isa North base metals EPMs and four MDLs.
- Various interests in 4 permits of the Isa West base metals-phosphate EPMs.
- Various interests in 10 permits of the Isa South copper-gold EPMs.
- Various interests in 4 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.

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4. Operating and financial review

Operating Results

The loss of the Group amounted to \$8,242 thousand (2016: \$2,467 thousand) including impairment losses of \$6,751 thousand (2016: \$939 thousand).

Dividends

No dividends were paid or declared and no dividends have been recommended by the Directors.

Review of Exploration Operations

The 12-month period to 30 June 2017 has been an exciting period for the Company with successful drill campaigns completed on the 100% owned Walford Creek Cu-Co-Zn Project ("Walford Creek" or the "Project").

The successful drill campaigns undertaken in September/October 2016 enabled the delineation of a high-grade subset Resource, the Vardy Resource, announced in October 2016 with a subsequent Preliminary Economic Assessment ("PEA") utilising the Vardy Resource, completed in February 2017. Additionally, a cobalt roasting Scoping Study assessing the development potential of the Global Resource was announced in April 2017.

A further drill campaign commencing in May 2017 has also assisted in building the geological model enabling better definition of the high-grade zones along the Fish River Fault ("FRF").

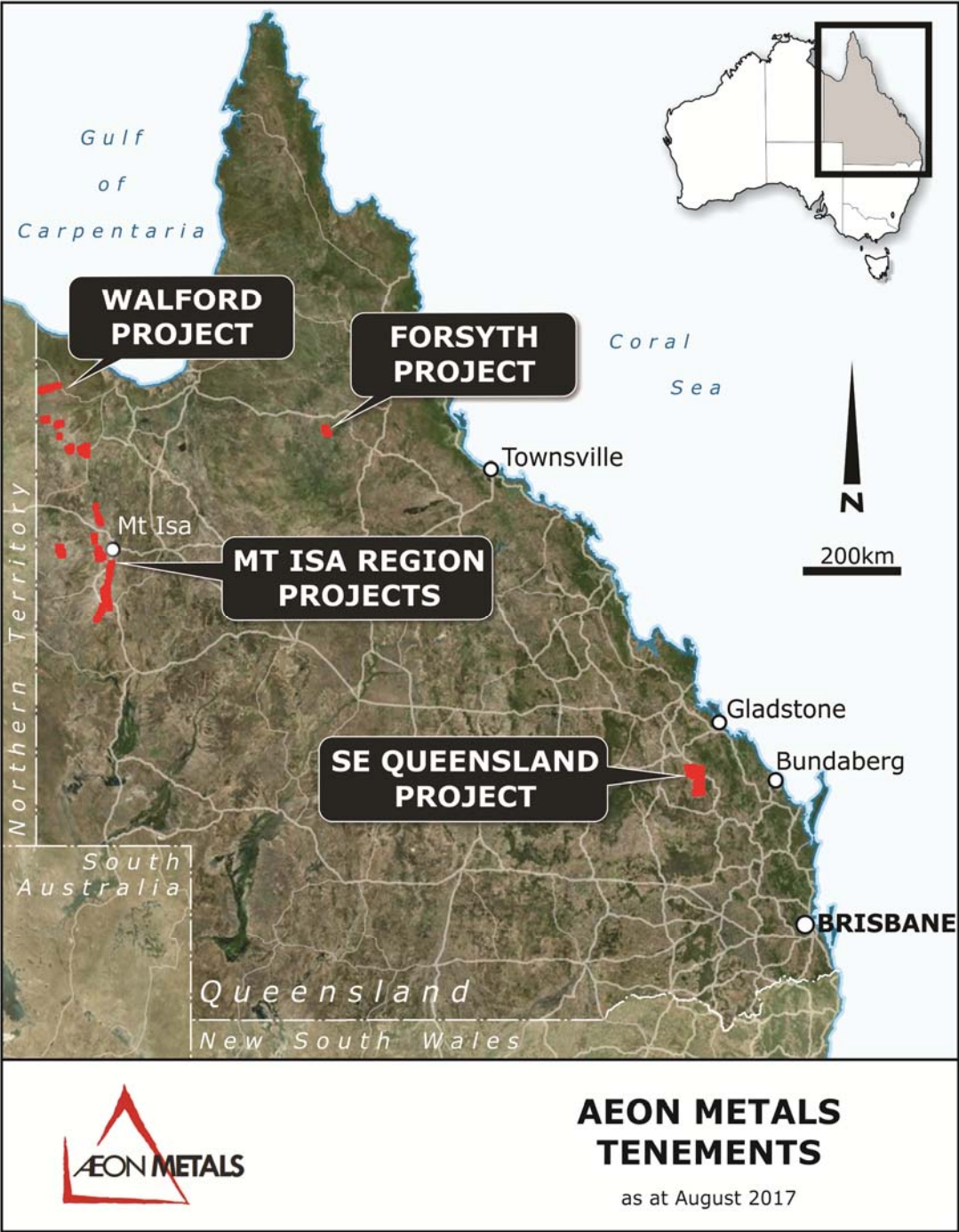
The Walford Creek Project is a large base metals project with a significant JORC Indicated and Inferred Global Resource and subset Resources (the Vardy Resource) containing copper, cobalt, lead, zinc and silver. The Walford Creek Project has potential for both open pit and underground mine development of world class scale.

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 location of the projects are all close to major infrastructure (power, sealed highway, water) and only 215km by highway to Gladstone port.

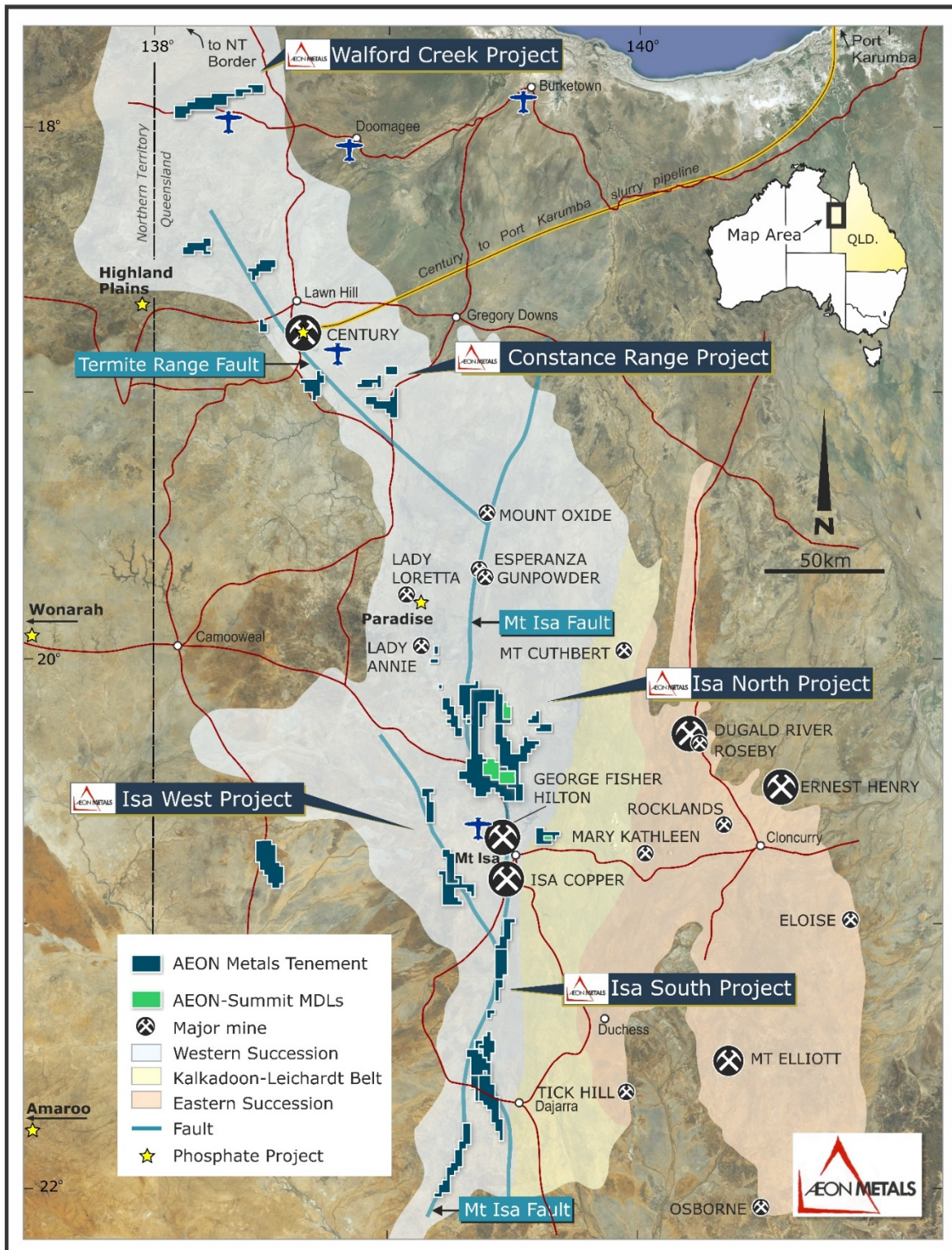
The location of Aeon's tenement holdings in Northwest and Southeast Queensland is shown in Figure 1 below.

Figure 1: Aeon's Tenement Holdings



NORTHWEST QUEENSLAND PROJECTS

Figure 2: Location of Aeon's Northwest Queensland Projects



THE WALFORD CREEK PROJECT

The flagship asset and highest priority tenement holding of Aeon is the 100% owned Walford Creek Project.

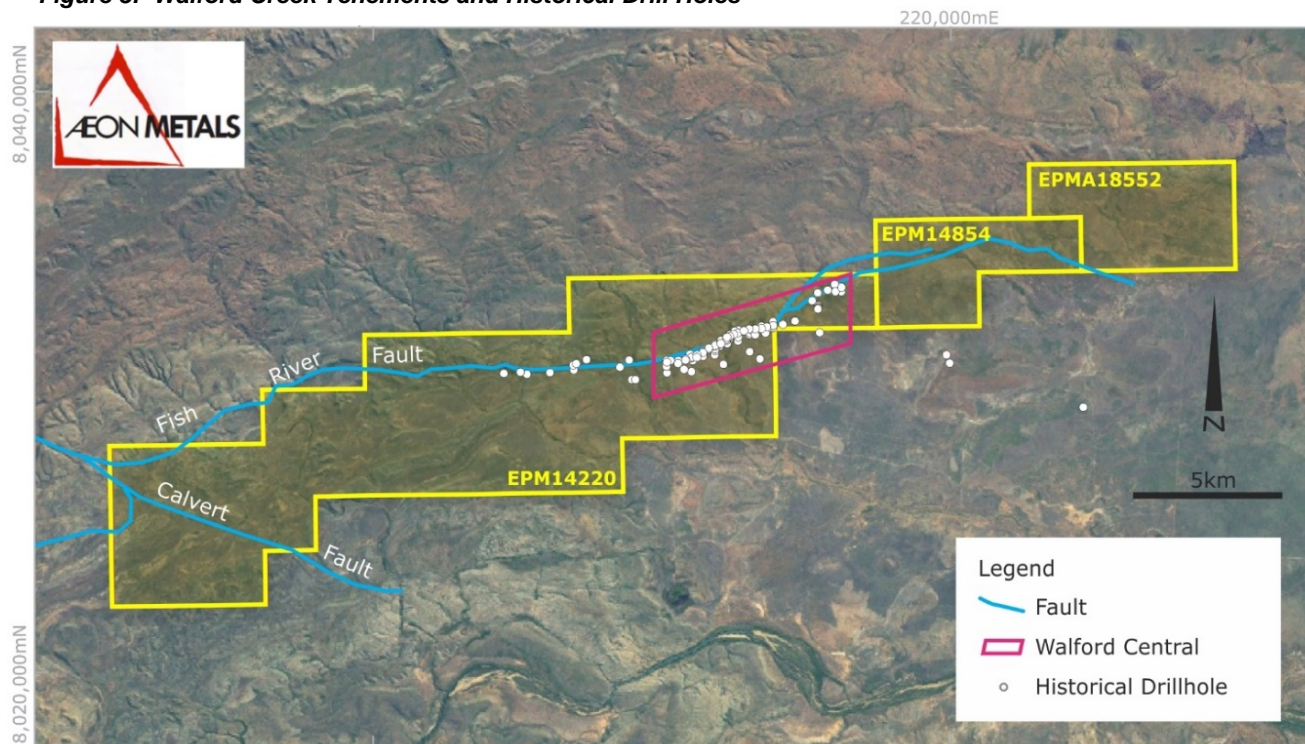
The Walford Creek Project is located approximately 350km north west of Mount Isa in Northwest Queensland, close to the Northern Territory border. The closest town is Doomadgee, approximately 70km to the east, which is accessed by a sealed road from Cloncurry. Doomadgee has a commercial airstrip that connecting to other major centres within Queensland.

