

Aeon Metals Limited and Controlled Entities  
ABN 91 121 964 725  
30 June 2019  
Annual Report

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## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

The directors present their report, together with the financial report of the Group, comprising Aeon Metals Limited (the "Company" or "Aeon") and its controlled entities (together, "the Group") for the year ended 30 June 2019 and the Independent Auditor's report thereon.

### Directors

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

Mr. Hamish Collins (Managing Director)  
 Mr. Paul Harris (Chairperson, Non-Executive Director)  
 Mr. Ivan Wong (Non-Executive Director)  
 Mr. Stephen Lonergan (Non-Executive Director)  
 Dr. Fred Hass (Non-Executive Director) appointed 2 July 2019

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 later in the Directors' report.

### 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 detailed later in this Report.

### Principal Activities

The principal activities of the Group during the financial period were:

- The exploration and development of the advanced Walford Creek (100% owned) Copper-Cobalt project ("Walford Creek" or the "Project").

The Group's mineral assets otherwise comprise a regionally extensive, but disparate, tenement holding in Queensland, namely:

- A 100% interest in permits comprising:
  - Greater Whitewash Polymetallic Project ("Greater Whitewash");
  - Ben Hur Copper Project ("Ben Hur"); and
  - 7B Copper/Gold Project ("7B").
- A 100% interest in the Forsyth Gold Project.
- Various interests in permits of the Isa North base metals EPMs and MDLs.
- Various interests in permits of the Isa West base metals EPMs.
- Various interests in permits of the Isa South copper-gold EPMs.
- Various interests in 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.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Operating and financial review

#### Operating Results

The loss of the Group amounted to \$4,015,000 (2018: \$13,893,000) including impairment losses of \$1,711,000 (2018: \$10,572,000).

#### Dividends

No dividends were paid or declared, and no dividends have been recommended by the Directors (2018: \$Nil).

### Review of operations

The 12-month period to 30 June 2019 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 Copper-Cobalt Project ("Walford Creek" or the "Project") - one of Australia's biggest undeveloped base metals projects located in North-West Queensland.

In April 2018, a planned 30,000m drill program commenced at Walford Creek and was completed 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. 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.

As a result of the successful 2018 drill campaigns, on 25 February 2019 the Company announced the results of an upgraded Independent Resource estimation (reported in accordance with the 2012 JORC Code and Guideline - see 25 February 2019 announcement). This upgraded Resource included increasing the Copper Lode Resource and importantly increasing the confidence level with the Measured and Indicated component increasing 170% to 13.5mt @ 1.14% Cu, 0.14% Co and 27g/t Ag.

A follow up 2019 Walford Creek drill program commenced on 3 May 2019 with a single drill rig undertaking RC pre-collars. A second rig arrived on site and commenced diamond drilling of those RC pre-collars on 13 May 2019. The 2019 drill program consisted of a combination of exploration outside of current Resource boundaries and drill holes planned as part of priority work for a Walford Creek Feasibility Study (including additions to the Resource, geotechnical, metallurgical, water, and environmental datasets).

The 2019 drill campaign has shown the large strike extent of the currently known Walford Creek mineral system which is unlike anything currently being drilled in Australia. The Aeon 2018/19 drill campaigns have identified mineralised copper, cobalt, lead, zinc and silver in the Mount Les Siltstone stratigraphy over approximately 12.5 kilometres.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

The Company continues to progress towards a Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources.

Aeon also holds an extensive (~1441km<sup>2</sup>) exploration tenement portfolio, linked by significant fault architecture, in the world-class Mt Isa mineral province in Northwest Queensland.

