

Aeon Metals Limited and its controlled entities

ABN 91 121 964 725

31 December 2018
Interim Financial Report

Aeon Metals Limited

31 December 2018 Interim Financial Report

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Aeon Metals Limited

31 December 2018 Interim Financial Report

Directors' Report

The Directors of Aeon Metals Limited (the "Company" or "Aeon") and the entities it controlled (together, "the Group") present their report together with the consolidated financial statements for the six months ended 31 December 2018 and the auditors' review report thereon.

Directors

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

Name

Mr. Hamish Collins
Managing Director

Mr. Paul Harris
Chairperson
Non-Executive Director

Mr. Ivan Wong
Non-Executive Director

Mr. Stephen Lonergan
Non-Executive Director

Review of operations

The 6-month period to 31 December 2018 has been an exciting period for the Company with Australia's largest base metal drill campaign for 2018 completed on the 100% owned Walford Creek Cu-Co Project ("Walford Creek" or the "Project") - one of Australia's biggest undeveloped base metals projects in North-West Queensland.

In April 2018, a planned 30,000m drill program commenced at Walford Creek and was completed during the half year in November 2018. The completed drill program comprised approximately 36,000m of drilling from 11 April 2018 to 31 October 2018 utilising 3 drill rigs. For the half year period from 1 July 2018 to 31 December 2018, 20,566m of drilling was completed in 85 holes. The 2018 drilling program consisted of:

1. Drilling inside the current Resource utilising ~27,000m of drilling with the aim of upgrading the confidence level of the current JORC Resource to facilitate Project Development; and
2. Drilling along strike from the current Resource utilising ~9,000m to target the prospective basin stratigraphy for potential new resources beyond the defined Vardy and Marley Resource.

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 is also progressing a Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources. The Study is refining metallurgical process parameters set out in the 18 April 2017 Cobalt Roasting Scoping Study, which includes a concentrator to produce separate copper, lead and zinc concentrates, and a roaster to produce a cobalt rich calcine, sulphuric acid, and possibly zinc and silver.

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

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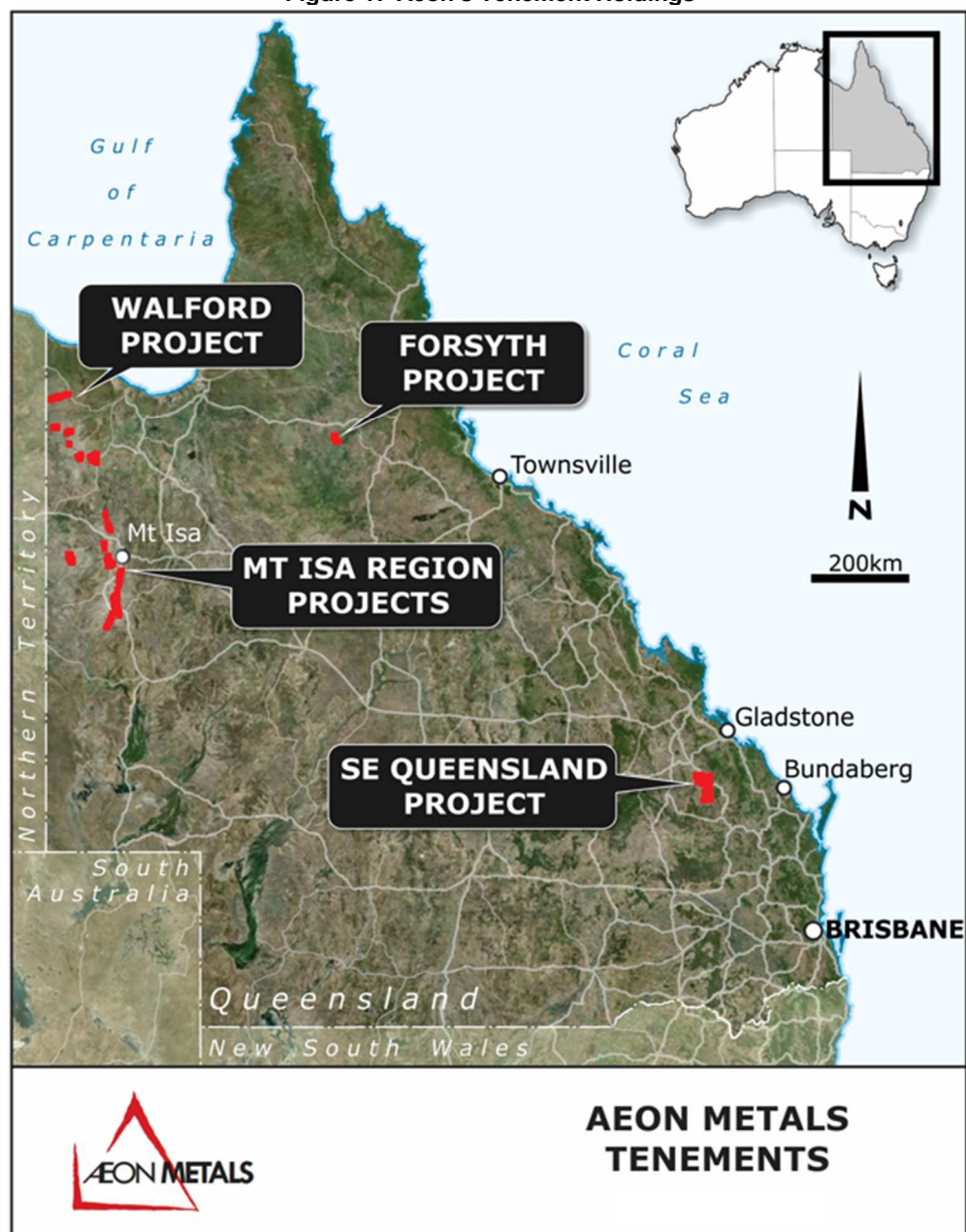
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Directors' Report (continued)