At Walford Creek, Aeon holds (through its subsidiary Aeon Walford Creek Limited) the right to explore for minerals on 3 granted exploration permits covering a total area of 173km² as summarised below:

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-17

Figure 3: Walford Creek Tenements and Historical Drill Holes



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The Global Resource (March 2015) estimates for Walford Creek are as follows:

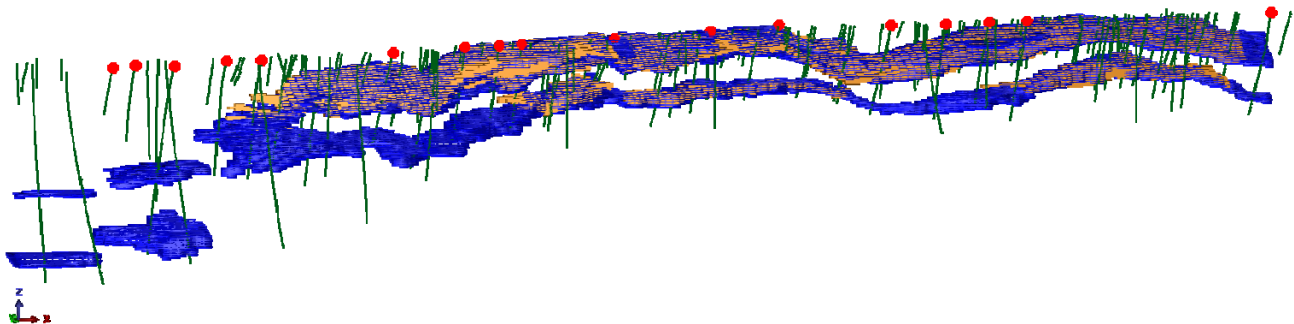
Table 2: Global Resource Estimates

Walford Creek 2014-5 Resource Estimates						
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %
Indicated	16.3	0.46	0.83	1.02	20.1	0.091
Inferred	57.1	0.39	0.86	0.80	24.5	0.079
Total	73.3	0.40	0.85	0.85	23.5	0.081

Walford Creek 2014-5 Resource Estimates					
Category	Cu Tonnes	Pb Tonnes	Zn Tonnes	Ag Mozs	Co Tonnes
Indicated	74,700	134,800	166,300	10.5	14,800
Inferred	220,800	491,200	456,900	45.0	44,800
Total	295,500	626,000	623,200	55.5	59,600

Details are available in the Company's ASX announcements on 6 March 2015 and 16 March 2015

Figure 4: 2015 Resource Estimates Mineralised Zones



The Global Resource has been defined along a 4.5km strike length of the FRF corridor, which extends over a distance of approximately 25km within the Walford Creek tenements. The mineralisation is largely structurally controlled and there is further potential for extension to the defined Mineral Resource along the strike length of the FRF.

Two drill programs were undertaken during the 12 month period including a program commencing in September 2016 and concluding in October 2016 (8 holes for 578.5 metres), and a drill program commencing in May 2017. As at 30 June 2017, a total of 19 drill holes for 2,259 metres had been completed. This comprised 18 DD holes (WFDD224 to WFDD241) and one RC hole WFRC242.

The September/October 2016 program was preceded by a drill program in May/June 2016 which successfully drilled high grade holes into what has become the Vardy Zone.

Examples of significant intercepts for the May/June drilling where results were received in August and September include:

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WFRC213: 16m @ 2.98% Cu and 0.09% Co from 39m

- Including 10m @ 4.52% Cu and 0.13% Co from 41m;

WFDD200: 31m @ 2.77% Cu and 0.25% Co from 34m

- including 18m @ 4.45% Cu and 0.29% Co from 34m

Examples of significant intercepts from the September and October drilling include:

WFDD221 - 18m @ 2.36% Cu and 0.14% Co from 38m downhole.

WFDD222 – 11m @ 1.79% Cu and 0.24% Co from 60m downhole

WFDD223 – 33.6 @ 0.84% Cu, 0.24% Co, 1.78% Pb, 3.01% Zn
and 27.5gt Ag from 69m to EOH

The Vardy Zone high-grade Resource estimate was announced in October 2016 with a subsequent upgrade incorporating the September/October 2016 holes in December 2016. The Vardy Resource contains significant copper and cobalt with lower grades of lead, zinc and silver. This Vardy Zone Resource shown below is calculated on all drilling completed over a 1km of strike.

Table 3: Walford Creek Vardy Resource Statement

Walford Creek Vardy Resource Statement								
Category	Volume m ³	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Pyrite %
Measured	284,625	1.0	1.14	0.84	0.83	25.9	0.17	46.0
Indicated	645,000	2.2	1.26	0.80	0.93	26.4	0.18	42.2
Inferred	1,023,375	3.4	1.28	0.68	0.63	25.0	0.15	36.5
Total	1,953,000	6.6	1.25	0.74	0.76	25.6	0.16	39.8

Walford Creek Vardy Resource Statement							
Category	Cu kt	Pb kt	Zn kt	Ag Mozs	Co kt	Py kt	Density t/m ³
Measured	11	8	8	0.8	1.6	445	3.40
Indicated	28	18	21	1.9	4.0	932	3.42
Inferred	43	23	21	2.7	5.2	1,244	3.33
Total	82	49	50	5.4	10.8	2,621	3.37

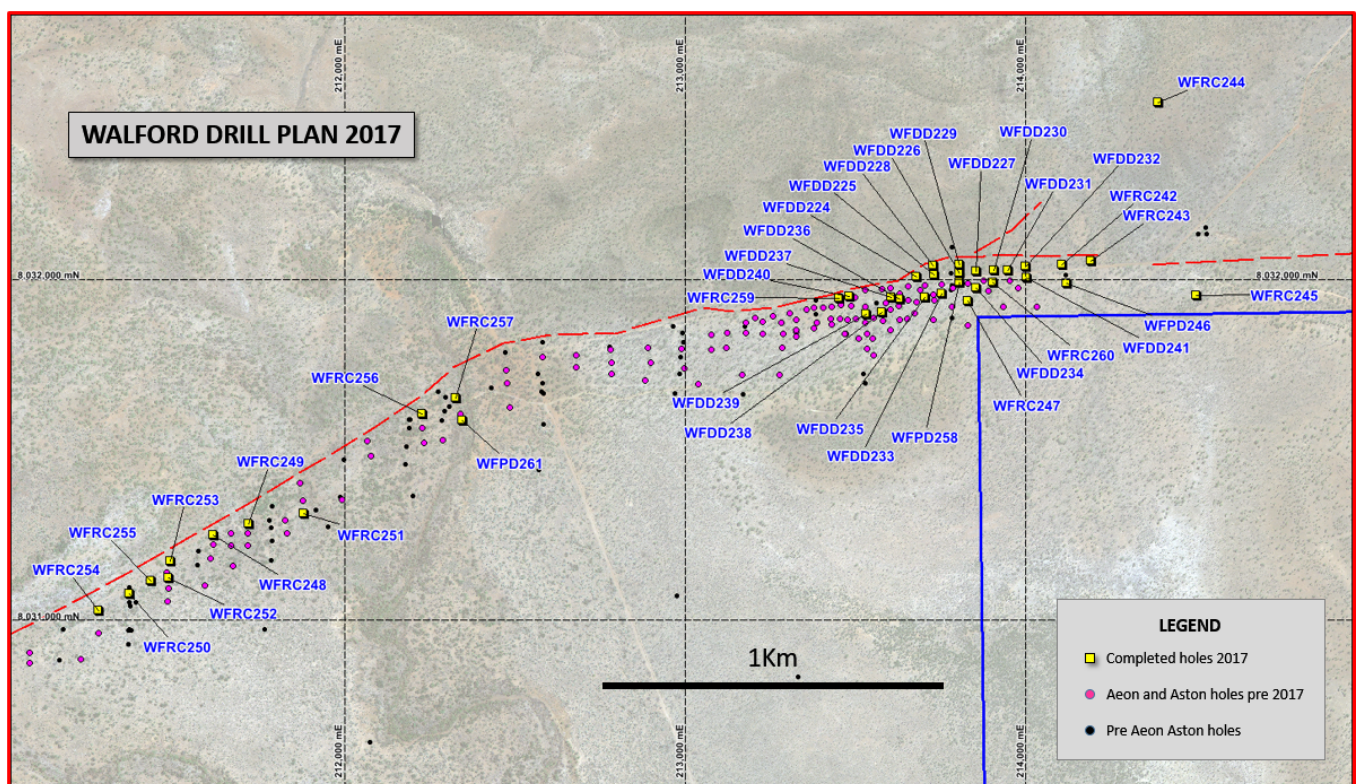
This high-grade mineralisation close to the FRF highlighted the potential for further high-grade zones of near surface Cu-Co-Zn zones elsewhere along the FRF corridor. In particular, it has highlighted the potential within the

4.5km strike of the global Resource west of the Vardy Zone, where drilling was broadly spaced and generally not focused close to the FRF.

Additionally, the first holes drilled to the east/northeast in May 2017 have defined the FRF as having been jogged or offset to the north-east over approximately 200m along an east north east offset. The drilling has then confirmed the continuing eastward trend of the FRF.

The 2017 drill campaign commenced on 4 May 2017 with the dual purpose of increasing the mine life of the Vardy Cu-Co-Zn Project via extension drilling as well as completing the infill of the Vardy Resource to 100% Indicated Resources (currently 73%). The 2017 drill campaign has been very successful for the many significant intercepts achieved as well as helping to refine the Walford Creek geological model and its association with the FRF.

Figure 5: 2017 Drill plan showing drilling completed in 2017 and past holes



Examples of significant intercepts for the May 2017 drill program (to date) include:

WFDD226: 26m @ 1.02% Cu, 0.26% Co and 38gt Ag from 26m

Incl: 14m @ 1.42% Cu, 0.31% Co, 0.88% Zn and 37gt Ag from 35m

WFDD230: 16m @ 1.37% Cu, 0.30% Co, 1.99% Zn and 21gt Ag from 77m

Incl: 7m @ 2.72% Cu, 0.37% Co, 1.72% Zn and 22gt Ag from 81m

WFDD234: 6m @ 2.76% Cu, 0.32% Co and 24gt Ag from 91m

WFDD236: 16m @ 2.10% Cu, 0.11% Co, 1.31% Pb, 0.86% Zn and 47gt Ag from 120m

Incl: 5m @ 5.12% Cu, 0.14% Co, 3.63% Pb, 0.86% Zn and 87gt Ag from 121m

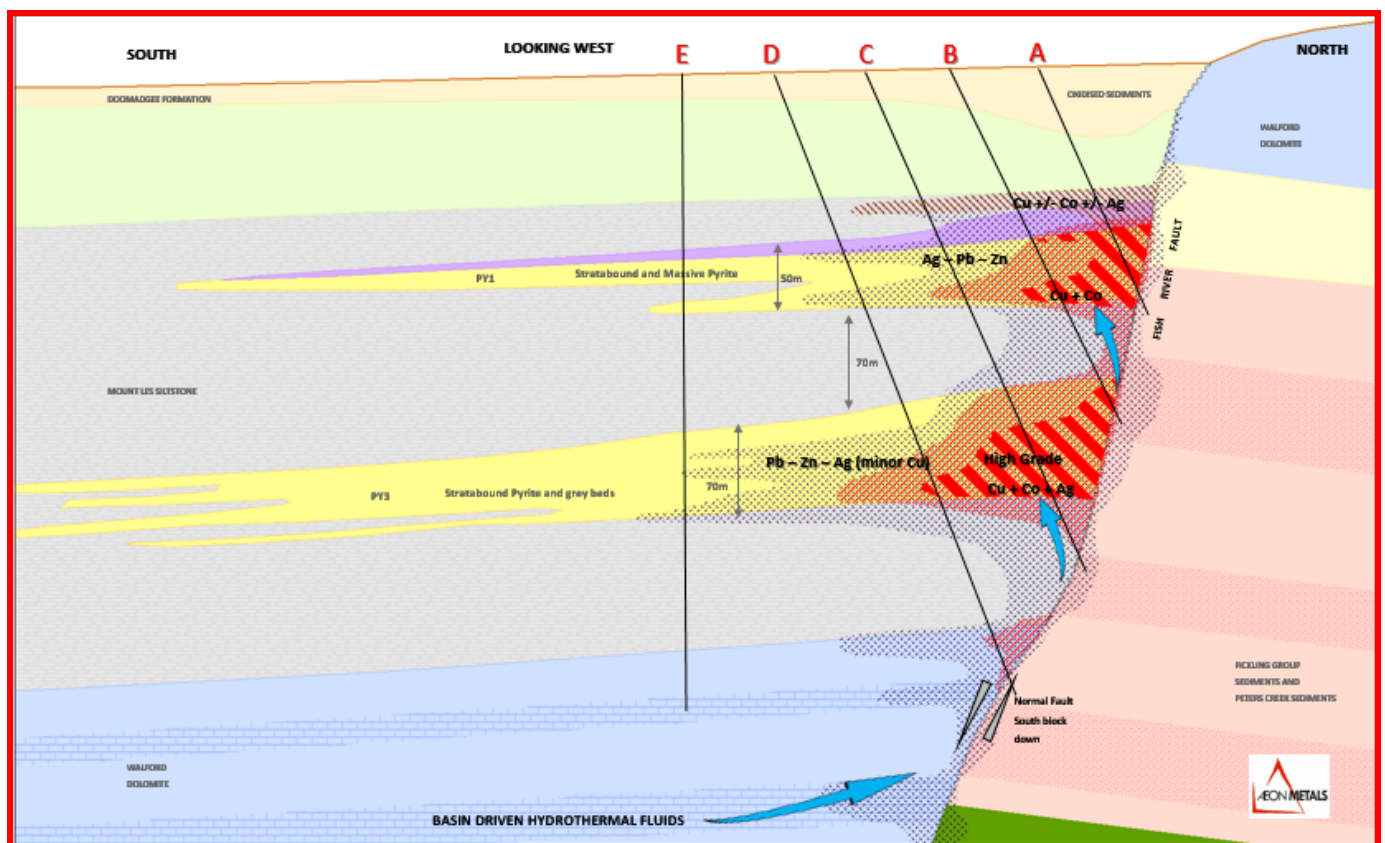
WFDD238: 27m @ 3.13% Cu, 0.25% Co, 1.34% Pb and 38gt Ag from 126m

Incl: 9m @ 6.85% Cu, 0.18% Co, 2.79% Pb and 50gt Ag from 135m

WFDD240: 20m @ 4.5% Cu, 0.2% Co, and 36gt Ag from 35m

The drilling during the 12-month period has also allowed the geological model to be refined and enabled better definition of the high-grade zones along the FRF. The mineralisation at Walford Creek exhibits strong characteristics of Zambian Copperbelt style sediment hosted copper-cobalt mineralisation. Consistent with this, the lower pyrite unit 3 ("Py3") at Walford Creek contains the best copper grades. The Py3 is the first favourable site for mineral bearing hydrothermal fluids, driven from deep within the sedimentary basin to drop their metals (see Figure 6).