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

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

**Figure 1: Aeon's Tenement Holdings**





Aeon Metals Limited

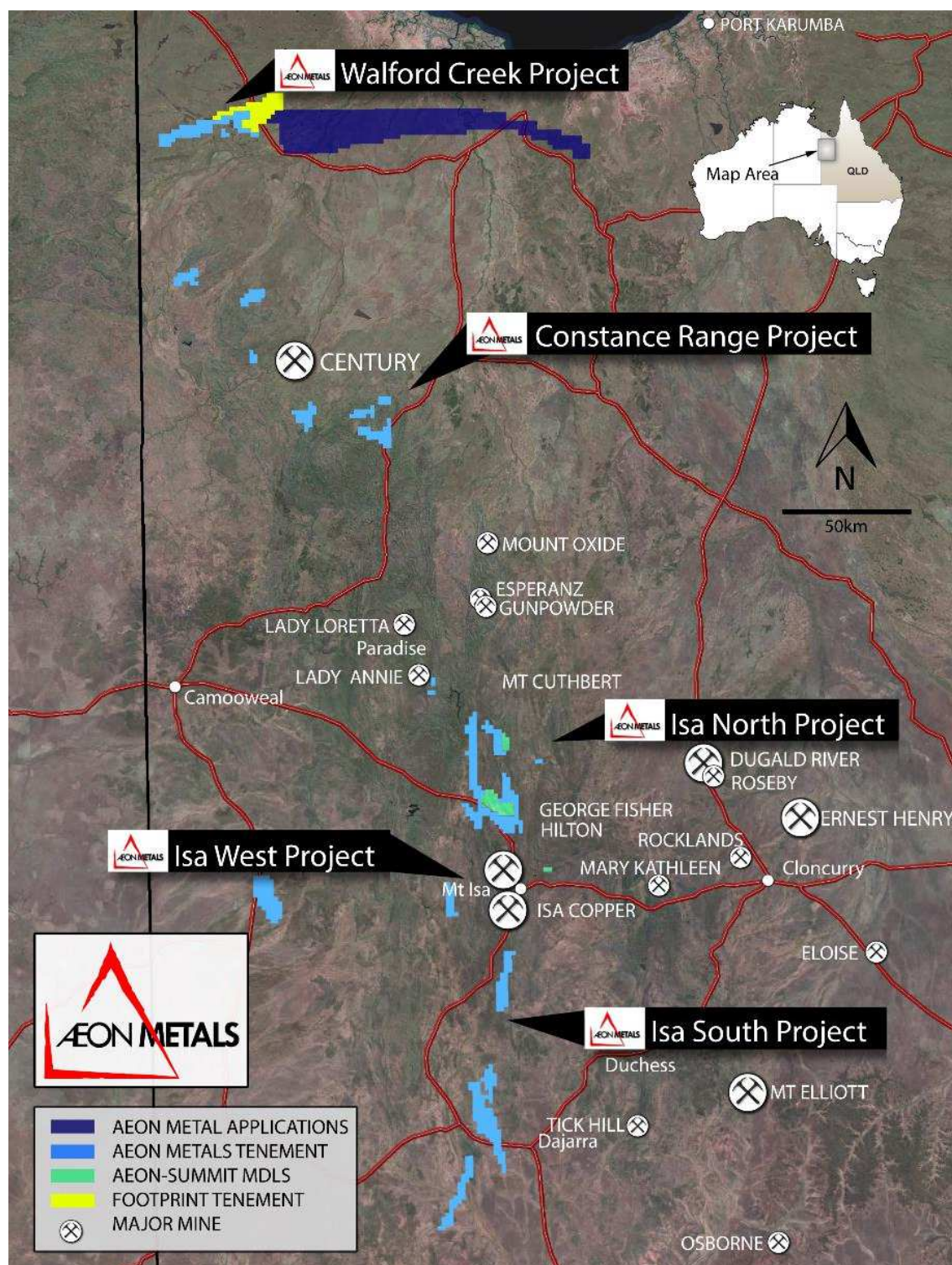
Directors' Report

For the year ended 30 June 2019

Review of operations (continued)