Review of operations (continued)

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

Figure 1: Aeon's Tenement Holdings



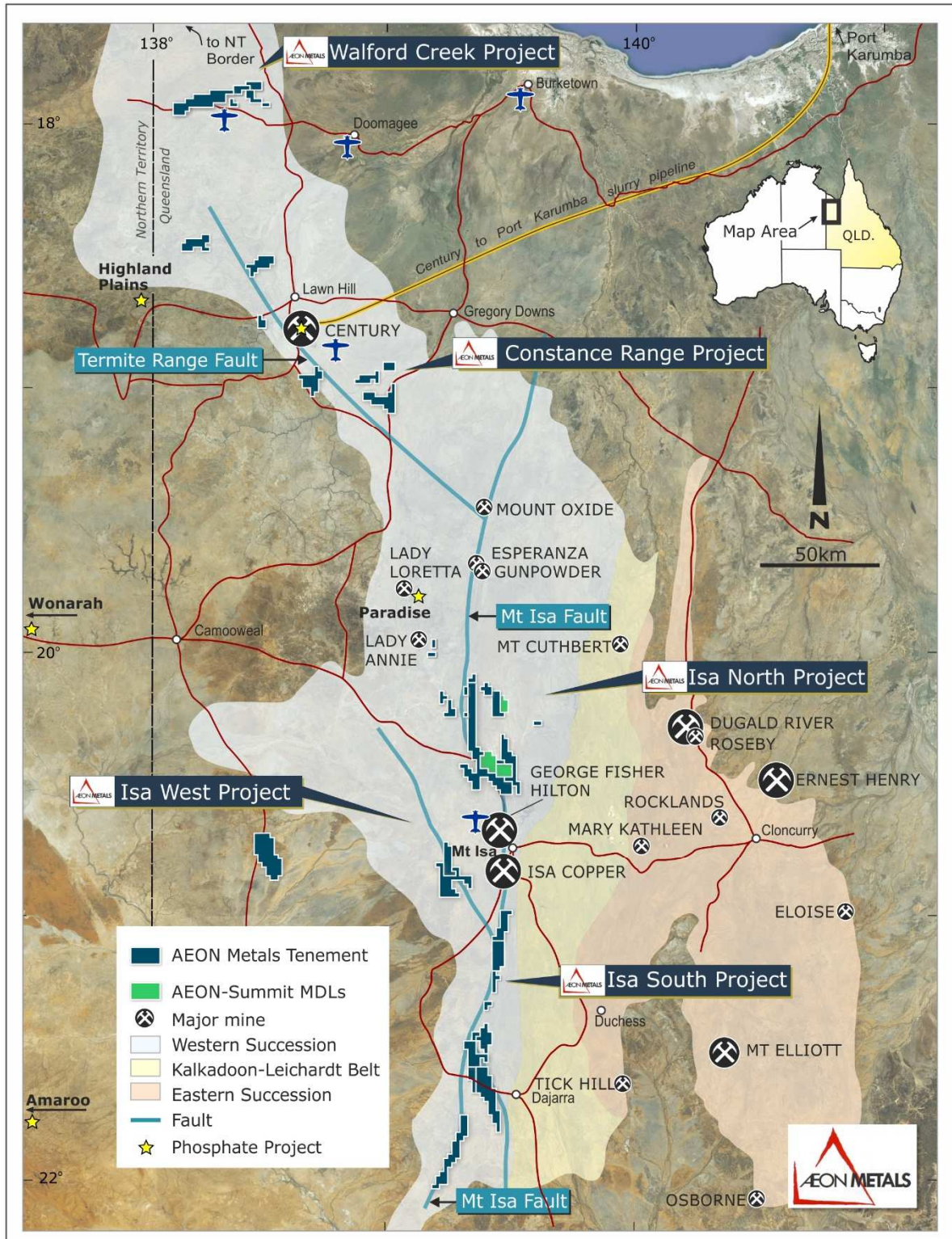
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Directors' Report (continued)

Review of operations (continued)

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



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Directors' Report (continued)

Review of operations (continued)

The Walford Creek Project

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

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

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:

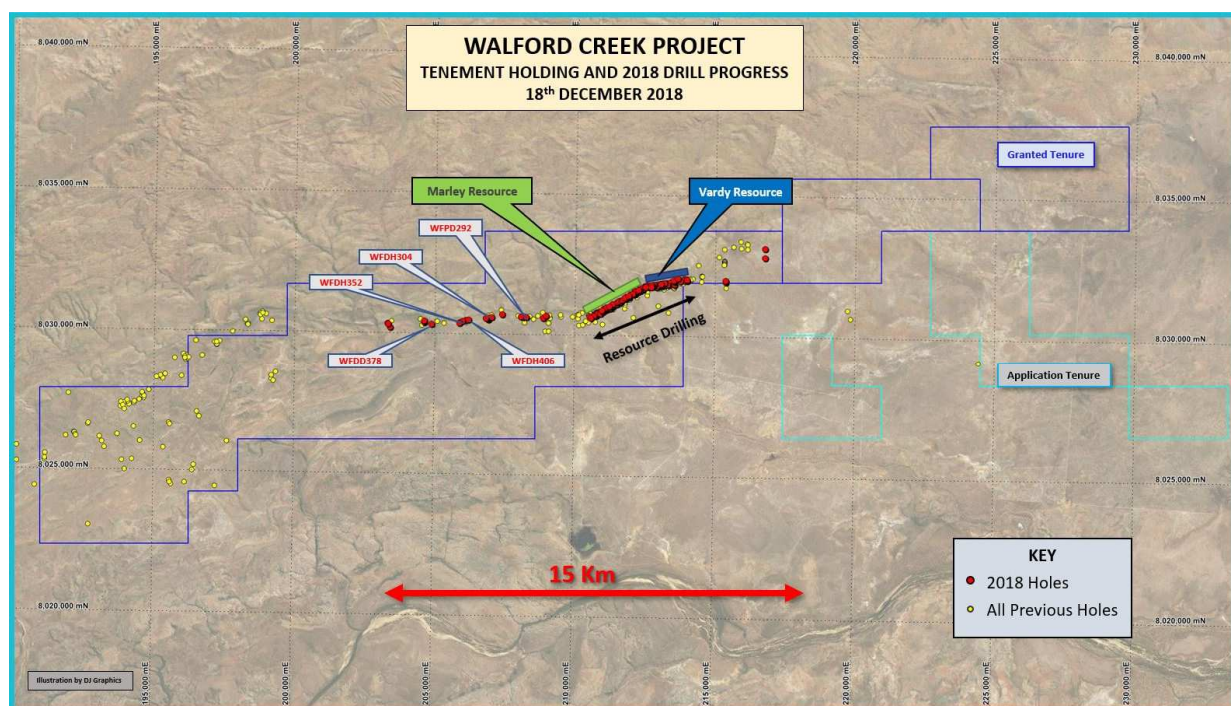
Table 1: Aeon's Tenement Holdings - Walford Creek (WC) Project

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-22
EPM 26906	Walford Extended	WC	Granted	12	38.424	18-Dec-18	17-Dec-23

During the half year period, a total of 85 holes were either started or completed for 20,566m of drilling. (NB – these were all RCDD and some of these holes had already been previously pre-collared as RC in earlier quarters).

All drilling was completed by the end of October and before the start of the wet season (see Figure 3, 4 and 5).

Figure 3: Plan of Walford Project tenure and drilling conducted in 2018 in the Marley and Vardy Resource area and the highly successful western exploration drilling



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Directors' Report (continued)

Review of operations (continued)

Figure 4: 2018 drilling (red drill strings) within Vardy

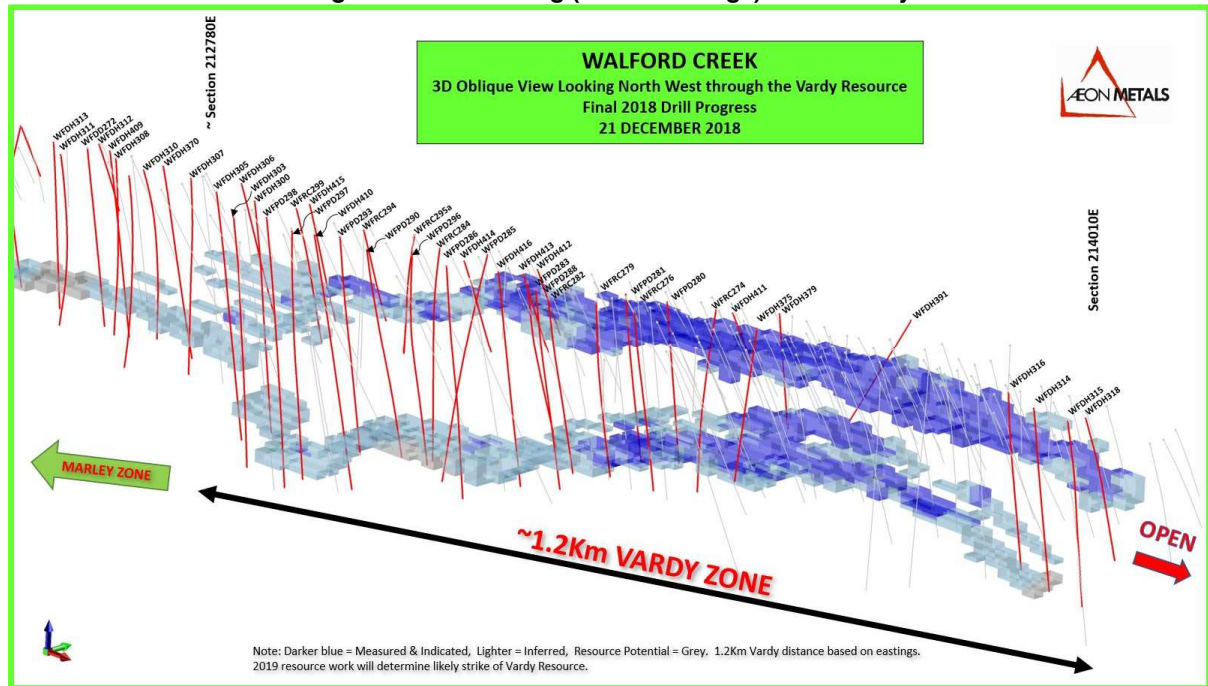
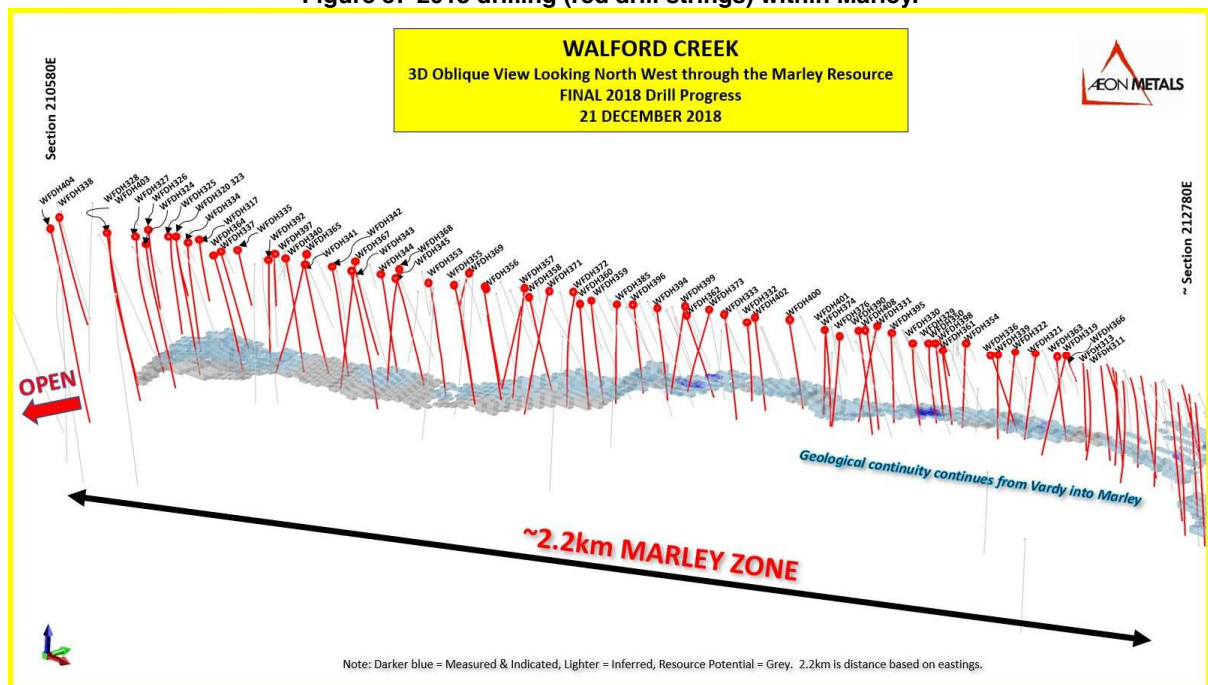