Figure 6: Schematic cross section of Walford Creek showing zonation of metals and drill effectiveness

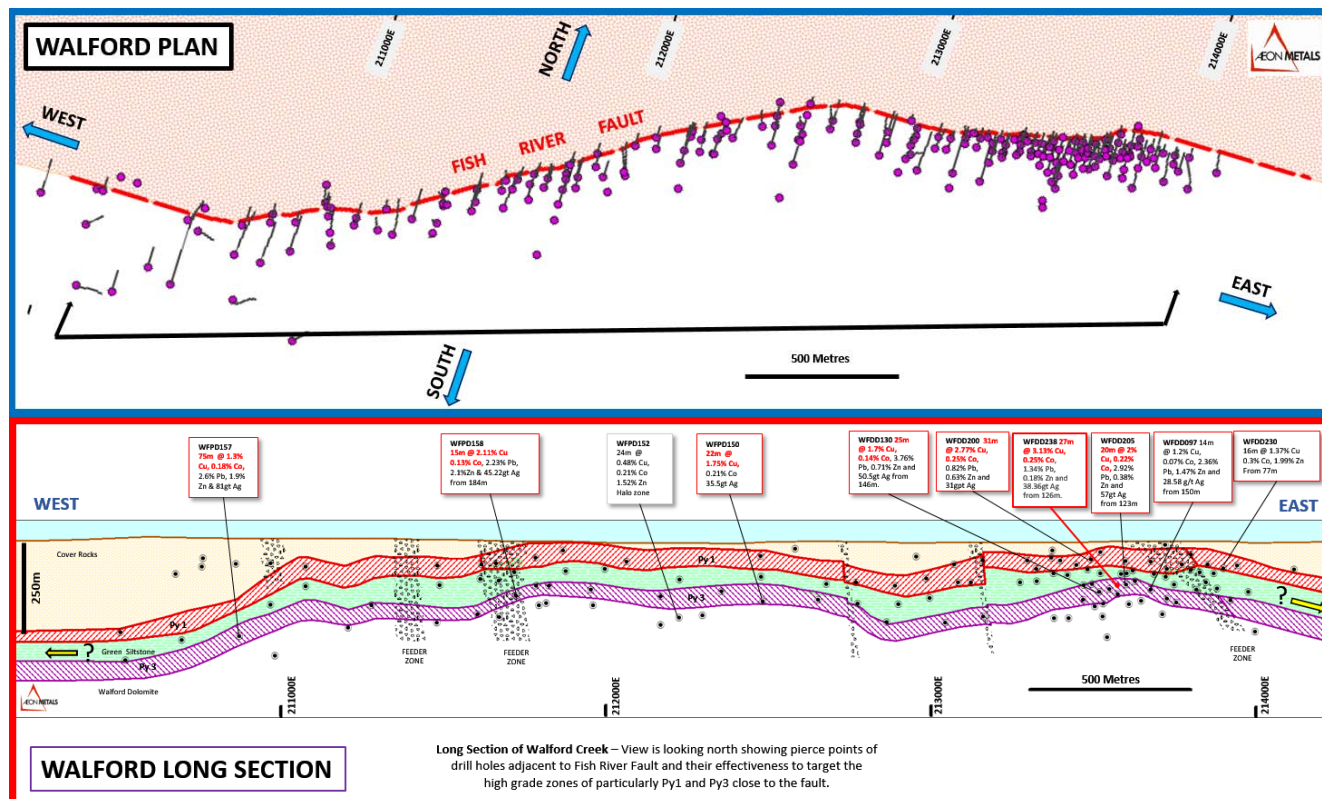


An additional geological metric from the Zambian Copperbelt style model is the zonation of metals with a high-grade core of copper and cobalt and flanking lead – zinc – silver mineralisation. This better appreciation of the zonation of these metals will assist in targeting zones where previous holes have flanked or skimmed the high-grade portions of the system. The Figure 6 schematic shows the relative ease of missing the high-grade zones and receiving moderate or low grades.

The geological model is based on the large database at Walford and also draws on the voluminous research into the Zambian Copperbelt style system. The Zambian Copperbelt style model indicated that the Py3 would likely see the best copper grades as it represents the first reducing facies for basin derived hydrothermal metal bearing fluids passing along permeable layers well below the Mount Les siltstone, host of the Py1 and Py3 pyritic sediments.

Zonation of metals, as shown in the Figure 6 schematic model, tend towards copper and cobalt rich zones close to the FRF and the lower portions of the pyrite units with halo mineralisation comprising lead and zinc mineralisation. High silver and also cobalt extend as an envelope beyond the high copper lead and zinc and can provide valuable clues to vectoring in on the valuable portions of the Walford Creek Deposit.

Figure 7: Walford Plan and Long Section



The long section in Figure 7 shows very clearly that for much of the four kilometre strike shown of the Walford Global Resource there are relatively few holes that have actually intercepted the likely ‘sweet spots’ of, particularly, the lower Py3 lens.

To the west of Vardy, only a handful of holes have successfully tested the Py3 unit close in to the FRF. In addition, holes have drilled the Py3 but they are further out from the FRF. Application of the extensive drilling data base and the Zambian Copperbelt style model will provide the opportunity to more accurately target high grade mineralisation, particularly in the lower Py3 lens.

During the 12-month period, Aeon has been engaged in establishing the key feasibility drivers for the Project (e.g. product definition and metallurgical processing, conceptual mining and plant design, and indicative logistics and infrastructure studies). The Company continued to review a number of possible options for Walford Creek processing and infrastructure.

On 16 March 2017, the Company announced the results of a PEA for a proposed open pit mine and onsite processing of the Vardy Resource at the Walford Creek Project. The technical and associated financial outcomes of the PEA were highly encouraging notwithstanding that they are necessarily approximations at this point but nevertheless highlight the potential to expedite the development of the Vardy Resource. The results of the 2017 drilling and the recently refined geological model will enable a rescoping/ rescaling of the Vardy Project and a reassessment of the Walford Global Resource

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The Vardy Resource development is a copper-zinc-cobalt mining project based on a Resource that will allow 6 years of open pit mining of the Vardy Resource at a production rate of 600 ktpa run-of-mine (“ROM”) material. Material reporting from the open pit would be processed through a conventional mill and hydrometallurgical plant to produce copper and zinc concentrates, and cobalt hydroxide. Product would be transported by road to Townsville for export to world markets.

Figure 8: Life of Mine Pit Shell

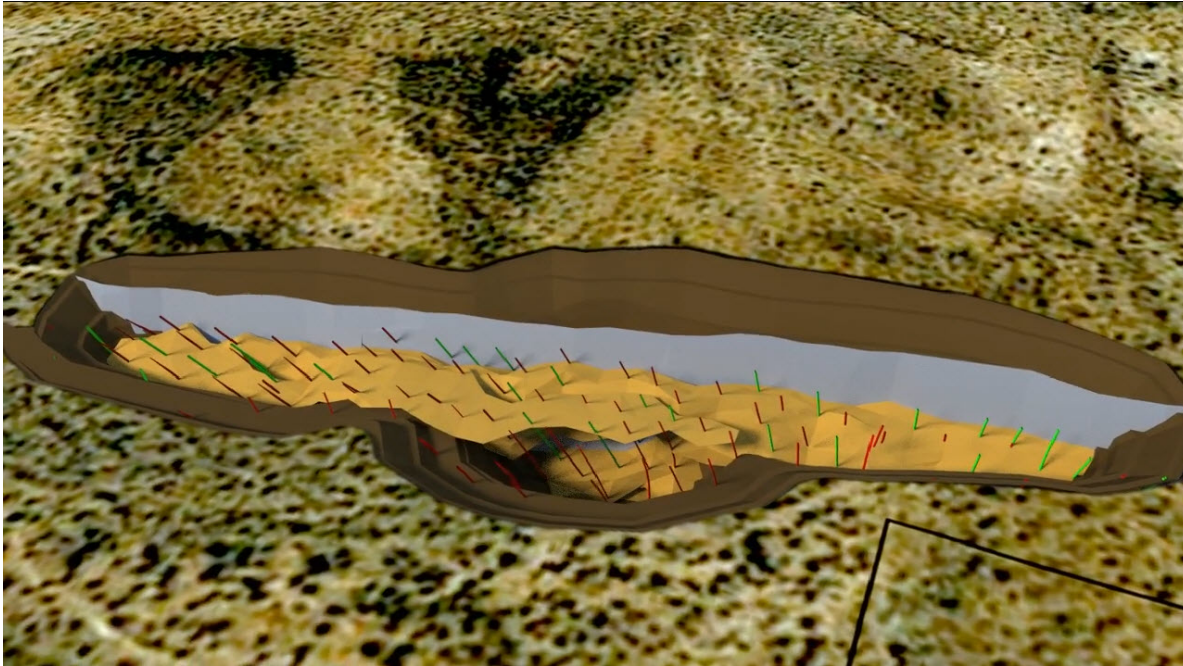


Figure 9: Process Facility



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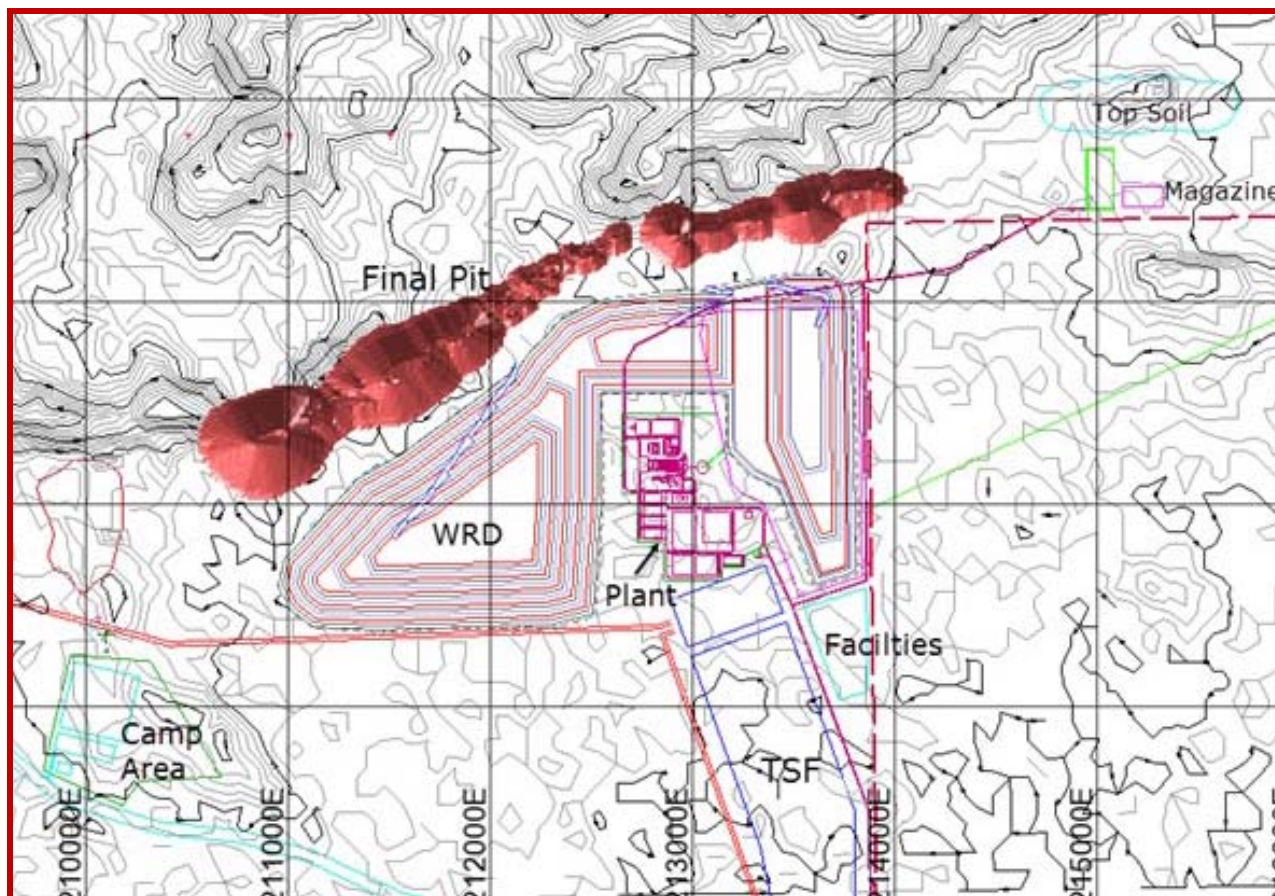
The PEA was compiled in conjunction with AMEC Foster Wheeler, a global consultancy, engineering and project management company focused on the resources industry. The following table details the study contributors to the PEA report.

Table 4: Party responsible for the Order of magnitude PEA Report Sections

Section Title	Contributor
Resource Estimation	H&S Consultants Pty Ltd
Mining	Australian Mine Design and Development ("AMDAD")
Process Plant	AMEC Foster Wheeler
Tailings Storage Facility	Beca
Off-Site Infrastructure	Aeon
Transportation	Aeon
Environmental, Permitting, Social & Community	Animal Plant Mineral
Operations Plan	Aeon
Project Execution Plan	AMEC Foster Wheeler
Capital Costs	AMEC Foster Wheeler/AMDAD
Operating Costs	AMEC Foster Wheeler/AMDAD
Market Studies	Aeon
Economic Assessment	Aeon
Risk and Opportunities	Aeon/AMEC Foster Wheeler/AMDAD

In addition to the PEA, on 18 April 2017, the Company announced the completion of a Preliminary Scoping Study of a development to exploit the Global Walford Creek Resource. The Preliminary Scoping Study considers mining the Global Walford Creek Resource at a rate of 2.5 Mtpa for 15 years. This Study shows clearly the potential for Walford Creek beyond the smaller Vardy Project and, importantly, shows the key issue of acid sales which needs to be resolved to tap the full potential of Walford Creek.

Figure 10: Mine Layout



The Scoping Study indicates a project on this scale could produce on average some 1.2 ktpa of cobalt, 8 ktpa of copper, 15 ktpa of zinc and 13 ktpa of lead and would generate some 1,300 ktpa of sulphuric acid for sale which at an assumed sale price of \$100 per tonne would represent some 45% of project revenue. Currently, there is no market for this quantity of sulphuric but there are a number of proximate phosphate resources held by third parties which are potential offtakers of this acid. Other potential offtakers may emerge as the volume and security of this potential acid supply becomes more widely known. The Study estimates a capital cost of \$668 million with a 3 year payback.