#### NORTHWEST QUEENSLAND PROJECTS

Figure 2: Location of Aeon's Northwest Queensland Projects



## Aeon Metals Limited

### Directors' Report

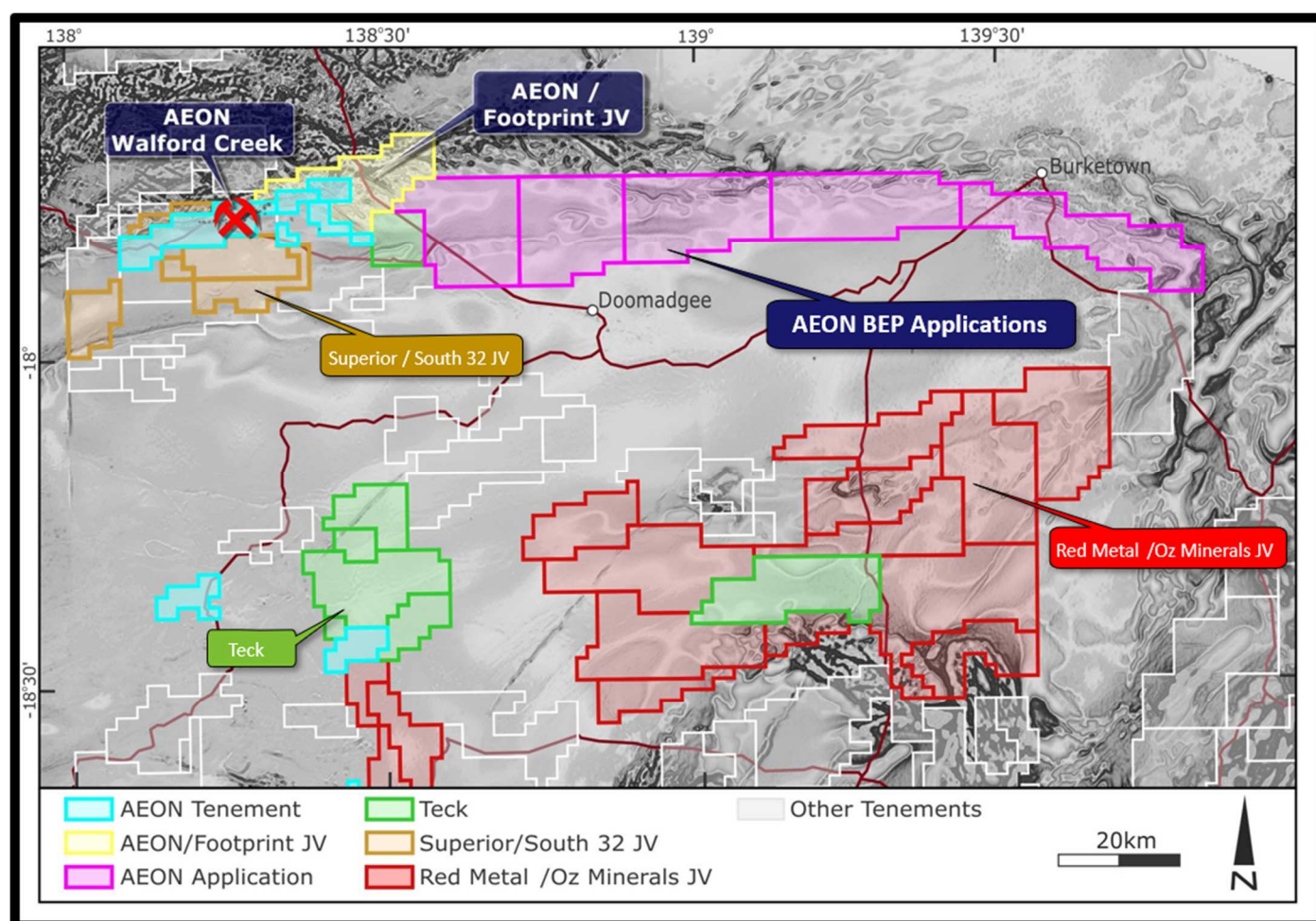
For the year ended 30 June 2019

### Review of operations (continued)

#### THE WALFORD CREEK PROJECT

The flagship asset and highest priority tenement holding of Aeon is the 100% owned Walford Creek Project. The Walford Creek Project is located approximately 350km north west of Mount Isa in Northwest Queensland, close to the Northern Territory border. The closest town is Doomadgee, approximately 70km to the east, which is accessed by a sealed road from Cloncurry. Doomadgee has a commercial airstrip that connects to other major centres within Queensland.

**Figure 3: Walford Creek Tenements**



At Walford Creek, Aeon holds (through its subsidiary Aeon Walford Creek Limited) the right to explore for minerals on 4 granted exploration permits covering a total area of 211.6km<sup>2</sup>. In addition, following the considerable success of the Walford Creek 2018 exploration campaign, recent regional transactional activity has highlighted increased corporate and strategic interest in the prospectivity of the broader Walford Creek mineral province. These recent investment activities include the South32/Superior JV abutting the north and south of the Walford Creek Project and the Oz Minerals/Red Metal JV focused on the southern edge of the basin (see Figure 3 above). Through application for six additional mineral exploration permits (EPMs) and finalisation of a low, upfront cost earn-in arrangement over an adjoining EPM, Aeon is now adding a further 130km of potential strike extent to the east starting immediately from the eastern boundary of the Walford Creek tenements.