Figure 5: 2018 drilling (red drill strings) within Marley.



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Review of operations (continued)

Directors' Report (continued)

The 2018 drilling program confirmed the geological model, the excellent stratigraphic continuity and the highly prospective nature of this fertile stratigraphic basin at Walford Creek. The drilling also confirmed the previously interpreted wireframing for the current Resource.

The large strike extent of the currently known Walford Creek mineral system is unlike anything currently being drilled in Australia. The Aeon 2018 drill campaign identified mineralised copper, cobalt, lead, zinc and silver stratigraphy over approximately 10 kilometres.

High grade copper and cobalt were intersected in the same stratigraphy up to 5.7km west of Marley (see next page for results). Example of holes with high copper and cobalt included are

- **WFPD 292 – 2.5 km along strike**
- **WFPD 304 – 3.7 km along strike**
- **WFPD 352 – 4.6 km along strike**
- **WFPD 378 – 5.7 km along strike**
- **WFPD 406 – 4.5 km along strike**

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Directors' Report (continued)

Review of operations (continued)

A sample of significant assay intercepts announced¹ in 2018 include:

2018 Drilling - Significant Intercepts						
Hole No.	Intersect	Cu	Co	Ag	From	Location
	m	%	%	g/t	m	
WFDD272	14	1.33	0.19	35	186	Marley
WFRC274	13	1.03	0.08	30	168	Vardy
WFPD280	33	1.60	0.08	28	145	Vardy
	<i>incl 17</i>	2.72	0.10	33	161	
WFPD281	9	1.83	0.21	15	83	Vardy
	<i>and 21</i>	1.38	0.23	33	171	
WFPD283	19	1.37	0.17	18	199	Vardy
WFPD292	18	1.39	0.11	32	390	Exploration
	<i>incl 7</i>	2.35	0.19	38	398	
WFRC295	21	1.40	0.07	17	77	Vardy
	<i>incl 11</i>	2.37	0.10	20	86	
WFPD298	16	2.13	0.24	27	161	Vardy
	<i>and 38</i>	0.76	0.12	38	276	
	<i>incl 16</i>	1.24	0.18	59	295	
WFRC299	29	0.73	0.14	21	90	Vardy
	<i>incl 11</i>	1.36	0.21	17	108	
WFDH304	19	1.20	0.10	23	348	Exploration
WFDD305	16	2.41	0.23	34	241	Marley
WFDD308	15	1.39	0.28	42	196	Marley
WFPD313	32	2.02	0.17	33	171	Marley
	<i>incl 19</i>	3.20	0.21	38	183	
WFPD334	36	1.47	0.15	18	231	Marley
	<i>incl 14</i>	3.42	0.15	21	234	
WFDD336	19	1.44	0.20	25	178	Marley
WFDD337	26	1.39	0.14	57	242	Marley
WFDD339	26	1.65	0.22	26	242	Marley
WFDH345	20	1.72	0.30	26	265	Marley
WFDH346	20	1.00	0.11	28	408	Exploration
WFDD350	12	1.17	0.32	26	174	Marley
WFDH352	42	2.55	0.29	41	332	Exploration
WFDH353	25	0.63	0.18	30	266	Marley
	<i>incl 11</i>	1.10	0.30	41	279	
WFDH355	19	0.91	0.15	52	259	Marley
WFDH363	47	1.59	0.15	30	152	Marley
	<i>incl 27</i>	2.25	0.21	30	170	
WFDH378	13	3.73	0.27	49	300	Exploration
	<i>incl 9</i>	5.10	0.36	59	300	
WFDH379	26	1.94	0.19	23	35	Vardy
WFDH404	20	0.76	0.16	47	473	Marley
	<i>incl 12</i>	1.07	0.18	52	480	
WFDH406	20	0.76	0.13	31	320	Exploration
	<i>incl 10</i>	1.14	0.18	35	322	
WFDH407	11	1.36	0.21	27	261	Marley
WFDH410	62	0.76	0.22	26	247	Vardy
	<i>incl 28</i>	1.27	0.37	34	263	
WFDH411	40	0.43	0.15	32	43	Vardy
WFDH412	10	0.81	0.15	25	38	Vardy
	<i>and 19</i>	0.78	0.11	13	57	
WFDH416	25	0.80	0.21	34	208	Vardy
	<i>incl 19</i>	1.00	0.25	34	213	