OTHER NORTHWEST QUEENSLAND PROJECTS (excluding Walford Creek)

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 2,184km², 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. It has its own airport connecting the region to major centres in Australia.

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Aeon has interests (through joint venture and/or 100% ownership) in 24 granted EPMS covering a total area of approximately 2,184km² for the 4 project areas.

The table below shows the other tenement holdings in North West Queensland excluding the Walford Creek Project.

Table 5: Aeon's Tenement Holdings – Other Northwest Queensland Projects (excluding Walford Creek tenements)

Exploration Permit for Minerals (EPM) - Tenement Summary							
EPM No.	Tenement Name	Project	Status	Sub Blocks	Kms ²	Grant Date	Expiry Date
EPM 11897	May Downs	IW	Granted	16	51.232	07-Jul-04	06-Jul-18
EPM 11898	May Downs South	IW	Granted	18	57.636	07-Jul-04	06-Jul-18
EPM 13412	Yappo	IS	Granted	20	64.04	16-Dec-11	15-Dec-16
EPM 13413	Rufus	IS	Granted	9	28.818	16-Dec-11	Renewal pending
EPM 13682	Wonomo	IS	Granted	43	137.686	16-Dec-11	Renewal pending
EPM 14040	Kahko	IS	Granted	7	22.414	20-Apr-05	19-Apr-18
EPM 14233	Mt Guide	IS	Granted	17	54.434	20-Apr-05	19-Apr-21
EPM 14694	Mount Kelly South	IN	Granted	4	12.808	19-Oct-05	18-Oct-18
EPM 14712	Constance Range	C	Granted	23	73.646	21-Aug-06	20-Aug-19
EPM 14713	Constance Range Sth	C	Granted	19	60.838	21-Aug-06	20-Aug-19
EPM 14821	Waverly	IS	Granted	25	80.05	08-Jan-07	07-Jan-18
EPM 14935	Riversleigh	C	Granted	20	64.04	21-Aug-06	20-Aug-18
EPM 15156	Rufus South	IS	Granted	38	121.676	22-Mar-07	21-Mar-22
EPM 15186	Gregory	C	Granted	43	137.686	23-Mar-07	22-Mar-22
EPM 15911	Blue Hills	IS	Granted	16	51.232	15-Nov-07	14-Nov-18
EPM 16921	Buckley River	IN	Granted	21	67.242	23-Feb-10	22-Feb-18
EPM 17297	Blue Hills West	IS	Granted	3	9.606	21-Jun-10	20-Jun-19
EPM 17300	Waverly North	IS	Granted	3	9.606	06-Jul-09	05-Jul-18
EPM 17511	Andersons	IN	Granted	15	48.03	06-Jan-10	05-Jan-20
EPM 17513	Calton	IN	Granted	50	160.1	06-Jan-10	05-Jan-20
EPM 17514	Valhalla	IN	Granted	110	352.22	06-Jan-10	05-Jan-20
EPM 17519	Skal	IN	Granted	79	252.96	06-Jan-10	05-Jan-20
EPM 18395	Isa West	IW	Granted	33	105.666	14-Apr-11	13-Apr-21
EPM 18769	Beauchamps	IW	Granted	50	160.1	23-May-12	22-May-22

Table 6: 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

SUMM = Summit Resources (Aust) Pty Ltd

AML= Aeon Metals Limited

Isa North (IN)

The Isa North Mining Rights Agreement, between Summit Resources (Aust) Pty Ltd ("Summit") and Aeon subsidiary Aeon Walford Creek Ltd ("AWCL"), covers the Isa North Project's EPMS.

In accordance with the Agreement, AWCL has earned an 80% interest in the non-uranium mineral potential within the Isa North Co-operative area through exploration and expenditure. Summit retains 100% ownership of the tenements and sole and exclusive rights to uranium.

The Isa North tenements are located immediately adjacent to the northern boundary of Glencore's Mount Isa Mine Mining Lease covering the world-class Mount Isa copper and the Mount Isa, Hilton and George Fisher zinc-lead-silver deposits.

The Isa North tenements cover a series of intersecting major faults including the Mount Isa, Hero, and Western Fault zones.

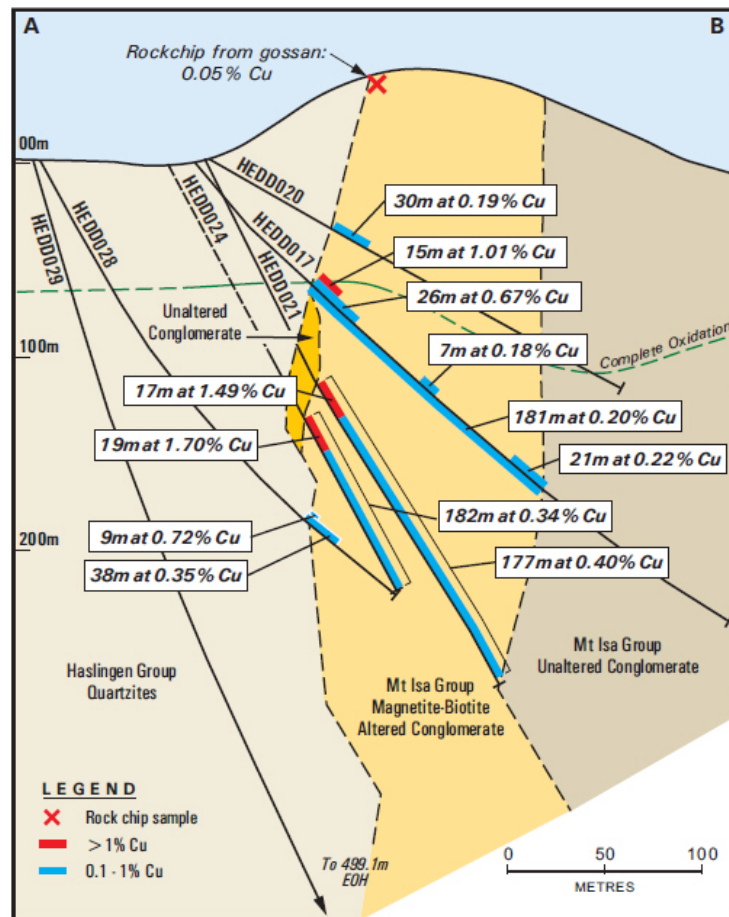
Aeon's primary target within the Isa North tenement package is the Hero Prospect, which lies along the Hero Fault.

The Hero prospect is located 30km north of the township of Mount Isa on the main highway and is the most advanced of any of the Isa Projects with copper mineralisation hosted in the dolomitic Hero Conglomerate, a basal unit of the Isa Group sediments. High grade mineralisation is associated with magnetite-biotite alteration overprinted by a late copper phase. Broad lower grade copper mineralisation is also associated with a silica-dolomite alteration phase including low temperature silica flooding and veining along the hanging wall of the Hero Fault.

A significant number of drill holes have been drilled in the past 6 years into the northern area which encountered some good intersections as shown in Figure 11.

Isa North (IN) (con'd)

Figure 11: X-section showing significant intersections at the northern end of the Hero Prospect



Isa South (IS)

The Isa South Project is located along the southern extensions of the Mount Isa Fault Zone adjacent to the southern margin of the Mount Isa Mining Lease.

Priority targets within the Isa South Project area include Waverly and the Mount Guide prospects. Work on these has been limited over the past few years whilst the Company concentrated on the exciting Walford Creek Project.

Isa West (IW)

The Isa West Project comprises 2 tenements from the Western Isa Agreement with Summit and 2 by AWCL. Part of the project area straddles approximately 50km of the significant north norwest trending May Downs Fault corridor.

Geological mapping and surface geochemical surveys have identified low order copper anomalies which still require further prospecting and possible drill targeting.

Constance Range (C)

The Constance Range tenements lie along or adjacent to the Termite Range Fault associated with stratabound base metal mineralisation at the world-class Century zinc-lead-silver deposit. The Musselbrook copper-gold prospect is the focus of Aeon's near term exploration activities within the Constance Range Project area. The prospect is located approximately 30km north of the Century Mine.

SOUTHEAST QUEENSLAND OPERATIONS

The Southeast Queensland tenement package 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.

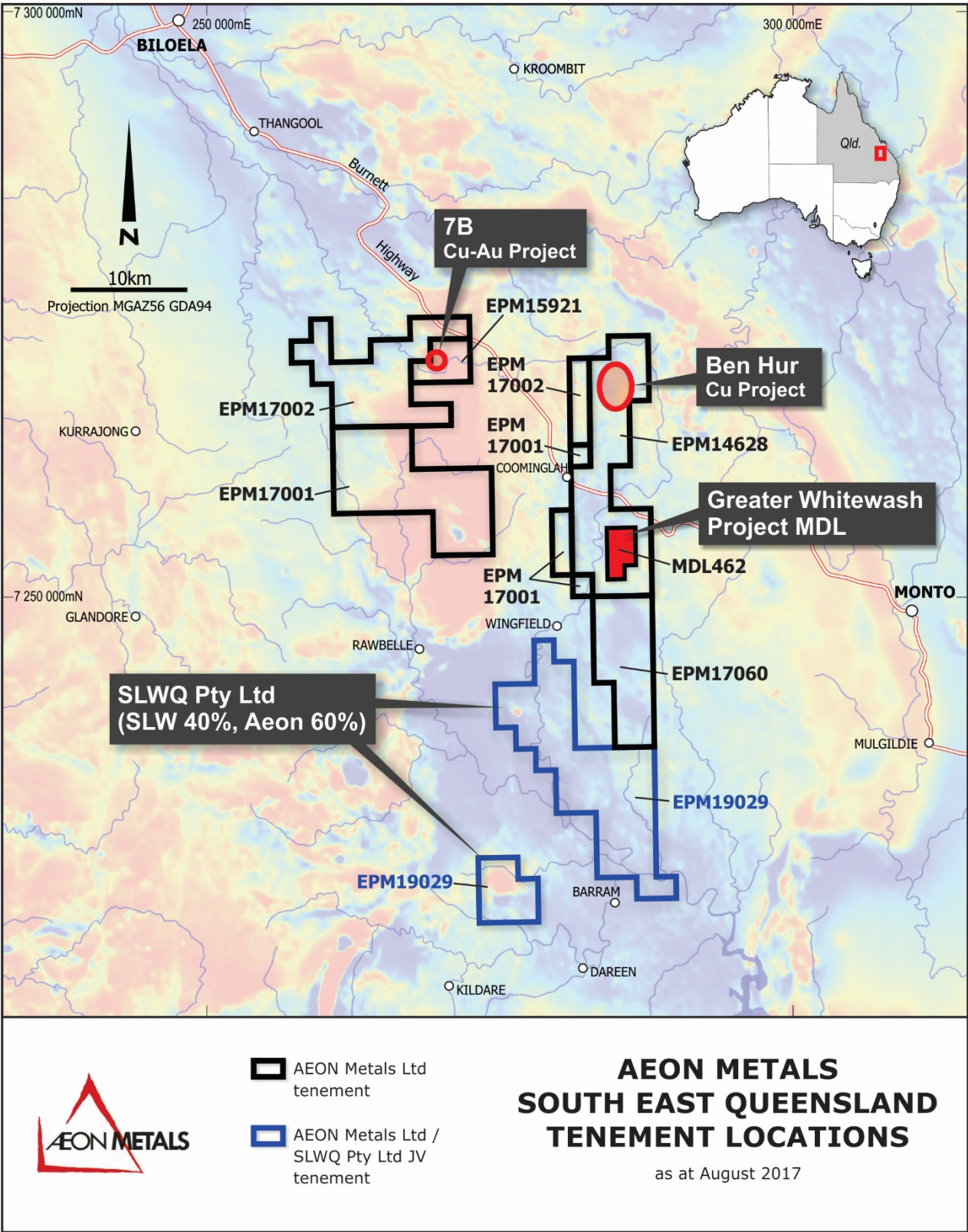
The Group controls 5 EPMs and 1 MDL: EPMs 14628, 15921, 17001, 17002 and 17060 & MDL 462 all of which are held 100% by the Company.

In 2012 the Company entered into an earn-in and joint venture with Rio Tinto Exploration Pty Ltd ("RTZ") on the southern EPM 17060. After completing Phase 1 Commitment to sole fund an exploration program and any associated expenditure to a minimum of AU\$200,000, RTZ gave notice in June 2016 not to extend Phase 2 Period (Earn In). Subsequently, data compilation and evaluation has been undertaken using the Rio data and this has enabled a better understanding of the geological conditions along strike to the south of Aeon's Greater Whitewash, John Hill and Kiwi Carpet Projects.

Table 6: Southeast Queensland Tenement Summary

EPM / MDL No.	Project	Status	Sub-blocks	Grant Date	Expiry Date
EPM 14628	Greater Whitewash	Granted	32	24/8/05	23/8/20
EPM 15921	7B	Granted	5	8/1/07	7/1/19
EPM 17001	Grevillea Fault	Granted	35	21/2/08	20/2/18
EPM 17002	Lawgi-Dawes	Granted	31	20/2/08	19/2/18
EPM 17060	17060	Granted	18	26/6/09	Renewal Pending
MDL 462	Greater Whitewash	Granted	1005 hectares	1/1/13	31/12/17

Figure 12: Southeast Queensland Tenement locations



SOUTHEAST QUEENSLAND OPERATIONS (continued)

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.

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 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.

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 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. 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.