# Aeon Metals Limited

## Directors' Report

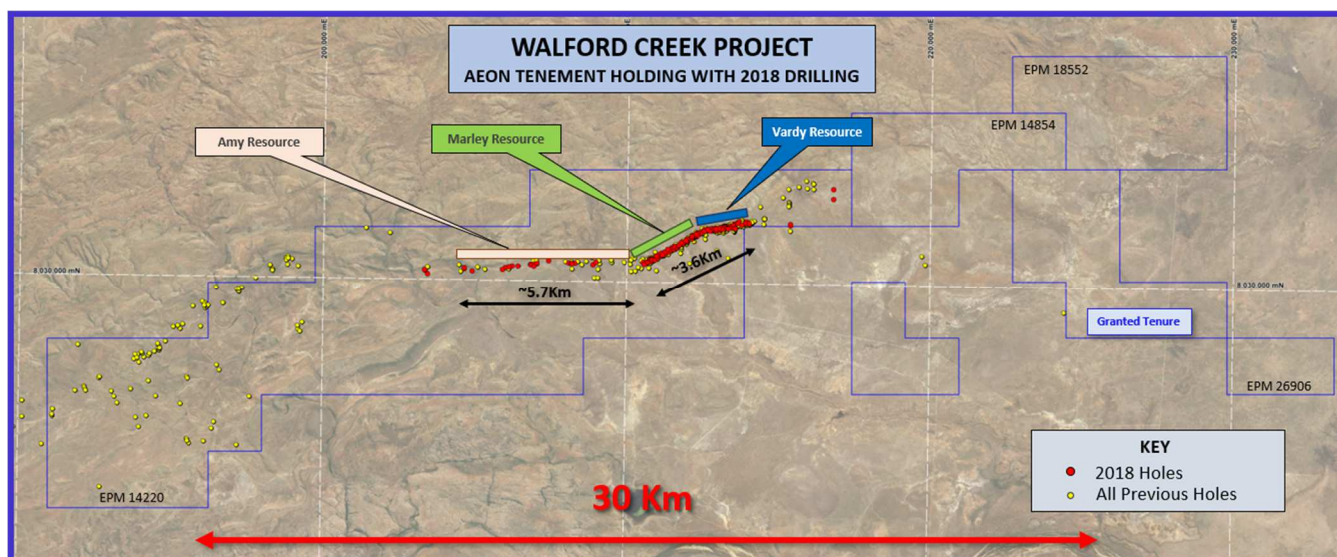
For the year ended 30 June 2019

## Review of operations (continued)

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

EPM	Tenement Name	Tenement Holder	Expiry Date	Area (s/b) <sup>2</sup>	Area (s/q) <sup>2</sup>	Current Annual Rental (A\$)	Project Tenements	
							Annual Statutory Expenditure Commitment (A\$)	
							2017-18	2018-19
14220	Walford Creek	AWCL	7/03/2022	41	131.2	6,613.30	2,191,000	1,892,000
14854	Walford East	AWCL	21/11/2020	6	19.2	967.80	80,000	100,000
18552	Walford Creek (Far East)	AWCL	29/11/2022	7	22.4	1,129.10	22,700	44,200
26906	Walford Creek East	AWCL	17/12/2023	12	38.4	1,935.60	N/A	25,000
			<b>Total</b>	<b>66</b>	<b>211.6</b>			

**Figure 4: Plan of Walford Project drilling conducted in 2018/19 in the Marley and Vardy Resource area and the highly successful western exploration drilling**





Aeon Metals Limited

Directors' Report

For the year ended 30 June 2019

Review of operations (continued)