¹ Reference should be made to the relevant ASX announcements for full details of these results.

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Directors' Report (continued)

Review of operations (continued)

The Company is also progressing a Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources at Walford Creek. The Study is refining metallurgical process parameters set out in the 18 April 2017 Cobalt Roasting Scoping Study, which includes a concentrator to produce separate copper, lead and zinc concentrates, and a roaster to produce a cobalt rich calcine, sulphuric acid, and possibly zinc and silver. As part of this study, a number of logistics and infrastructure options have been reviewed to maximise the value of the sulphuric acid product.

The metallurgical testwork program continued during the half year period with the following work:

- Extended elemental analysis conducted on the 19 locked cycle test products generated to date. All of the cobalt concentrates produced from the locked cycle testwork have a product quality suitable for roasting and subsequent leach.
- Batch roasting and cobalt were completed at Outotec facilities in Germany. Roasting conditions have now been selected with a pilot roasting program scheduled. Following completion of the roaster pilot optimisation, cobalt leaching will be conducted with cobalt rich solution used for cobalt product tests.

The long lead environmental work items required to obtain an Environmental Authority for the development of the Walford Creek Project continued during the quarter with work on the following:

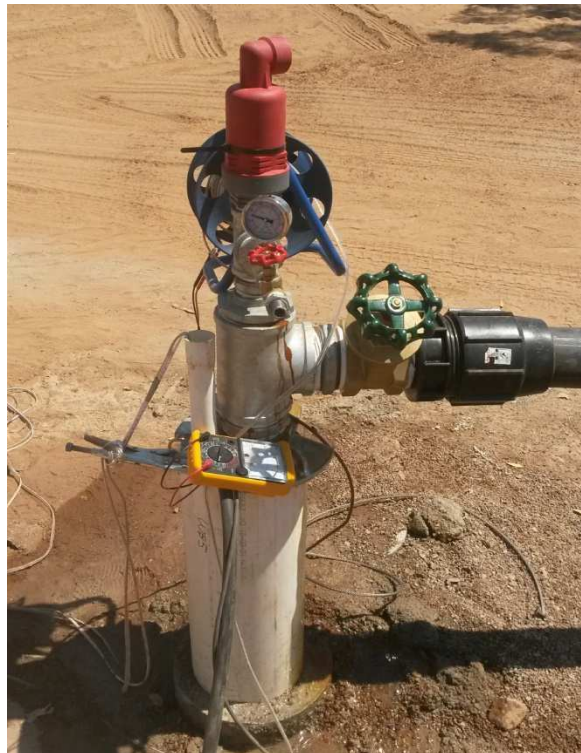
Water Management Plan

The Company commenced the development of a Water Management Plan to provide background information for inclusion in the Environmental process for the Walford Creek Project. Three 200mm diameter production water bores were drilled into the Vardy proposed pit area along with five 100mm diameter monitoring bores to enable data gathering on the ground water aquifer. It was established that only one aquifer is present in this region between 60m and 90m in depth.

Pump testing to determine volume and flow characteristics of the aquifer were carried out. Measurement of the recovery of water level in the aquifer is ongoing. A report on the pump test and evaluation of the aquifer as a water supply and the implication for pit dewatering is being prepared by a consultant hydrogeologist.

Long Term Kinetic Leach Test Work

Long term kinetic leach work to evaluate waste rock and tailings geochemistry continued with the assaying of 300 samples for acid generating potential and acid neutralising potential. From these results a series of long-term leach cells has been setup to determine a management plan for the disposal and rehabilitation of waste rock and tailings for the project. In addition, background soil sampling and soil pitting has been carried out to provide information on the existing soils metal characteristics and to provide information on materials suitable for site rehabilitation work.



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Directors' Report (continued)

Review of operations (continued)

Surface Water Management Plan

Consultants have been engaged to provide, using site-based weather data, models of surface water flows and flood mitigation regimes to enable planning of infrastructure area's and to plan for water discharges that can possibly occur during the Northern wet season.

Following on from the recommendations in the surface management plan, level sensors have been installed into the 3 main drainage channels intersecting the eastern region of the tenement. This is to determine the duration and peak flow rates of these systems during the "wet season".