Corporate

On 8 May 2017, the Company announced an agreement to extend the repayment date of its debt to the OCP Asia Group ("OCP") by a further 2 years out until December 2019. Debt of \$27.68 million (plus capitalised interest) was due for repayment on 17 December 2017.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

In consideration of the extension of the debt out to December 2019, the Company agreed;

- (a) subject to shareholder approval, to issue to OCP 85 million warrants each expiring on 17 December 2019 ("2017 Warrants") and exercisable at 16 cents. As with the warrants issued to OCP in 2014 and 2015, shareholders were also to be asked to give approval under Section 611(7) of the Corporations Act so that any or all of the 2017 Warrants can be exercised at any time notwithstanding the OCP's holding of more than 20% of the Company's issued shares; and
- (b) upon any repayment of the debt before the first anniversary of the amendment of the relevant note terms to give effect to the extension, the Company will pay interest up to that first anniversary.

At a General Meeting on 11 August 2017, shareholders gave the necessary approvals and the loan extension became effective from 17 August 2017.

On 17 June 2017, 63,251,107 warrants issued to OCP in 2014 (each exercisable at 15.81 cents) expired.

Financial Position

The net assets of the Group at 30 June 2017 were \$24,319 thousand (2016: \$32,535 thousand), with cash on hand of \$1,868 thousand (2016: \$6,629 thousand). The Directors have prepared cashflow projections for the Group for the coming 12 months which includes significant exploration and evaluation expenditure. Aeon's opening share price on 1 July 2016 was \$0.08 per share. During the year ended 30 June 2017 the share price varied between \$0.08 and \$0.20 per share. The closing share price at 30 June 2017 was \$0.16 per share.

Significant changes in the state of affairs

Other than the refinancing matters noted above, there were no significant changes in the state of affairs of the Group during the financial period.

5. Likely developments

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. In order to do this Aeon's near-term strategy at Walford Creek includes determining the ultimate Project scale, considering the 2017 drill program assay results will enable the upgrading of the Global and the Vardy Resource.

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

6. Environmental regulation

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The exploration undertaken both at the north-western and south-eastern Queensland tenements to date has not created any significant environmental issues. However, environmental issues will arise as and when the Group moves into 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.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

7. Information on directors

Thomas Joseph Mann age 71	—	Non Executive Chairman (resigned 18 November 2016)
Experience	—	Mr. Mann has over 30 years' experience in financial markets and global trade having established a global trading corporation with offices in North America and the Asia-Pacific. Mr. Mann has been actively involved in capital raising and strategic development initiatives for public and private companies.
Interest in Shares and Options	—	5,050,430 shares held by TJ & CJ Mann Super Pension Fund (as of 18 November 2016)
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities in the last 3 years	—	Resource & Investment NL (Resigned 14 May 2015)

Mr. Mann was considered to be an independent Director

John Leslie Goody age 65	—	Executive Director (to 29 February 2016) Non Executive Director (effective 1 March 2016, resigned 7 September 2016)
Experience	—	Mr. Goody has over 45 years experience in the mining industry and has been responsible for the development of various prospects throughout Australia, Papua New Guinea, Vanuatu, Philippines, China and Chile. Mr. Goody is a member of the Geological Society of Australia
Interest in Shares and Options	—	At 7 September 2016 Mr Goody held the following shares: <ul style="list-style-type: none"> - 30,451,112 share held by Goody Investments Pty Ltd - 1,000,000 shares held by Goody Family A/C - 1,000,000 shares held by John Leslie Goody - 50,000 shares held by Goody Super Fund
Directorships held in other listed entities in the last 3 years	—	None

Mr. Goody was considered to be a non independent Director

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

7. Information on directors (continued)

Hamish Collins age 47	—	Managing Director (appointed 28 March 2012)
Qualifications	—	B.Eng (Mining) Hons
	—	Graduate diploma in Applied Finance and Investments from the Securities Institute of Australia
Experience	—	Mr. Collins has a combined 25 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	—	500,000 shares held by the Collins Family Superannuation Fund
	—	6,500,000 shares held by Louise Collins. These shares are funded by a non-recourse loan and considered to be options (as of the date of this Report).
Directorships held in other listed entities in the last 3 years	—	None

Mr. Collins is considered to be a non independent Director

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

7. Information on directors (continued)

Paul Harris age 49	—	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 25 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	—	2,614,286 shares held by Hollach Capital Pty Ltd (as of the date of this report)
Directorships held in other listed entities in the last 3 years	—	None

Mr. Harris is considered to be a non independent Director since 6 June 2016

Ivan Wong age 54	—	Non Executive Director (appointed 1 July 2016)
Qualifications	—	BSc Hons
Experience	—	Mr. Wong has strong IT background and over 20 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	—	2,829,203 shares held by Teresa Yi Yin Wong and 16,000,000 shares held by SLW Minerals Corporation Pty Ltd (as of the date of this Report)
Directorships held in other listed entities in the last 3 years	—	None

Mr. Wong is considered to be a non independent Director

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

7. Information on directors (continued)

Stephen Lonergan age 70 — Executive Director (appointed 7 September 2016)

Qualifications — LL.B (Hons) Australian National University
 — LL.M McGill University

Experience Mr. Lonergan was company secretary of KBL Mining Limited until 1 May 2014 and retired as an executive director of that company on 15 May 2014. He was the general counsel and company secretary of CBH Resources Ltd until its takeover in 2010 and was a director and company secretary of Paradigm Metals Ltd until November 2012 and a director of Finders Resources Limited until August 2013. He was also general counsel of Savage Resources and Pancontinental Mining and has been involved in the Australian and international mining industry for more than 35 years.

Interest in Shares and Options — 3 500,0000 shares held by Stephen Lonergan. These shares are funded by a non-recourse loan and considered to be options (as of the date of this Report).

Directorships held in other listed entities in the last 3 years — None

Mr. Lonergan is considered to be an independent Director

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

8. Remuneration report – audited

8.1 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. The Company's KMP are the Directors, including the Managing Director, Mr. Hamish Collins.

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.

Effective 1 January 2017 Mr Collins' salary increased from \$325,000 per annum plus a superannuation contribution by the Company to \$350,000 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 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.

All remuneration paid to Directors and key management personnel is valued at cost to the Group and is expensed or capitalised as appropriate.

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.

	2017	2016	2015	2014	2013
Net loss attributable to owners of the company <i>In thousands of AUD</i>	\$ (8,241)	\$ (2,465)	\$ (9,140)	\$ (3,930)	\$ (72)
Dividends paid	-	-	-	-	-
Change in share price	\$0.080	\$0.002	\$ (0.060)	\$ (0.070)	\$ 0.140

No remuneration consultants were engaged during the current or prior year.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

8. Remuneration report – audited (continued)

8.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the named Company executives and other key management personnel of the Group are:

		Short-term		Long-term	Post-employment	Share-based payments	Total \$
		Salary & fees \$	Consultancy fees \$	Leave entitlements	Super-annuation benefits \$	Options and rights \$	
in AUD							
Directors							
Non-executive directors							
Thomas Mann (resigned 18/11/16)	2017	69,000	-	-	4,370	-	73,370
	2016	180,000	-	-	11,400	-	191,400
Paul Harris	2017	137,059	-	-	13,021	-	150,080
	2016	54,313	-	-	5,160	-	59,473
John Goody (resigned 07/09/16)	2017	9,306	-	-	884	-	10,190
	2016	16,667	89,040	-	1,583	-	107,290
Stephen Longeran (appointed 07/09/16)	2017	40,753	60,000	-	-	-	100,753
Ivan Wong (appointed 01/07/16)	2017	50,000	-	-	4,750	-	54,750
Executive directors							
Hamish Collins	2017	337,500	-	31,418	30,000	-	398,918
	2016	325,000	-	-	30,000	-	355,000

Short-term remuneration includes salaries and fees and consultancy fees paid to non-executive Director's 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. No remuneration in the current or prior year was performance based. The long-term leave entitlements include the annual leave and long service leave which has accrued and not yet been taken by the employee.

Details of incentive based remuneration

On 8 May 2014, shareholders approved the issuance of 4 million fully paid ordinary shares at \$0.12 per share to Hamish Collins or his nominee, to be funded by a limited recourse loan. The recourse on the loan is limited to the shares issued. The loan was interest free and was repayable on 3 July 2017. In accordance with AASB 2 the loan was required to be valued and accounted for as an option. The fair value of \$406,000 was calculated using the Black Scholes model with inputs of 15 cents share price, 12 cents strike price, three-year period to expiry, 2.89% risk free interest rate and 101.3% volatility. There are no performance or service conditions attached to the loan. The fair value of the options was recognised as an expense during the year ended 30 June 2014. Subsequent to 30 June 2017, shareholders approved an extension of the loan expiry date for 3 years.

On 4 August 2014, Mr Lonergan, who was at that time Company Secretary and not a Director, was allotted 1,000,000 Aeon shares at 19.5 cents per share funded by a 3 year, interest free, limited recourse loan. Mr Lonergan subsequently became a Director on 7 September 2016. The 3 year loan term was to expire on 4 August 2017. Subsequent to 30 June 2017, shareholders approved an extension of the loan expiry date for 3 years.

Bonuses

No bonuses were paid to key management personnel in the current or prior year.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

8. Remuneration report – audited (continued)

8.3 Equity instruments

All options and performance rights refer to options and rights over ordinary shares of Aeon Metals Limited and all are exercisable on a one-for-one basis. No options or rights were granted to key management personnel in the current or prior year.

8.3.1 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.

8.4 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.

8.5 Key Management Personnel 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.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control were as follows:

			Transaction values year ended 30 June		Balance outstanding as at 30 June		
<i>in AUD</i>			<i>Note</i>	2017	2016	2017	2016
Key management person							
Thomas Mann	Reimbursements	(i)	-	-	-	-	
John Goody	Reimbursements	(i)	184	1,259	-	-	
Hamish Collins	Reimbursements	(i)	219	459	-	100	
Paul Harris	Reimbursements	(i)	-	1,396	-	80	
Stephen Lonergan	Reimbursements	(i)	-	-	-	-	
Ivan Wong	Reimbursements	(i)	-	-	-	-	
Total and current liabilities					-	180	

- (i) The Group reimbursed key management personnel for business related expenditure. The amounts were paid as per third party receipts.

8.5.1 Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Aeon Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2016	Granted as compensation	Other changes	Held at 30 June 2017	Vested during the year
Directors					
Hamish Collins	4,000,000	-	-	4,000,000	-
Stephen Lonergan (ii)	-	-	1,000,000	1,000,000	-

- (ii) Mr Lonergan was appointed non-executive Director on 7 September 2016 and became a key management person on that date. On the date of appointed Mr Lonergan held 1,000 thousand ordinary shares which were funded by a non-recourse loan. The shares have been accounted for as options.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

8. Remuneration report – audited (continued)

8.5.2 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, excluding shares funded by non-recourse loans which are included in 8.5.1, is as follows:

	Held at 1 July 2016	Purchases	Received on exercise of options	Sales	Other changes	Held at 30 June 2017
Directors						
Thomas Mann (iii)	5,050,430	-	-	-	(5,050,430)	n/a
John Goody (iii)	32,501,112	-	-	-	(32,501,112)	n/a
Hamish Collins	500,000	-	-	-	-	500,000
Stephen Lonergan (iv)	-	-	-	-	-	-
Ivan Wong (iv)	-	-	-	-	329,203	329,203
Paul Harris	114,286	-	-	-	-	114,286

(iii) Mr Goody and Mr Mann resigned as directors during the current financial year and ceased to be key management personnel on the date of resignation. Mr Goody resigned on 7 September 2016 and held 32,501 thousand ordinary shares on this date. Mr Mann resigned on 18 November 2016 and held 5,050 thousand ordinary shares on this date.

(iv) Mr Wong and Mr Lonergan were appointed as key management personnel during the current financial year. Mr Wong was appointed on 1 July 2016 and on this date held 329 thousand ordinary shares. Mr Lonergan was appointed on 7 September 2016 and on this date did not hold any fully paid ordinary shares.

	Held at 1 July 2015	Purchases	Received on exercise of options	Sales	Other changes	Held at 30 June 2016
Directors						
Thomas Mann	5,050,430	-	-	-	-	5,050,430
John Goody	32,501,112	-	-	-	-	32,501,112
Hamish Collins	128,235	371,765	-	-	-	500,000
Paul Harris	-	114,286	-	-	-	114,286

9. Directors' meetings

During the financial period, eleven (11) Meetings of the Board of Directors were held. Attendances by each Director during the period were as follows:

Director	Number attended	Number eligible to attend
Thomas Mann	3	3
John Goody	1	1
Stephen Lonergan	10	10
Hamish Collins	11	11
Paul Harris	11	11
Ivan Wong	11	11

In addition to the Directors' meetings, two (2) Audit Committee meetings were held during the year. The September 2016 meeting was attended by Paul Harris, Thomas Mann and Hamish Collins. The meeting in March 2017 was attended by Paul Harris, Ivan Wong, Stephen Lonergan and Hamish Collins.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

10. Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Group under options (warrants) are:

Expiry Date Options	Exercise Price	Number of shares
17/12/2017	0.09	73,000,000
17/12/2019	0.16	85,000,000

All unissued shares are ordinary shares in the Company. 7,850 thousand shares issued under limited recourse loans are excluded from the above table.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Subsequent to year end the Company issued 85,000 thousand warrants exercisable at 16.00 cents on 11 August 2017 in conjunction with the extension of the finance facility repayment date to 17 December 2019. The warrants expire on 17 December 2019.

11. Issue of ordinary shares

The Company did not issue any additional ordinary shares for the year ended 30 June 2017. On 11 August 2017 the company issued 39,286 thousand ordinary shares to sophisticated and institutional investors at 14.00 cents per share in order to raise \$5,500 thousand before costs.

12. 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.

13. Non-audit services

During the year KPMG, the Group's auditor, did not perform any other services in addition to their statutory duties.

Audit and review of financial statements
Total paid to KPMG

2017 AUD
112,375
112,375

14. 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. The Company was not a party to any such proceedings during the period.

Aeon Metals Limited
Directors Report
For the year ended 30 June 2017

15. Events subsequent to reporting date

On 17 August 2017 the Group issued 39,286 thousand ordinary shares at 14.00 cents per share to institutional and sophisticated investors. The share issue raised \$5,500 thousand (before capital raising costs).