Figure 5: 2018 drilling (red drill strings) within Vardy

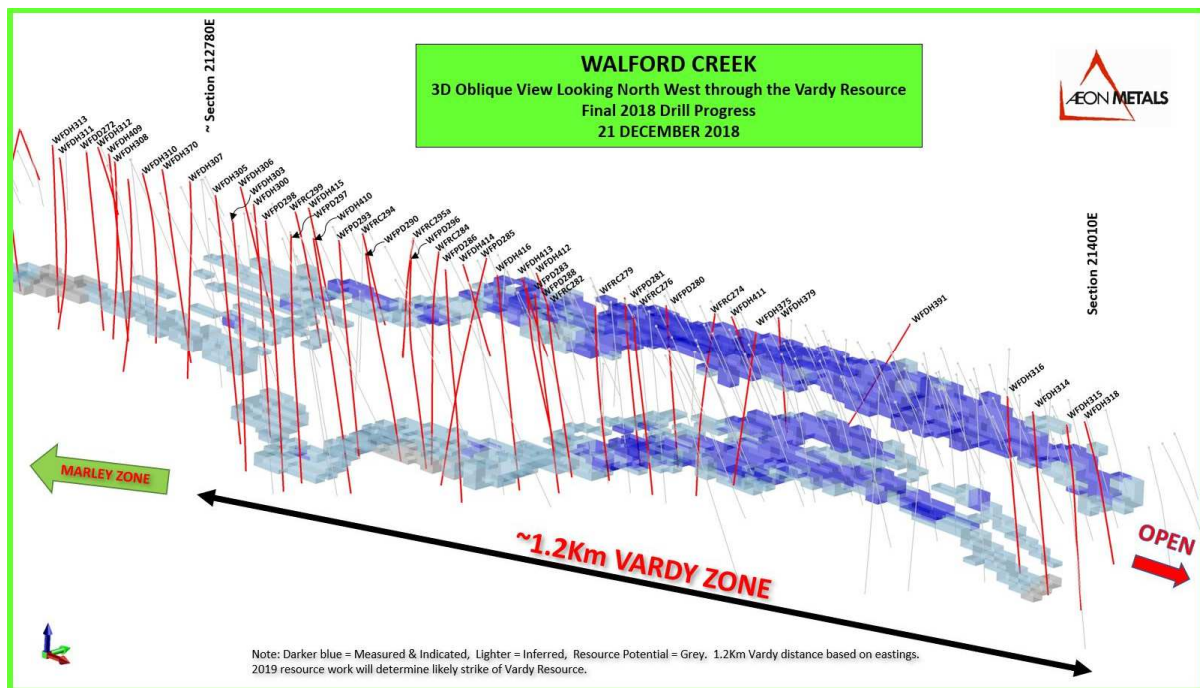
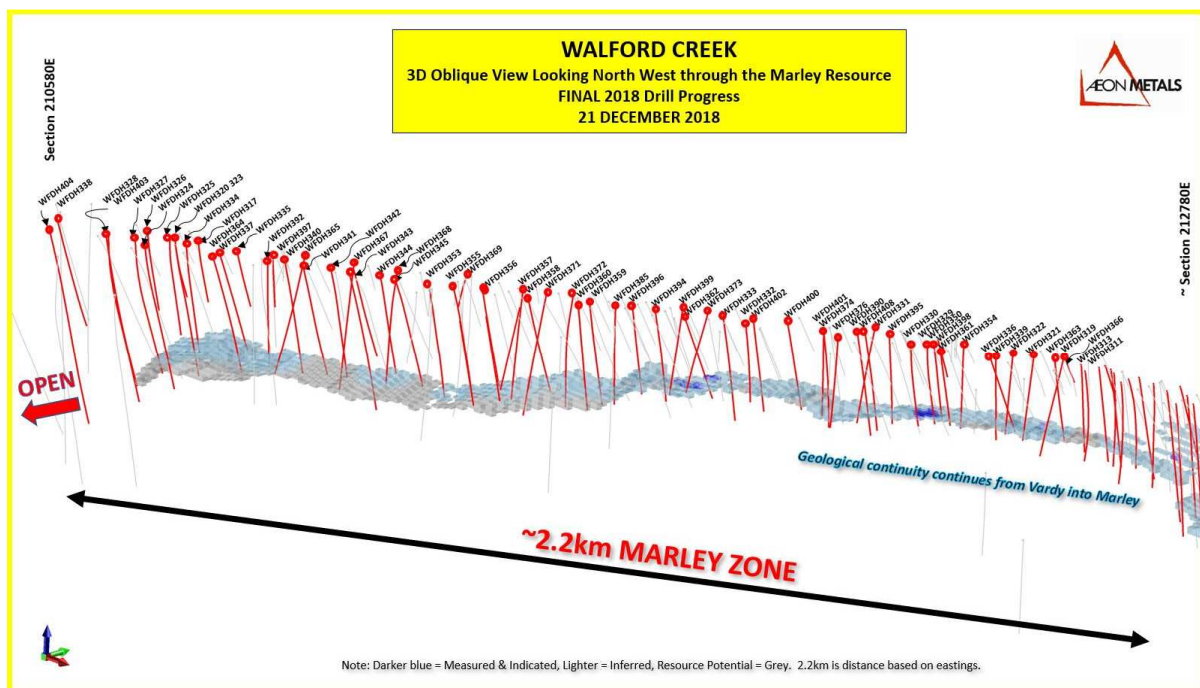


Figure 6: 2018 drilling (red drill strings) within Marley.



# Aeon Metals Limited

## Directors' Report

For the year ended 30 June 2019

## Review of operations (continued)

A sample of significant assay intercepts announced<sup>1</sup> 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	

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

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

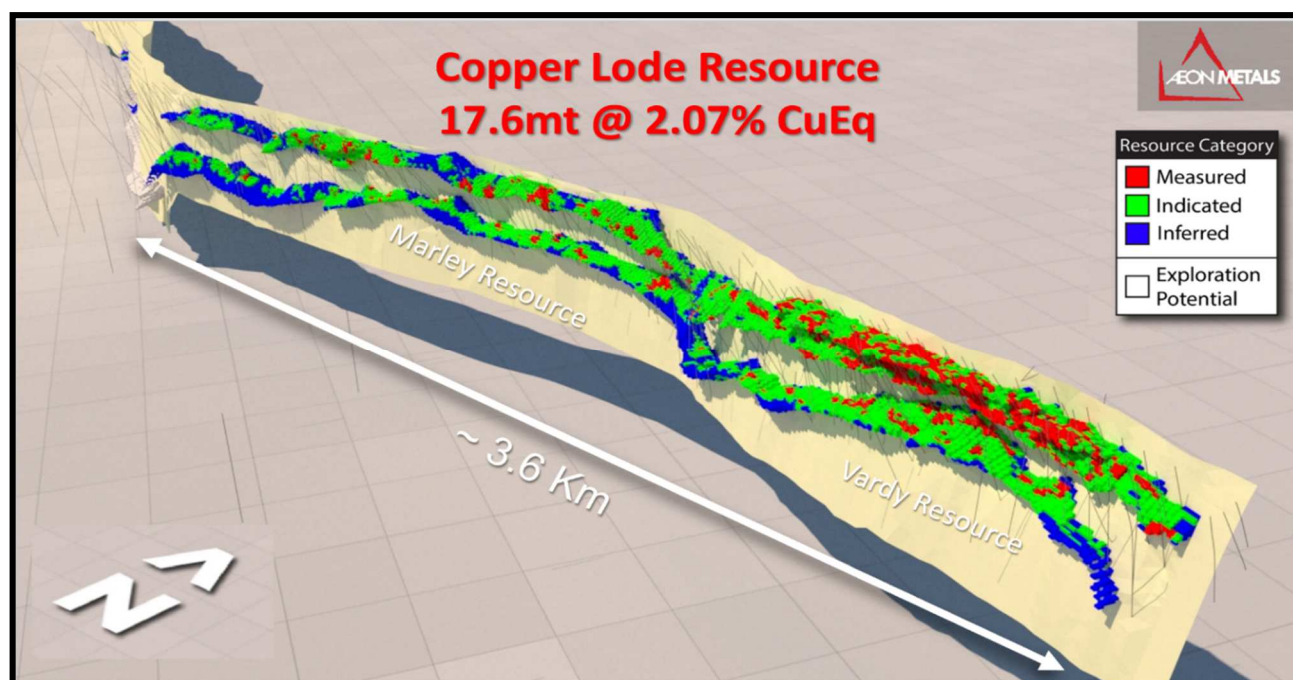
### Review of operations (continued)