Troglofauna Sampling

20 Troglofauna sample traps were distributed down abandoned drill holes across the project area during the period to collect Troglofauna for identification. Troglofauna are small creatures that reside above the water table but in areas absent of light. Sampling traps will remain in place until March/April 2019.

"Other" Northwest Queensland Tenements

A map showing Aeon's interest (through subsidiary Aeon Walford Creek Limited) in various exploration permits in Northwest Queensland is shown in Figure 2. This tenement package is extensive, covering some 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 and it has its own airport connecting the region to major centres in Australia.

Southeast Queensland Tenements

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, 17060 and MDL462, all of which are held 100% by the Company.

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

Impairment losses of \$1.451m were recognised in the current period in relation to these tenements, based on the latest external valuations available.

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Directors' Report (continued)

Review of operations (continued)

Financial Position

The net assets of the Group at 31 December 2018 were \$57.5 million including cash of \$3.7 million.

Significant Changes in State of Affairs

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

After Balance Date Events

On 25 February 2019 the Company released a Walford Creek Resource Update on the ASX, a summary of the results can be found below:

Vardy & Marley Copper Lode Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Measured	2.9	1.19	0.93	0.94	26	0.15	42	2.24
Indicated	10.6	1.12	0.89	0.76	28	0.13	37	2.05
Inferred	4.1	1.16	0.78	0.57	29	0.13	36	2.01
Total	17.6	1.14	0.87	0.74	28	0.13	38	2.07

Vardy & Marley Cobalt Peripheral Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Measured	2.4	0.14	0.81	1.34	20	0.11	46	1.12
Indicated	11.0	0.17	0.80	1.00	21	0.10	37	1.03
Inferred	6.4	0.15	0.92	0.83	24	0.11	36	1.03
Total	19.8	0.16	0.84	0.99	22	0.10	38	1.04

Amy Copper Lode Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Inferred	1.8	1.5	0.75	0.51	32.5	0.15	40	2.48

Amy Copper Lode Exploration Target Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Inferred	6-13	1.0-2.0	0.7-0.9	0.35-0.55	25-35	0.11-0.20		1.71-3.19

Future Developments, Prospects and Business Strategies

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

Aeon's near-term strategy at Walford Creek includes advancing the Project towards a Feasibility status incorporating the Resource within Vardy and Marley. The Feasibility items include finalising metallurgical test work, mining optimisation studies, environmental studies, infrastructure/logistics studies, and product offtake assessment. In addition to the Feasibility items, the Company intends to drill outside the current Resource along the extensive strike length of the Fish River Fault with a focus to materially increase the already large Resource.

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

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Directors' Report (continued)

Review of operations (continued)

Environmental Issues

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

The exploration undertaken on the Company's combined tenements in Queensland to date has not created significant environmental issues. However, environmental issues will arise as and when the Group moves into development and subsequently production and these issues will be thoroughly assessed at the time any mining authority is sought. Usual measures are undertaken pre and post drilling to ensure that the environmental impact is minimised. This includes re-contouring and re-seeding affected areas and capping drill collars. The work undertaken to date has produced minimal impact on the environment. No issues regarding compliance were encountered during the reporting period.

Auditor's independence declaration

The auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 14 of the financial report and forms part of this directors' report.

Rounding off

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

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 15th day of March 2019.

COMPETENT PERSON STATEMENTS

The data in this report that relates to Mineral Resource Estimates for the Walford Creek Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

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

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

As lead auditor for the review of Aeon Metals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 15 March 2019

Aeon Metals Limited

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Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Assets			
Cash and cash equivalents		3,660	12,654
Trade and other receivables		389	410
Other investments		50	53
Prepayments		53	116
Total current assets		4,152	13,233
Property, plant and equipment		455	437
Other assets		50	48
Exploration and evaluation assets	10	70,542	62,988
Total non-current assets		71,047	63,473
Total assets		75,199	76,706
Liabilities			
Trade and other payables		1,975	1,949
Employee benefits		202	173
Provisions		50	50
Loans and borrowings	6	15,521	-
Total current liabilities		17,748	2,172
Loans and borrowings	6	-	14,623
Total non-current liabilities		-	14,623
Total liabilities		17,748	16,795
Net assets		57,451	59,911
Equity			
Share capital	7	90,049	90,049
Reserves		8,609	8,406
Accumulated losses		(41,213)	(38,550)
Total equity attributable to owners of the Company		57,445	59,905
Non-controlling interests		6	6
Total equity		57,451	59,911

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

Aeon Metals Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Administrative expenses		(585)	(637)
Impairment loss	10	(1,451)	(7,000)
Other expenses		(690)	(1,819)
Results from operating activities		(2,726)	(9,456)
Finance income		63	44
Finance costs		-	-
Net finance income		63	44
Loss before income tax		(2,663)	(9,412)
Income tax expense		-	-
Loss for the period		(2,663)	(9,412)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(2,663)	(9,412)
Loss attributable to:			
Owners of the Company		(2,663)	(9,411)
Non-controlling interests		-	(1)
Loss for the period		(2,663)	(9,412)
Total comprehensive Loss attributable to:			
Owners of the Company		(2,663)	(9,411)
Non-controlling interests		-	(1)
Total comprehensive Loss for the period		(2,663)	(9,412)
Loss per share			
Basic loss per share (cents per share)	8	(0.45)	(2.44)
Diluted loss per share (cents per share)	8	(0.45)	(2.44)