On 11 August 2017, the Company held a General Meeting of its Shareholders. At the meeting, the following resolutions were passed:

- As consideration for extension of expiry date of the Limited Recourse Loan from 17 December 2017 to 17 December 2019, the shareholders approved the issue of 85,000 thousand warrants exercisable at 16.00 cents to OL Master Limited each expiring on 17 December 2019;
- Approval was provided to allow OCP Asia (Hong Kong) Limited and other to increase their voting power in the Company's shares to more than 20% through the exercise of the warrants they hold which expire 17 December 2017;
- Approval was provided for the Company to provide an Employee Share Incentive Plan;
- On 3 July 2014, Hamish Collins or his nominee was issued 4,000 thousand shares at 12.00 cents per share, funded by a 3 year, interest free, limited recourse loan of \$480 thousand; the company approved the extension of this loan for another 3 years;
- On 4 August 2014, Stephen Lonergan or his nominee was issued 1,000 thousand shares at 19.50 cents per share, funded by a 3 year, interest free, limited recourse loan of \$195 thousand; the company approved the extension of this loan for another 3 years; and
- The issue of 2,500 thousand shares to each of the four directors in the company funded by limited recourse, interest free 3 year loans.

Other than the above there were no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

16. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 75 and forms part of the directors' report for the financial year ended 30 June 2017.

17. Rounding off

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, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney on 19 September 2017

Aeon Metals Limited
Consolidated statement of financial position
As at 30 June 2017

in thousands of AUD

	Note	30 June 2017	30 June 2016
Assets			
Cash and cash equivalents	15	1,868	6,629
Trade and other receivables	14	121	146
Other investments	12	51	50
Prepayments		50	49
Total current assets		2,090	6,874
Property, plant and equipment	10	126	144
Other assets		46	36
Exploration and evaluation assets	11	54,814	50,113
Total non-current assets		54,986	50,293
Total assets		57,076	57,167
Liabilities			
Trade and other payables	22	778	921
Provisions	21	50	50
Employee benefits	19	115	103
Loans and borrowings	23	31,814	-
Total current liabilities		32,757	1,074
Loans and borrowings	23	-	23,558
Total non-current liabilities		-	23,558
Total liabilities		32,757	24,632
Net assets		24,319	32,535
Equity			
Share capital	17	48,379	48,379
Reserves	17	4,096	8,830
Accumulated Losses		(28,163)	(24,682)
Total equity attributable to equity holders of the Company		24,312	32,527
Non-controlling interests		7	8
Total equity		24,319	32,535

The Notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Aeon Metals Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

in thousands of AUD

	Note	2017	2016
Continuing operations			
Impairment loss	11	(6,751)	(939)
Administrative expenses		(884)	(1,033)
Other expenses	7	(704)	(656)
Results from operating activities		(8,339)	(2,628)
Finance income		97	161
Finance costs		-	-
Net finance income	9	97	161
Loss before tax		(8,242)	(2,467)
Income tax expense	13	-	-
Loss for period		(8,242)	(2,467)
Other Comprehensive Income		-	-
Total comprehensive loss for the year		(8,242)	(2,467)
Loss attributable to:			
Owners of the Company		(8,241)	(2,465)
Non-controlling interest		(1)	(2)
Loss for the period		(8,242)	(2,467)
Total comprehensive loss attributable to:			
Owners of the Company		(8,241)	(2,465)
Non-controlling interest		(1)	(2)
Total comprehensive loss for the period		(8,242)	(2,467)
Earnings per share			
Basic loss per share (AUD)	18	(2.37) (cents)	(0.71) (cents)
Diluted loss per share (AUD)	18	(2.37) (cents)	(0.71) (cents)

The Notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Aeon Metals Limited
Consolidated statement of changes in equity
For the year ended 30 June 2017

<i>in thousands of AUD</i>	<i>Note</i>	Attributable to owners of the Company				Total equity
		Share capital	Equity compensation Reserve	Accumulated Losses	Non-controlling interests	
Balance at 1 July 2015		45,332	5,523	(22,217)	10	28,648
Total comprehensive income for the year						
Profit or loss		-	-	(2,465)	(2)	(2,467)
Total comprehensive income/(loss) for the year		-	-	(2,465)	(2)	(2,467)
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Issue of ordinary shares	17	3,260	-	-	-	3,260
Capital raising costs	17	(213)	-	-	-	(213)
Issue of warrants	23	-	3,267	-	-	3,267
Issue of Share options	20	-	40	-	-	40
Total contributions by and distributions to owners of the Company		3,047	3,307	-	-	6,354
Balance at 30 June 2016		48,379	8,830	(24,682)	8	32,535
Balance at 1 July 2016		48,379	8,830	(24,682)	8	32,535
Total comprehensive income for the year						
Profit or loss		-	-	(8,241)	(1)	(8,242)
Total comprehensive income/(loss) for the year		-	-	(8,241)	(1)	(8,242)
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Expiration of warrants & options	17	-	(4,760)	4,760	-	-
Issue of share options	20	-	26	-	-	26
Total contributions by and distributions to owners of the Company		-	(4,734)	4,760	-	26
Balance at 30 June 2017		48,379	4,096	(28,163)	7	24,319

The Notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Aeon Metals Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

in thousands of AUD

	Note	2017	2016
Cash flows from operating activities			
Government grant received		-	466
Cash paid to suppliers and employees		(1,674)	(1,394)
Cash generated from operations		(1,674)	(928)
Interest received/(used in)		97	161
Net cash used in operating activities	16	(1,577)	(767)
Cash flows from investing activities			
Acquisition of property, plant and equipment		-	(24)
Proceeds from disposal of property, plant and equipment		21	-
Payments for exploration activities		(3,204)	(2,227)
Acquisition of other investments		(1)	(1)
Net cash used in investing activities		(3,184)	(2,252)
Cash flows from financing activities			
Proceeds from issue of share capital		-	3,260
Proceeds from issue of notes		-	4,789
Payment of capital raising costs		-	(213)
Net cash from/(used in) financing activities		-	7,836
Net increase in cash and cash equivalents		(4,761)	4,817
Cash and cash equivalents at 1 July		6,629	1,812
Cash and cash equivalents at 30 June	15	1,868	6,629

The Notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

1. Reporting entity

Aeon Metals Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is Level 7, 88 Pitt Street, Sydney NSW 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group is a for-profit entity and primarily is involved in prospect and tenement exploration for a range of minerals including copper and molybdenum.

2. Basis of preparation

(a) 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).

The consolidated financial statements were authorised for issue by the Board of Directors on 19 September 2017.

(b) Going concern

The 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 2017, the Group incurred a net loss before tax of \$8,242 thousand. The Group recorded net cash outflows from operating, investing and financing activities of \$4,761 thousand. As at 30 June 2017, the Group had net assets of \$24,319 thousand, including cash of \$1,868 thousand.

While the net current assets show a deficit of \$30,667 thousand at 30 June 2017, on 11 August 2017 the Company approved the issue of 85,000 thousand warrants in consideration for the extension for limited recourse borrowing from OL Master Limited with the new maturity date being 17 December 2019. As a result, after balance date, the borrowings of \$31,814 thousand have moved from being a current liability to a non-current liability. Additionally, the Company on 17 August 2017 issued 39,286 thousand ordinary shares and raised \$5,500 thousand in cash, before capital raising costs.

The Directors have prepared cash flow projections for the coming 12 months that support the ability of the Group to continue as a going concern. These cashflow projections include significant exploration and evaluation expenditure and assume the Group maintains expenditure in line with the level of funding available.

(c) 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.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

2. Basis of preparation (continued)

(d) 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.

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 2(b) – going concern
- Note 11 – exploration and evaluation asset impairment
- Note 13 – unrecognised and deferred tax assets
- Note 20 – measurement of share-based payments
- Note 24 – valuation of financial instruments

(f) Changes in accounting policies

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these 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.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

3. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) 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.

(iii) 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.

(iv) 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.

(v) Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial assets – measurement (continued)

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) 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.

(c) 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.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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.

(d) 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:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) 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 revaluation expenditure to mining property and development assets within property, plant and equipment.

(e) 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;

3. Significant accounting policies (continued)

(e) Impairment (continued)

(i) Non-derivative financial assets (continued)

- 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.

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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) 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 true-up 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. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

3. Significant accounting policies (continued)

(g) 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.

(i) 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.

(h) Revenue

(i) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(ii) Government grants

Government grants that relate to capitalised Exploration and Evaluation expenditure is deducted from the carrying amount of the asset when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. When the assets are reclassified from exploration and evaluation expenditure to mining property and development assets the grant is recognised in profit or loss over the life of the asset as a reduced amortisation expense.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

The Group recognises the grant income as an operating cash flow in the cash flow statement in the same period it is received.

(i) Leases

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(j) Finance income and finance costs

Finance income and finance costs comprise interest income on funds invested (including available-for-sale financial assets), gains/losses on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, gains or losses on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3. Significant accounting policies (continued)

(k) 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.

(l) 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.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

3. Significant accounting policies (continued)

(m) 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 share options granted to employees.

(n) 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.

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 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(a) AASB 9 Financial instruments (AASB 9)

AASB 9 (2009) will replace the existing guidance on AASB 139 Financial Instruments: Measurement and Recognition (AASB 139). It includes guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for the Group's annual reporting period beginning 1 July 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

4. New standards and interpretations not yet adopted (continued)

(b) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for the Group's annual reporting period beginning 1 July 2019, with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time.

The Group is assessing the potential impact on its financial statements resulting from the application of AASB 16.

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.

(a) 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.

(b) 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 price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(c) Share-based payment transactions

The fair value of performance rights is measured using the Monte Carlo Simulation method and the fair value of the employee share options, share appreciation rights and warrants 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.

(d) Financial liabilities

The fair value of limited recourse notes is determined based on discounted cash flows and an appropriate effective interest rate.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

6. Operating segments

The Group's only operation is exploration of 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 phase so it has no products or services nor any major customers.

7. Other expenses

in thousands of AUD

	2017	2016
Employee benefits expense	(585)	(532)
Superannuation expense	(93)	(84)
Share - based payments (refer note 20)	(26)	(40)
	(704)	(656)

8. Expenses by nature

in thousands of AUD

	2017	2016
Employee benefit expense, including superannuation	(678)	(616)
Depreciation expense	(18)	(37)
Consultancy expense	(330)	(407)
Advertising expense	(35)	(10)
Impairment losses	(6,751)	(939)
Share- based payments	(26)	(40)
Finance costs	-	-
Other expenses	(502)	(579)

9. Finance income and finance costs

Recognised in profit or loss

in thousands of AUD

	2017	2016
Interest income from bank deposits	97	161
Net change in fair value of financial assets at fair value through profit or loss	-	-
Finance income	97	161
Net change in fair value of financial assets at fair value through profit or loss	-	-
Finance costs	-	-
Net finance costs recognised in profit or loss	97	161
The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	97	161
Total interest expense on financial liabilities	-	-
	97	161

Aeon Metals Limited
Notes to the consolidated financial statements
For the year ended 30 June 2017

10. Property, plant and equipment

in thousands of AUD

	Computer equipment	Mining and Exploration equipment	Plant and equipment	Motor Vehicles	Total
Cost					
Balance at 1 July 2015	59	301	50	141	551
Additions	2	-	4	18	24
Balance at 30 June 2016	61	301	54	159	575
Balance at 1 July 2016	61	301	54	159	575
Additions/(Disposals)	-	(52)	-	(36)	(88)
Balance at 30 June 2017	61	249	54	123	487
Balance at 1 July 2015	(54)	(216)	(10)	(114)	(394)
Depreciation for the year	(4)	(17)	(6)	(10)	(37)
Balance at 30 June 2016	(58)	(233)	(16)	(124)	(431)
Balance at 1 July 2016	(58)	(233)	(16)	(124)	(431)
Disposals	-	52	-	36	88
Depreciation for the year	(1)	(10)	(3)	(4)	(18)
Balance at 30 June 2017	(59)	(191)	(19)	(92)	(361)
Carrying amounts					
at 1 July 2015	5	85	40	27	157
at 30 June 2016	3	68	38	35	144
at 1 July 2016	3	68	38	35	144
at 30 June 2017	2	58	35	31	126

11. Exploration and evaluation assets

in thousands of AUD

	Capitalised Exploration Expenditure
Balance at 1 July 2015	43,295
Additions, including capitalised interest	8,223
Government grant received in relation to exploration and evaluation	(466)
Impairment losses	(939)
Balance at 30 June 2016	50,113
Balance at 1 July 2016	50,113
Additions, including capitalised interest	11,452
Impairment losses	(6,751)
Balance at 30 June 2017	54,814

The Group has capitalised exploration expenditure incurred up to 30 June 2017 of \$11,452 thousand (2016: \$8,223 thousand). Included in this amount are capitalised borrowing costs related to the acquisition of Aeon Walford Creek Limited, as the borrowings were specifically for the purpose of obtaining the exploration and evaluation asset, the capitalisation rate applied was 100%.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

11. Exploration and evaluation assets (continued)

In the year ended 30 June 2017 the amount that was capitalised in respect of this was \$8,248 thousand (2016: \$5,799 thousand). \$3,204 thousand (2016: \$2,227 thousand) of the capitalised costs have been included in cash flows from investing activities in the cash flow statement.

During the year ended 30 June 2017, the company engaged Grant Thornton Corporate Finance Pty Ltd ("GT") to prepare an Independent Experts Report in relation to the issue of the warrants which were approved shareholders on 11 August 2017. As part of this, GT engaged SRK Consulting (Australasia) Pty Ltd to provide a valuation relating to the Group's mineral assets. As a result of this valuation the Group recognised an impairment loss for the year ended 30 June 2017 of \$6,751 thousand with respect to exploration and evaluation assets based on fair value less costs of disposal.

AASB 13 Fair Value Measurement (AASB 13) requires the disclosure of fair values for each of the following measurement categories:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The fair value measurement of total exploration and evaluation assets of \$84.94m (before costs of disposal) has been categorised as Level 3.

Impairment has arisen as certain areas of interest were assessed as having a fair value less costs of disposal which was less than the book carrying value.