As a result of the successful 2018 drill campaigns, on 25 February 2019 the Company announced the results of an upgraded Independent Resource estimation (reported in accordance with the 2012 JORC Code and Guideline - see 25 February 2019 announcement). This upgraded Resource included increasing the Copper Lode Resource from 15.7mt to 17.6mt and importantly increased the confidence level with the Measured and Indicated component increasing 170% to 13.5mt @ 1.14% Cu, 0.14% Co and 27g/t Ag. This combined with the additional Cobalt Peripheral Resource shows Walford Creek to have one of the highest grade and largest tonnages of cobalt metal content among the cobalt sulphide deposits in Australia. A summary of the Copper Lode and Cobalt Peripheral Resources is as follows:

**Table 2: Vardy & Marley Copper Lode Resource**

Vardy & Marley Copper Lode Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	Cu Eq % <sup>1</sup>
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
<b>Total</b>	<b>17.6</b>	<b>1.14</b>	<b>0.87</b>	<b>0.74</b>	<b>28</b>	<b>0.13</b>	<b>38</b>	<b>2.07</b>

**Figure 7: Vardy & Marley Copper Lode Resource Long Section**



**Table 3: Vardy & Marley Cobalt Peripheral Resource**

Vardy & Marley Cobalt Peripheral Resource Estimate								
Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Py %	Cu Eq % <sup>1</sup>
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
<b>Total</b>	<b>19.8</b>	<b>0.16</b>	<b>0.84</b>	<b>0.99</b>	<b>22</b>	<b>0.10</b>	<b>38</b>	<b>1.04</b>

<sup>1</sup> Cu Eq calculation information is included in the 25 February 2019 announcement.