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

Aeon Metals Limited

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

Note	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Equity compensation reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017, as previously reported	48,379	4,096	(28,163)	24,312	7	24,319
Total comprehensive loss for the period						
Loss for the period	-	-	(9,411)	(9,411)	(1)	(9,412)
Total comprehensive loss for the period	-	-	(9,411)	(9,411)	(1)	(9,412)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Expiration of options & warrants		(3,505)	3,505	-	-	-
Issue of options	-	1,165	-	1,165	-	1,165
Issue of ordinary shares	42,341	-	-	42,341	-	42,341
Capital raising costs	(1,831)	-	-	(1,831)	-	(1,831)
Issue of warrants	-	6,443	-	6,443	-	6,443
Total contributions by and distributions to owners of the company	40,510	4,103	3,505	48,118	-	48,118
Balance at 31 December 2017	88,889	8,199	(34,069)	63,019	6	63,025
Balance at 1 July 2018, as previously reported	90,049	8,406	(38,550)	59,905	6	59,911
Total comprehensive loss for the period						
Loss for the period	-	-	(2,663)	(2,663)	-	(2,663)
Total comprehensive loss for the period	-	-	(2,663)	(2,663)	-	(2,663)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Issue of options	-	203	-	203	-	203
Total contributions by and distributions to owners of the company	-	203	-	203	-	203
Balance at 31 December 2018	90,049	8,609	(41,213)	57,445	6	57,451

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

Aeon Metals Limited

Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

<i>Note</i>	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Cash flows from operating activities		
Cash paid to suppliers and employees	(1,068)	(1,807)
Cash used in operations	(1,068)	(1,807)
Interest received	63	44
Net cash used in operating activities	(1,005)	(1,763)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4)	(60)
Payments for exploration activities (net of grants received)	(7,985)	(1,463)
Net cash used in from investing activities	(7,989)	(1,523)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	35,516
Payment of capital raising costs	-	(1,831)
Repayment of borrowings	-	(15,500)
Net cash from financing activities	-	18,185
Net (decrease) increase in cash and cash equivalents	(8,994)	14,899
Cash and cash equivalents at 1 July	12,654	1,868
Cash and cash equivalents at 31 December	3,660	16,767

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

Aeon Metals Limited

31 December 2018 Interim Financial Report

Notes to the consolidated interim financial statements

1. Corporate Information

The financial statements of Aeon Metals Limited ('Company' or 'Aeon') and its controlled entities ('the Group') for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 15 March 2019.

Aeon Metals Limited is the Group's ultimate parent company, and is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activity of the Company during the half-year was exploration and evaluation of mineral licences in Australia.

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

2. Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report of the Company as at 30 June 2018 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Basis of Preparation

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

The interim consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

New standards and interpretations adopted

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

AASB 9 Financial Instruments

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

AASB 9 did not have a significant impact on the Group's accounting policies. Other investments that were classified as held-to-maturity investments under AASB 139 are now classified as amortised cost. As the financial assets of the Group are immaterial, no impairment allowance has been recognised as at 1 July 2018.

New standards and interpretations not yet adopted

During the period a number of Standards and Interpretations were issued but not yet effective. Management have assessed the potential aspects but do not expect them to have a significant impact.

Aeon Metals Limited

31 December 2018 Interim Financial Report

Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)

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 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 has assessed the potential impact on its financial statements resulting from the application of AASB 16.

The Group's real estate leases include leases of offices and workshops. The Group classified these as operating leases under AASB 17.

The Group leases premises in Mt Isa Queensland. The non-cancellable period of the lease is 1 year and 5 months. If the group exercises the renewal option, then the lease payments in the renewal period will reflect the then market rate.

At inception the Group assessed that it was reasonably likely to exercise the renewal option.

For the purposes of applying the modified retrospective approach to this lease, the group elects to:

- Measure the right-of-use asset as if it had applied AASB 16 since the commencement date using an incremental borrowing rate at the date of initial application;
- Apply the practical expedient to use hindsight when assessing the lease term; and
- Apply the practical expedient to exclude initial direct costs from the right-of-use asset.

'Property, plant and equipment' comprise owned and leased assets that do not meet the definition of investment property.

	Notes	Dec-18 \$'000
Property, plant and equipment		455
Right-of-use assets, except for investment property		96
Exploration and evaluation assets		70,542
		71,093

Information about leases in which the Group is a lessee is presented below.

Right-of-use assets

In thousands of AUD	Property
Balance at 30 June 2018	132
Depreciation charge for the period	(36)
Balance at 31 December 2018	96

Lease liabilities

	Dec-18 \$'000
Current	96
Non-current	-
	96

Amounts recognised in the Statement of Profit or Loss

Interest on lease	1
Depreciation charge for the period	36
	37

Amounts recognised in the Statement of Cash Flows

Total cash outflow for leases	36
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Aeon Metals Limited

31 December 2018 Interim Financial Report

Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)

Going concern

The interim consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the interim period ended 31 December 2018, the Group incurred a net loss before tax of \$2.7 million (2017: \$9.4 million) and had a net cash outflow from operating and investing activities of \$9.0 million (2017: \$3.3 million).

As at 31 December 2018, the Group had net assets of \$57.5 million (June 2018: \$59.9 million) including cash of \$3.7 million (June 2018: \$12.7 million).

The borrowings of the Group from the OCP Asia Group (which is also the Company's largest shareholder) are due to mature on 17 December 2019 and have been classified as a current liability resulting in a current liability position for the Group at 31 December 2018 of \$13.6 million. The borrowings are secured by a charge over the Group's subsidiary, Aeon Walford Creek Limited.

The cash flow forecast prepared for the assessment of Going Concern, factors in a number of estimates and assumptions in relation to the timing and quantum of planned exploration expenditure. The planned expenditure foresees the need to raise capital during the forecast period in order to continue the progression of the Walford Creek Project and repay the borrowings. The above matters give rise to a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern.