During the year ended 30 June 2016 a number of tenements were relinquished. As a result the Group recognised an impairment loss for the year ended 30 June 2016 of \$939 thousand with respect to exploration and evaluation assets.

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.

12. Other investments

in thousands of AUD

Current investments

Financial assets designated at fair value through profit or loss - listed shares (i)

Term deposit

Note	2017	2016
	4	5
	47	45
	51	50

(i) 1,556,500 shares held in Zamia Metals Ltd (ZGM)

The term deposit secures the credit card facility and had an average interest rate of 2.83% (2016: 3.07%).

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 24.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

12. Other investments (continued)

Sensitivity analysis – equity price risk

All of the Group's equity investments are listed on the Australian Securities Exchange. For such investments classified at fair value through profit and loss, a 5 percent increase/decrease in the price of the stock held at the reporting date (or prior period) would have increased or decreased profit or loss by an immaterial amount.

13. Income tax

in thousands of AUD

Income tax recognised in profit or loss

Current tax expense

Current year

Deferred tax expense

Total income tax expense

	2017	2016
	-	-
	-	-
	-	-

Reconciliation of effective tax rate

in thousands of AUD

Loss for the period

Total tax expense

Loss excluding tax

Tax using the Company's domestic tax rate of 30 percent (2016:30 percent)

Non-assessable income

Losses not brought to account

	2017	2016
	(8,242)	(2,467)
	-	-
	(8,242)	(2,467)
	(2,473)	(740)
	366	146
	2,107	594
	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

in thousands of AUD

Deductible temporary differences

Tax losses

	2017	2016
	-	-
	10,721	8,689
	10,721	8,689

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.

14. Trade and other receivables

in thousands of AUD

GST receivable

	2017	2016
	121	146
	121	146

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 24.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

15. Cash and cash equivalents

in thousands of AUD

	2017	2016
Bank balances	1,868	6,629
Cash and cash equivalents in the statement of cash flows	1,868	6,629

16. Reconciliation of cash flows from operating activities

in thousands of AUD

Cash flows from operating activities

	Note	2017	2016
Profit (loss) for the period		(8,242)	(2,467)
Adjustments for:			
Depreciation	10	18	37
Impairment of exploration and evaluation assets	11	6,751	939
Profit(loss) on disposal of investments; Equipment & other		(23)	-
Government grant		-	466
Equity-settled share-based payment transactions	20	26	40
		(1,470)	(985)
Change in trade and other receivables	14	25	(55)
Change in prepayments		(1)	(2)
Change in trade and other payables	22	(143)	281
Change in provisions and employee benefits	19,21	12	(6)
Net cash from/(used in) operating activities		(1,577)	(767)

17. Capital and reserves

Share capital

In thousands of shares

	Ordinary shares	
	2017	2016
On issue at 1 July	347,832	304,353
Issued for cash	-	43,479
Issued for services (i)	-	-
On issue at 30 June	347,832	347,832

(i) Relates to share based payments arrangements, refer note 20

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid except for 7,850 thousand shares (2016: 7,850 thousand) which have been funded by limited recourse loans.

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 regard to the Company's residual assets.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

17. Capital and reserves (continued)

Issuance of ordinary shares

2017

200 thousand shares were granted to an employee as remuneration for services performed. These shares were issued in the prior year through a limited recourse loan arrangement which expired during the period. The shares were then transferred to a current employee and as the transfer was also funded by a limited recourse loan they have been accounted for as an option and the fair value of these shares was \$26 thousand, see Note 20 for valuation. The share transfer has no impact on the number of shares on issue for the period.

2016

The Company issued 43,479 thousand shares on 10 July 2015 at an issue price of 7.5 cents per share as part of its non renounceable rights issue. This raised approximately \$3,260 thousand before issue costs. Capital raising costs included in share capital attributable to the issue of shares during the year was \$213 thousand.

On 11 March 2016 650 thousand ordinary shares were granted as an incentive payment to an employee of the Company. The shares were already on issue, having been subject to existing limited recourse loans which had expired during the year. The transfer was funded by a limited recourse loan from the Company and the fair value of these shares was \$40 thousand (refer note 20). The share transfer has no impact on the number of shares on issue for the period.

Reserves

Equity compensation reserve

The equity compensation reserve records the fair value of options (including shares issues which are funded by limited recourse loans), warrants and performance rights issued.

Issue of warrants

2017

No new warrants were issued during the 2017 financial year.

2016

The Company issued 52,175 thousand warrants on 6 August 2015 to OL Master Limited exercisable at 9.35 cents. These warrants expire on 17 December 2017 and represented the first tranche of warrants issued in conjunction with a new financing facility. An amount of \$1,764 thousand excluding capital raising costs of \$61 thousand, of the proceeds from the refinancing was allocated to the warrants, refer note 23.

The Company issued a second tranche of 20,825 thousand warrants on 30 October 2015 exercisable at 9.35 cents in conjunction with the drawdown of Tranche 2 of the finance facility. The warrants expire on 17 December 2017. An amount of \$1,564 thousand of the proceeds from the refinancing was allocated to the warrants, refer note 23.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

17. Capital and reserves (continued)

Expiration of warrants

2017

On 17 June 2017, 63,251 thousand warrants (share options) expired. This parcel of warrants had an exercise price of \$0.158.

2016

On 8 February 2016, 1,000 thousand warrants (share options) expired. This parcel of warrants had an exercise price of \$0.125.

Total on issue

The total number of warrants and options on issue at 30 June 2017 was 73,000 thousand (2016: 136,251 thousand).

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of \$8,241 thousand (2016: \$2,465 thousand loss) and a weighted average number of ordinary shares outstanding of 340,833 thousand (2016: 337,940 thousand), calculated as follows:

Loss attributable to ordinary shareholders (basic)

in thousands of AUD

	2017	2016
Profit (loss) attributable to ordinary shareholders	(8,241)	(2,465)

Weighted average number of ordinary shares (basic)

in thousands of shares

	Note	2017	2016
Issued ordinary shares at 1 July	17	347,832	304,353
Effect of shares issued in July 2015		-	42,292
Weighted average number of ordinary shares at 30 June		347,832	346,645

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2017 was based on loss attributable to ordinary shareholders of \$8,241 thousand (2016: \$2,465 thousand loss), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 340,833 thousand (2016: 339,645 thousand), calculated as follows:

Loss attributable to ordinary shareholders (diluted)

in thousands of AUD

	2017	2016
Profit (loss) attributable to ordinary shareholders (diluted)	(8,241)	(2,465)

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Notes to the consolidated financial statements

For the year ended 30 June 2017

18. Earnings per share (continued)

Weighted average number of ordinary shares (diluted)

in thousands of shares

	Note	2017	2016
Weighted average number of ordinary shares (basic)	17	347,832	346,645
Effect of share options on issue		-	-
Weighted average number of ordinary shares (diluted)		347,832	346,645

At 30 June 2017 73,000 thousand warrants (2016: 63,251 thousand warrants) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

19. Employee benefits

in thousands of AUD

	2017	2016
Salaries and wages accrued	33	23
Liability for annual leave	82	80
Liability for superannuation	-	-
Total employee benefits - current	115	103

20. Share-based payment arrangements

Description of the share-based payment arrangements

Employee share based payments

2017

200 thousand ordinary shares were granted as an incentive payment to a current employee of the Company. The shares were already on issue, having been subject to an existing limited recourse loan which had expired during the 2015 year. The fair value of these shares was \$26 thousand as at 6 December 2016 being the date of purchase, which was funded by a limited recourse loan from the Company. The loan is limited to the shares issued, is interest free and repayable within 3 years. In accordance with AASB 2 the loan has been valued as an option and the fair value was calculated using the Black Scholes Model. There are no performance or service conditions attached to the loan. At balance date the loan was not repaid.

2016

On 11 March 2016 the Company granted 650 thousand shares to one of its employees as an incentive payment. The shares were already on issue, having been subject to existing limited recourse loans which had expired during the prior year. The shares are funded by a limited recourse loan. The loan is limited to the shares issued, is interest free and repayable within 3 years. In accordance with AASB 2 the loan is required to be valued as an option. The fair value of the share options of \$40 thousand was calculated using the Black Scholes Model. There are no performance or service conditions attached to the loan. At balance date the loan was not repaid.

From time to time the Company will issue shares to employees and the acquisition of the ordinary shares is funded by a loan from the Company, with recourse of these loans being limited to the shares issued. The loans are interest free. In accordance with AASB 2 the loans provided to the employees and shares issued are required to be valued as an option.

During the year ended 30 June 2016, 1,000 thousand options with a fair value of \$89 thousand expired.

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For the year ended 30 June 2017

20. Share-based payment arrangements (continued)

Employee share based payments (continued)

The number and weighted average exercise prices of options and shares funded by non-recourse loans and accounted for as options is as follows:

<i>in AUD</i>	Number of options 2017	Weighted average exercise price 2017	Number of options 2016	Weighted average exercise price 2016
Outstanding at 1 July	7,850,000	0.14	8,850,000	0.14
Issued during the year (i)	200,000	0.18	650,000	0.05
Expired/lapsed during the year	(200,000)	(0.18)	(1,650,000)	(0.13)
Exercised during the year	-	-	-	-
Outstanding at 30 June	7,850,000	0.14	7,850,000	0.14
Exercisable at 30 June	7,850,000	0.14	7,850,000	0.14

- (i) During the year 200 thousand shares (2016: 650 thousand shares) were granted to employees and funded by non-recourse loans. These shares were issued in a prior year, also through a limited recourse loan arrangement which has expired. The shares were transferred to a current employee and as the transfer was also funded by a limited recourse loan they have been accounted for as an option. The share transfer has no impact on the number of options on issue for the period.

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 Options 2017	Employee Options 2016
Number of options	200,000	650,000
Grant date	6 December 2016	11 March 2016
Fair value at grant date	\$0.129	\$0.062
Share price at grant date	18 cents	5 cents
Exercise price	18 cents	5 cents
Expected volatility (weighted average)	101%	129%
Expected life (weighted average)	3 years	3 years
Risk-free interest rate (based on government bonds)	1.98%	1.55%
Dividend yield	0.00%	0.00%

The expected share price volatility has been calculated based on Aeon Metals Limited's historical share price performance. The total share based payment expense recognised for the year ended 30 June 2017 was \$26 thousand (2016: \$40 thousand).

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

20. Share-based payment arrangements (continued)

Other share based payments

2017

There were no other share based payments for the year ended 30 June 2017.

2016

As part of the loan refinance detailed in Note 23, the Company issued 73,000 thousand warrants in two tranches. The first tranche issued on 23 July 2015 was for 52,175 thousand warrants with an exercise price of 19c. A further 20,825 thousand warrants was issued in October 2015 with an exercise price of 19c. The warrants for both tranches will expire on 17 December 2017. The fair value of the warrants was calculated using the Black Scholes model and totalled \$3,266 thousand.

The number and weighted average exercise prices of warrants are as follows:

<i>in AUD</i>	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	2017	2017	2016	2016
Outstanding at 1 July	136,251,107	0.18	63,251,107	0.16
Issued during the year	-	-	73,000,000	0.19
Expired during the year	(63,251,107)	(0.16)	-	-
Exercised during the year	-	-	-	-
Outstanding at 30 June	73,000,000	0.19	136,251,107	0.18
Exercisable at 30 June	73,000,000	0.19	136,251,107	0.18

During the 2017 financial year 63,251,107 warrants that were on issue expired on 17 June 2017.

Shares issued under non-recourse loan agreements are excluded in the number of options on issue outlined above.

21. Provisions

Site restoration

A provision of \$50 thousand was made in respect of the Group's obligations in respect of environmental remediation. There has been no change to the provision in the current year and at 30 June 2017 the provision for site restoration totals \$50 thousand. The provision has been capitalised to the Exploration and Evaluation assets at Note 11.

22. Trade and other payables

In thousands of AUD

	2017	2016
Other Payables	604	829
Accrued Expenses	174	92
	778	921

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 24.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

23. Loans and borrowings

In thousands of AUD

Current liabilities

Limited recourse notes

2017

2016

31,814

-

31,814

-

Non-current liabilities

Limited recourse notes

-

23,558

-

23,558

2017

Subsequent to 30 June 2017 an agreement was finalised between the Company and OL Master Limited to extend the repayment date of the debt facility as described below to 17 December 2019. In consideration for this extension and subject to shareholder approval, the Company agreed to issue to OL Master Limited 85,000 thousand warrants each expiring on 17 December 2019 and exercisable at 16.00 cents. The issue of the warrants was approved at a General Meeting of the Company's shareholders on 11 August 2017.

2016

During the 2016 year the Company refinanced its debt facility. On 23 July 2015 the Company issued 2,283 limited recourse notes as Tranche 1 to OL Master Limited with a face value of \$22.83 million ("New Facility"). These funds were used to repay the principal and accrued interest owing under the existing limited recourse notes held by Centar SP3 Limited and OL Master Limited ("2014 Facility"). The New Facility is secured over Aeon Walford Creek Limited's ("AWCL") assets and the Company's AWCL shares in a manner identical to the 2014 Facility.

The New Facility's terms and conditions differ from the 2014 Facility in that interest will now capitalise on a quarterly basis, the repayment date has been extended by six months to 17 December 2017 and there is a mechanism whereby in the event of early repayment, OL Master Limited will be assured of an amount which will give it an internal rate of return of 12% up to the early repayment date. In addition 52,175 thousand warrants were issued as part of Tranche 1 to OL Master Limited as part of the terms of the refinancing. The New Facility had a fair value of \$14,724 thousand and the warrants issued had a fair value of \$1,764 thousand on the date the notes and warrants were issued. For accounting purposes they were recognised at their fair value. The fair value of the New Facility and warrants was determined by reference to the fair value of the 2014 Facility of \$16,488 at the date of renegotiations. The New Facility incurs interest at 12% p.a however the face value has been discounted using an effective interest rate of 35% to determine the fair value for accounting purposes. The fair value of the warrants was calculated using the Black Scholes model.