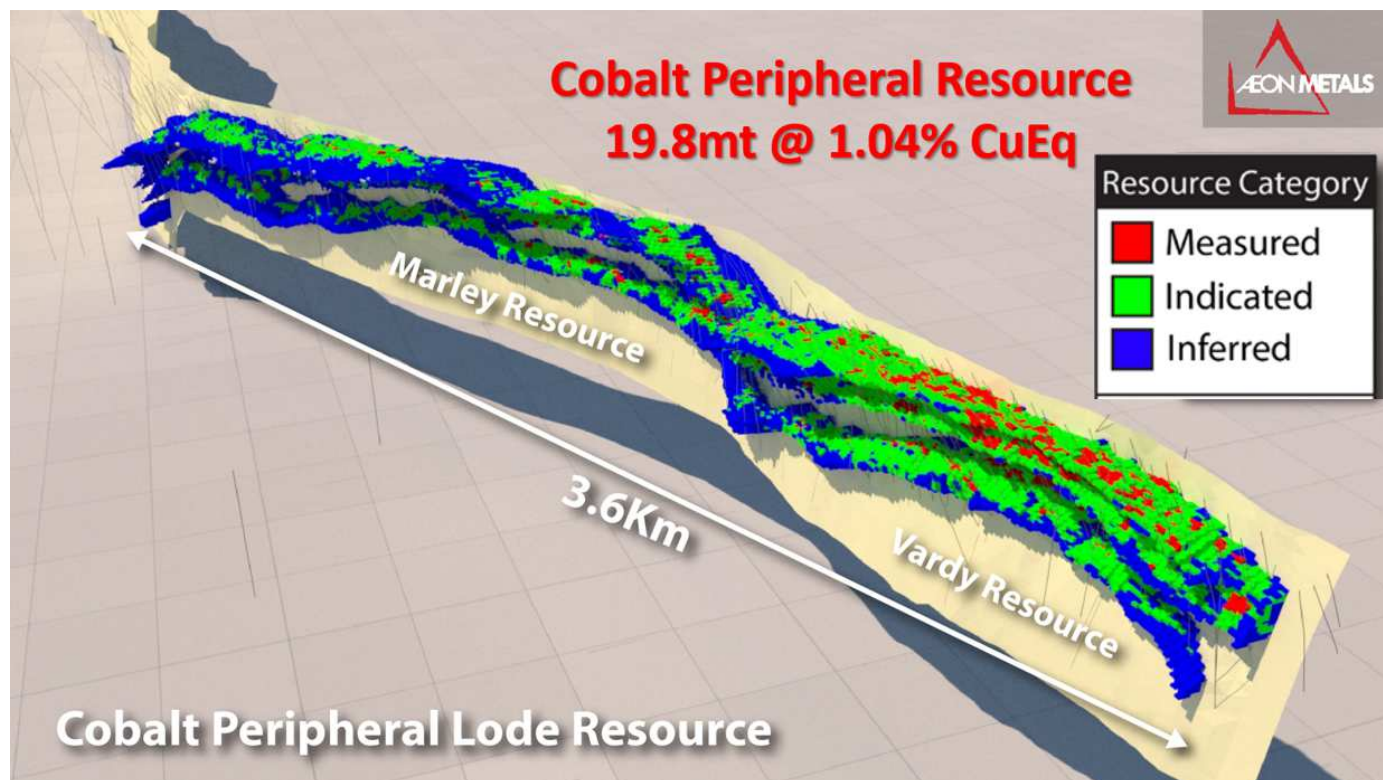
Aeon Metals Limited

Directors' Report

For the year ended 30 June 2019

Review of operations (continued)

Figure 8: Vardy & Marley Cobalt Peripheral Resource Long Section



Included in the 25 February 2019 Independent Resource estimation was a new Resource in the Amy zone which included 1.8Mt @ 1.5% Cu, 0.15% Co at 2.48% CuEq and significantly an Exploration Target Estimate of 6-13Mt at 1.0-2.0% Cu and 0.11-0.20% Co.

Table 4: Amy Copper Lode Resource

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

Table 5: Amy Copper Lode Exploration Target

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

Note all numbers are approximations.

The Exploration Target is based on actual Exploration Results from drilling, particularly during 2018 and is derived from only 50% of the blocks within Amy PY3. All drill hole locations and sections underpinning the Exploration Target have been the subject of prior public reports and a list of the relevant ASX announcements is attached to the 25 February 2019 announcement.

The potential quantity and grade referred to above is conceptual in nature, as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.



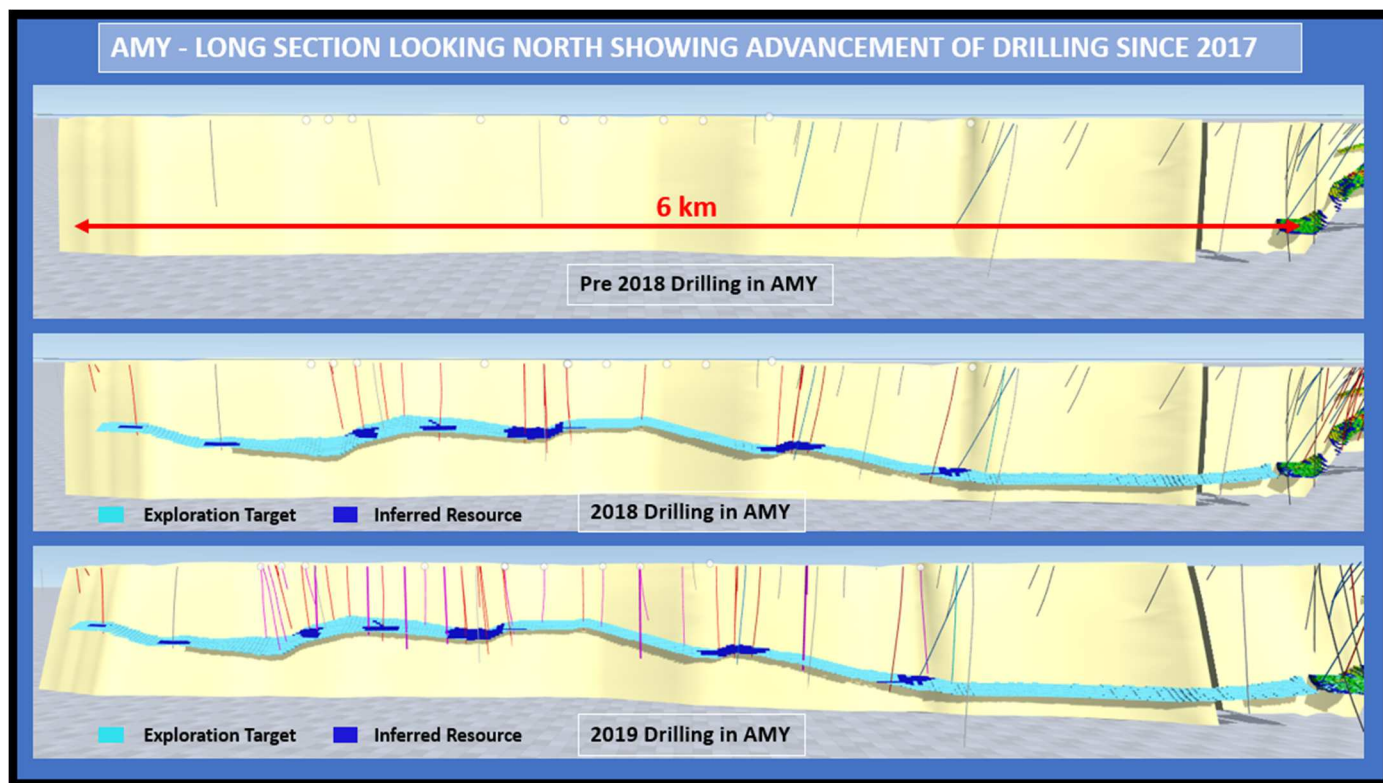
## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