The Directors regularly monitor the Company's cash position on an ongoing basis and have demonstrated a successful track record of raising capital and funding when required. It is noted that the OCP Group holds 85 million warrants in the Company each exercisable at 16 cents on or before 17 December 2019 and exercise of these warrants would provide some \$13.6 million available for repayment of borrowings. The Group has the capacity, if necessary, to defer expenditure or raise additional funds in the period as required. Steps can be taken to defer discretionary expenditure or moderate the operating cash outflows of the business to ensure that the Group maintains expenditure in line with the level of funding available. Additional funding can also be generated through capital raising, new debt facilities or refinancing of current debt facilities.

Should the Group be unable to execute the forecast strategy it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Judgements and estimates

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

3. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018 unless amended due to the adoption of new accounting standards effective for the period.

Aeon Metals Limited

31 December 2018 Interim Financial Report

Notes to the consolidated interim financial statements

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2018.

5. Operating segments

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

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

6. Loans and Borrowings

	Dec-18 \$'000	Jun-18 \$'000
Current liabilities		
Limited recourse notes	15,521	-
	<u>15,521</u>	<u>-</u>
Non-current liabilities		
Limited recourse notes	-	14,623
	<u>-</u>	<u>14,623</u>

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

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

				31 December 2018		30 June 2018	
	Currency	Nominal interest rate	Year of maturity	Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Limited recourse notes	AUD	12.00%	Dec 2019	15,521	15,521	14,623	14,623
Total interesting- bearing liabilities				<u>15,521</u>	<u>15,521</u>	<u>14,623</u>	<u>14,623</u>

Aeon Metals Limited

31 December 2018 Interim Financial Report

Notes to the consolidated interim financial statements

7. Capital and reserves

Share capital

	31 December 2018		30 June 2018	
	No. of Ordinary shares	\$'000	No. of Ordinary shares	\$'000
In thousands of shares				
In issue at 1 July	585,969	90,049	347,832	48,379
Issued for cash	-	-	223,337	41,670
Issued for services	1,500	-	14,800	-
In issue at 31 December/30 June	587,469	90,049	585,969	90,049

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares are fully paid, of which 21.7 million shares (June 2018: 20.2 million) 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 regards to the Company's residual assets.

Reserves

Equity compensation reserve

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

Incentive shares

1,500,000 incentive shares were issued during the period, none were exercised.

The total number of incentive shares on issue at 31 December 2018 is 21.7 million (30 June 2018: 20.2 million).

Warrants

No warrants were issued or exercised during the period.

The total number of warrants on issue at 31 December 2018 is 85 million (30 June 2018: 85 million).

8. Earnings/(loss) per share

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

	Dec-18 \$'000	Dec-17 \$'000
Net loss for the period attributable to owners of the Company	(2,663)	(9,411)
Weighted average number of ordinary shares	586,485	385,161
Diluted earnings/(loss) per share has been calculated using:		
Net loss for the period attributable to owners of the Company	(2,663)	(9,411)
Weighted average number of ordinary shares – basic	586,485	385,161
Effect of share options on issue	-	-
Weighted average number of ordinary shares - diluted	586,485	385,161

At 31 December 2018, 85 million warrants and options (31 December 2017: 85 million) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

Aeon Metals Limited

31 December 2018 Interim Financial Report

Notes to the consolidated interim financial statements

9. Related parties

Arrangements with related parties, involving only key management personnel compensation, continued to be in place. For details on these arrangements, refer to Note 26 of the 30 June 2018 Annual Financial Report.

10. Exploration and evaluation of assets

	Dec-18 \$'000	Jun-18 \$'000
Balance at 1 July	62,988	54,814
Additions, including capitalised interest	9,005	18,746
Impairment losses	(1,451)	(10,572)
Balance at 31 December/30 June	70,542	62,988

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.

The impairment loss of \$1.45 million relates to the Gladstone Project/Monto tenements which brings the value down to a recent independent valuation.

11. Subsequent events

On 25 February 2019 the Company released a Walford Creek Resource Update on the ASX, a summary of the results can be found below:

Vardy & Marley Copper Lode Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Measured	2.9	1.19	0.93	0.94	26	0.15	42	2.24
Indicated	10.6	1.12	0.89	0.76	28	0.13	37	2.05
Inferred	4.1	1.16	0.78	0.57	29	0.13	36	2.01
Total	17.6	1.14	0.87	0.74	28	0.13	38	2.07

Vardy & Marley Cobalt Peripheral Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Measured	2.4	0.14	0.81	1.34	20	0.11	46	1.12
Indicated	11.0	0.17	0.80	1.00	21	0.10	37	1.03
Inferred	6.4	0.15	0.92	0.83	24	0.11	36	1.03
Total	19.8	0.16	0.84	0.99	22	0.10	38	1.04

Amy Copper Lode Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	CuEq %
Inferred	1.8	1.5	0.75	0.51	32.5	0.15	40	2.48

Amy Copper Lode Exploration Target Estimate							
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	CuEq %
Inferred	6-13	1.0-2.0	0.7-0.9	0.35-0.55	25-35	0.11-0.20	1.71-3.19

Aeon Metals Limited

31 December 2018 Interim Financial Report

Directors' Declaration

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

1. the consolidated interim financial statements and notes set out on pages 15 to 24, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 15th day of March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aeon Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Aeon Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134



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

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

Independence

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

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a small, faint BDO logo.

Gareth Few
Partner

Sydney, 15 March 2019