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23. Loans and borrowings (continued)

The Company issued 485 additional limited recourse notes to OL Master Limited as Tranche 2 of the New Facility on 30 October 2015 to raise \$4.85 million for further work at the Walford Creek Project. In addition 20,825 thousand warrants were issued to OL Master Limited as part of Tranche 2 of the New Facility. The cash received on issue of the notes of \$4,850 thousand has been allocated between the Tranche 2 warrants issued and the Tranche 2 liability. The notes issued in Tranche 2 incur interest at 12% p.a however the amounts have been allocated as \$3,286 thousand to the loan and \$1,564 to the warrants on the basis of an effective interest rate on the facility of 35%. The fair value of the warrants was calculated using the Black Scholes model.

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 24.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows.

<i>In thousands of AUD</i>	Currency	Nominal interest rate	Year of maturity	30 June 2017		30 June 2016	
				Face value	Carrying amount	Face value	Carrying amount
New recourse notes	AUD	12.00%	Dec 2017	34,487	31,814	30,641	23,558
Total interest-bearing liabilities				34,487	31,814	30,641	23,558

The face value includes the principal and accrued interest owing at year end of the 2,768 limited recourse notes with a face value of \$10,000 per note which incur interest of 12% p.a. The carrying amount is the amortised cost and was calculated using a discounted cashflow based on an effective interest rate of 35%.

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:

<i>In thousands of AUD</i>	Note	Carrying amount	
		2017	2016
Interest bearing investments	12	47	45
Trade and other receivables	14	121	146
Cash and cash equivalents	15	1,868	6,629
		2,036	6,820

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

24. Financial instruments (continued)

Credit risk (continued)

Impairment losses

The ageing of the trade and other receivables at the end of the reporting period that were not impaired was as follows:

In thousands of AUD

	2017	2016
Neither past due nor impaired	121	146
Past due 1 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 91 - 120 days	-	-
	121	146

At 30 June 2017 and 30 June 2016 an impairment loss of \$17 thousand relates to a reimbursement of a deposit paid which the Group is not expecting to receive.

Based on historic default rates, the Group believes that, apart from the above, 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 thousand credit card facility (2016: \$30 thousand). At 30 June 2017 the undrawn amount is \$30 thousand (2016: \$30 thousand).

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

24. Financial instruments (continued)

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.

30 June 2016

		Contractual cash flows					
<i>In thousands of AUD</i>	Carrying amount	Total	2 mths or less	2-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Limited recourse notes (i)	23,558	36,593	-	-	36,593	-	-
Trade payables	921	921	921	-	-	-	-
	24,479	37,514	921	-	36,593	-	-

30 June 2017

		Contractual cash flows					
<i>In thousands of AUD</i>	Carrying amount	Total	2 mths or less	2-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Limited recourse notes (i)	31,814	36,593	-	36,593	-	-	-
Trade payables	777	777	777	-	-	-	-
	32,591	37,370	777	36,593	-	-	-

(i) 27,680 thousand of the contractual cash flow and 8,913 thousand of interest payable in 2-12 months relates to a limited recourse loan secured over the company's shares in Aeon Walford Creek Limited. On 11 August 2017 the shareholders approved a 2 year extension to the repayment date of this limited recourse loan in consideration for the issue of 85 million warrants.

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.

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:

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

24. Financial instruments (continued)

<i>In thousands of AUD</i>	Interest Rate	Carrying amount	Interest Rate	Carrying amount
	2017	2017	2016	2016
Fixed rate instruments				
Financial liabilities (i)	12%	31,814	12%	23,558
		31,814		23,558
Variable rate instruments				
Financial assets	1.92%	1,868	2.05%	6,629
Held-to-maturity assets	2.83%	47	3.07%	45
		1,915		6,674

- (i) The coupon rate on the limited recourse loan is 12% p.a. however the effective interest rate has been determined to be 35% 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.

Cash flow 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.

<i>Effect in thousands of AUD</i>	Profit or loss	
	100bp increase	100bp decrease
30 June 2016		
Variable rate instruments	67	(67)
30 June 2017		
Variable rate instruments	19	(19)

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 values versus carrying amounts

The fair values of financial assets and liabilities approximate their carrying values.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

24. Financial instruments (continued)

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).

In thousands of AUD

	Level 1	Level 2	Level 3
30 June 2017			
Financial assets designated as at fair value through profit or loss	4	-	-
Total assets	4	-	-
30 June 2016			
Financial assets designated as at fair value through profit or loss	5	-	-
Total assets	5	-	-

There have been no transfers from Level 1 to Level 2 during the year ended 30 June 2017 (2016: no transfers in either direction).

25. Operating leases

Leases as lessee

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

in thousands of AUD

	2017	2016
Less than one year	53	24
Between one and five years	8	-
More than five years	-	-
	61	24

The Group leases five premises under operating leases. Of these five leases, two leases currently run on a month to month basis. The total rental payments of these two leases is \$3,642. The third and fourth leases are under 12 month contracts, both of which expire in September 2017. The total rental payments on these leases is \$4,749 per month.

The remaining lease, is a 24 month lease, which expires 15 September 2018. The total rental payments are \$3,333 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

Notes to the consolidated financial statements

For the year ended 30 June 2017

26. Commitments and contingencies

There are no contractual commitments or contingent liabilities at 30 June 2017 (2016: nil).

27. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

in AUD

	2017	2016
Short-term employee benefits	643,618	569,334
Long-term leave entitlements	31,418	-
Consulting fees	53,025	149,040
Post-employment benefits	53,025	53,212
	781,086	771,586

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.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control were as follows:

			Transaction values year ended 30 June		Balance outstanding as at 30 June	
<i>in AUD</i>		<i>Note</i>	2017	2016	2017	2016
Key management person						
John Goody	Reimbursements	(i)	184	1,259	-	-
Edgar Newman	Reimbursements	(i)	-	2,572	-	-
Hamish Collins	Reimbursements	(i)	219	459	-	100
Paul Harris	Reimbursements	(i)	-	1,396	-	80
Total and current liabilities			403	5,686	-	180

- (i) The Group reimbursed key management personnel for business related expenditure. The amounts were paid as per third party receipts.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

28. Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest	
		2017	2016
Parent Entity:			
Aeon Metals Limited			
Significant Subsidiaries			
Aussie NQ Resources Pty Ltd	Australia	100	100
SLW Queensland Pty Ltd	Australia	60	60
Aeon Walford Creek Ltd (previously Aston Metals (QLD) Ltd)	Australia	100	100

29. Subsequent events

On 17 August 2017 the Group issued 39,286 thousand ordinary shares at 14.00c per share to institutional and sophisticated investors. The share issue raised \$5,500 thousand (before capital raising costs).

On 11 August 2017, the Company held a General Meeting of its Shareholders. At the meeting, the following resolutions were passed:

- As consideration for extension of expiry date of the Limited Recourse Loan from 17 December 2017 to 17 December 2019, the shareholders approved the issue of 85,000 thousand warrants exercisable at 16.00 cents to OL Master Limited each expiring on 17 December 2019;
- Approval was provided to allow OCP Asia (Hong Kong) Limited and other to increase their voting power in the Company's shares to more than 20% through the exercise of the warrants they hold which expire 17 December 2017;
- Approval was provided for the Company to provide an Employee Share Incentive Plan;
- On 3 July 2014, Hamish Collins or his nominee was issued 4,000 thousand shares at 12.00 cents per share, funded by a 3 year, interest free, limited recourse loan of \$480 thousand; the company approved the extension of this loan for another 3 years;
- On 4 August 2014, Stephen Lonergan or his nominee was issued 1,000 thousand shares at 19.50 cents per share, funded by a 3 year, interest free, limited recourse loan of \$195 thousand; the company approved the extension of this loan for another 3 years; and
- The issue of 2,500 thousand shares to each of the four directors in the company funded by limited recourse, interest free 3 year loans.

Other than the above there were no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Aeon Metals Limited

Notes to the consolidated financial statements

For the year ended 30 June 2017

30. Auditors' remuneration

In AUD

Audit and review services

Auditors of the Company - KPMG

Audit and review of financial statements

	2017	2016
	112,375	115,160
	112,375	115,160

There were no other services provided by the auditors of the Company for the year ended 30 June 2017 (2016: Nil).

31. Parent entity disclosures

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

in thousands of AUD

Result of parent entity

Loss for the year

Other comprehensive income

Total comprehensive income for the year

	2017	2016
	(10,623)	(1,242)
	-	-
	(10,623)	(1,242)

Financial position of parent entity at year end

Current assets

Non-current assets

Total assets

Current liabilities

Non-current liabilities

Total liabilities

Total equity of parent entity comprising of:

Share capital

Reserves

Accumulated losses

Total equity

	1,967	6,728
	53,605	51,307
	55,572	58,035
	32,631	939
	-	23,558
	32,631	24,497
	22,941	33,538
	48,379	48,379
	4,096	8,830
	(29,534)	(23,671)
	22,941	33,538

Directors' declaration

- 1 In the opinion of the directors of Aeon Metals Limited ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 33 to 67 and the Remuneration report in section 8 in the Directors' report, 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 2017 and of its performance, for the financial 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.
- 2 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 2017.
- 3 The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 19th day of September 2017.



Hamish Collins
Managing Director



Independent Auditor's Report

To the shareholders 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).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Exploration and evaluation expenditure
- Going Concern basis of accounting

Key Audit Matters are those matters that, in our professional judgment, 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.

Exploration and evaluation expenditure (\$54,814 thousand)

Refer to Note 11 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> • the significance of the activity to the Group's business and the balance being 96% of total assets; and • the level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (AASB 6) in particular the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators. <p>The AASB 6 conditions allowing capitalisation of relevant expenditure require judgement, particularly in respect of the following:</p> <ul style="list-style-type: none"> • the Group's determination of the areas of interest; • the Group's intention and capacity to continue the relevant exploration and evaluation activities; and • the Group's determination of whether the exploration and evaluation expenditure are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>Assessing the presence of impairment indicators also requires judgement and given</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in AASB 6; • Assessing the Group's determination of its areas of interest for consistency with the definition in AASB 6; • Assessing the Group's current rights to tenure for each area of interest by corroborating the ownership of the relevant license to government registers or other supporting documentation and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; • Testing the Group's additions to areas of interest for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of AASB 6; • Analysing the Group's determination of recoupment through successful development and exploitation of the area, or by its sale, by evaluating the Group's documentation of planned future activities including work programs and project and corporate budgets for a sample of areas. • Evaluating Group documents, such as minutes of Directors meetings and management's

<p>the financial position of the Group specific consideration needs to be given to:</p> <ul style="list-style-type: none"> • The strategic direction of the Group and their intent to continue exploration activities in each area of interest; • The ability of the Group to fund the continuation of activities in each area of interest; • External expert valuations obtained by the Group in relation to the areas of interest; and • Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest. <p>Where impairment indicators are present the Group's determination of the recoverable value of the areas of interest is based on assumptions which require judgement.</p> <p>Evaluating the Group's application of AASB 6 in regards to the capitalisation and the presence of impairment indicators, and evaluating the Group's determination of recoverable values can be inherently difficult given the judgement required. These assessments require greater audit focus, and as such, exploration and evaluation expenditure has been identified as a key audit matter.</p>	<p>cashflow projections, for consistency with their stated intentions for continuing exploration and evaluation activities in certain areas. We corroborated this through interviews with key personnel;</p> <ul style="list-style-type: none"> • Reading the external expert valuation report to identify data which indicates the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. • In evaluating the Group's determination of the recoverable value of the areas of interest where impairment indicators were noted we worked with our valuations specialists in our performance of the following audit procedures: <ul style="list-style-type: none"> ➤ Assessing the competency of the external expert engaged by the Group to provide the independent valuation of each area of interest; ➤ Assessing the valuation methodology employed by the external expert in determining the independent valuation of each area of interest for consistency with the fair value requirements of AASB 13 <i>Fair Value Measurement</i>; and ➤ Assessing the valuation inputs used by the external expert in determining the fair value of each area of interest.
Going Concern basis of accounting	
Refer to Note 2(b) to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These events and conditions are outlined in Note 2(b).</p> <p>The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Analysing the cash flow projections by: <ul style="list-style-type: none"> ➤ Evaluating the underlying data used to generate the projections. We specifically looked for consistency with the Group's intentions, as outlined in Directors minutes and market announcements, and their comparability to past practices; ➤ Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash

Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

We are required to critically assess the levels of uncertainty as it related to the Group's ability to continue as a going concern, focusing on the following:

- the Group's planned levels of operational expenditures, and the ability of the Group to manage cash outflows within available funding;
- the Group's ability to meet minimum expenditure requirements and the ability to flex those requirements and defer expenditure in line with available funding;
- the Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof, including renegotiation of existing debt facilities. This included source of funds, availability of fund type, feasibility and status/progress of securing those funds;
- the Group's plans to extend the maturity date of existing loan agreements. This included the feasibility, projected timing and status/progress of the proposed extension; and
- events occurring subsequent to balance date.

Assessing the uncertainty and the appropriateness of the Director's assumptions requires judgement and as such, Going concern has been identified as a key audit matter.

positions and assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were selected from our test results of the accuracy of previous period Group cash flow projections;

- Assessing the planned levels of operating expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing the planned level of expenditure for consistency with minimum expenditure requirements and managements plans as identified in the key audit matter 'Exploration and evaluation expenditure';

- Reading agreements and market announcements regarding the renegotiation status of existing debt facilities;
- Comparing the forecast expenditure to the minimum expenditure requirements and considered the feasibility of management's plans to flex the forecast expenditures in line with available funding. We used our knowledge of the client, its industry and status to assess the level of associated uncertainty;
- Verifying events occurring subsequent to balance date in relation to the raising of additional capital and the extension of an existing loan maturity date; and
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

Other Information

Other Information is financial and non-financial information in Aeon Metals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The Chairman's Letter, ASX Additional Information and the Corporate Governance Statement are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Aeon Metals Limited for the year ended 30 June 2017 complies with *Section 300A* of the *Corporations Act 2001*.

Director's 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 responsibilities

We have audited the Remuneration Report included in section 8 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
19 September 2017



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Aeon Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Aeon Metals Limited for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Stephen Board
Partner

Brisbane
19 September 2017