**Figure 9: Amy Copper Lode Resource and Exploration Target**



The 2019 Walford Creek drill program commenced on 3 May 2019 with a single drill rig undertaking RC pre-collars. A second rig arrived on site and commenced diamond drilling of those RC pre-collars on 13 May 2019. The 2019 drill program consists of a combination of exploration outside of current Resource boundaries and drill holes planned as part of priority work for a Walford Creek Feasibility Study (including additions to the Resource, geotechnical, metallurgical, water, and environmental datasets). As at 30 June 2019, 15,193m of drilling was completed in 77 holes.

The 2019 drill campaign has shown the large strike extent of the currently known Walford Creek mineral system which is unlike anything currently being drilled in Australia. The Aeon 2018/19 drill campaigns identified mineralised copper, cobalt, lead, zinc and silver stratigraphy over approximately 12.5 kilometres.

Metallurgical testwork activities continued during the 12-months with the front-end process circuit (comminution and flotation circuit) finalised and ongoing testwork on intermediate cobalt concentrate processing routes that minimise or eliminate excess acid production. In this regard, ALS Metallurgical Laboratories undertook a series of bioleach tests on Walford Creek Vardy PY1 cobalt intermediate concentrate. Results from this testwork saw an average cobalt extraction from concentrate to solution of 97% with a quick relative residence time (sub-24 hours).

Bioleaching is an established process utilised for treating sulphide ores globally in 50+ commercial plants installed over the past 30+ years. Preliminary estimates suggest that selection of bioleach for Walford Creek over alternative cobalt concentrate processes delivers:

- 20-40% reduction in forecast project pre-production capital;
- 20-40% reduction in estimated C1 operating cost; and
- 15-25% reduction in expected project power requirements.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

The strong amenability of the Vardy cobalt concentrate to bioleaching combined with the high Co recovery results, short leach time, significantly lower estimated capital and operating costs, absence of surplus acid production and eco-friendly nature of bioleaching, have underpinned the bioleach pathway to treat the intermediate cobalt concentrate from Walford Creek. In July 2019, the Company announced the selection of bioleach as the process route for intermediate cobalt concentrate.

Highlights from the 2018/19 testing workstreams included:

- **Comminution testwork parameters for Vardy PY3 similar to previous results.** These outcomes support a standard front-end plant configuration of primary crusher, screening, then SAG/ball milling in closed circuit with a cyclone cluster. Primary grind size is expected to be 60 microns.
- **Finalisation of flotation circuit design.** This will consist of a pre-float for ~10% of the cobalt/pyrite mineral, followed by copper, lead, zinc and cobalt/pyrite flotation. Additional variability work is planned to confirm parameters for the Marley and Amy Resource.
- **Excellent copper recoveries.** Testwork results have evidenced indicative copper recoveries to concentrate of approximately 90%. This testing has also shown that a marketable copper concentrate grading of approximately 24% Cu can be produced.



Figure 10: Copper concentrate



Figure 11: Copper flotation froth

- **Strong cobalt recoveries.** Testwork has also resulted in indicative cobalt recoveries to cobalt intermediate concentrate of approximately 75%.
- **Cobalt concentrate process.** Aeon's focus has been on cobalt pyrite processing routes that minimise or eliminate excess acid production. On 30 July 2019 the Company announced that the selected process is a conventional bioleach process which will deliver clear benefits through reduced project scope, potentially lower upfront capital and greater economic leverage to primary metal production.

## Aeon Metals Limited

### Directors' Report

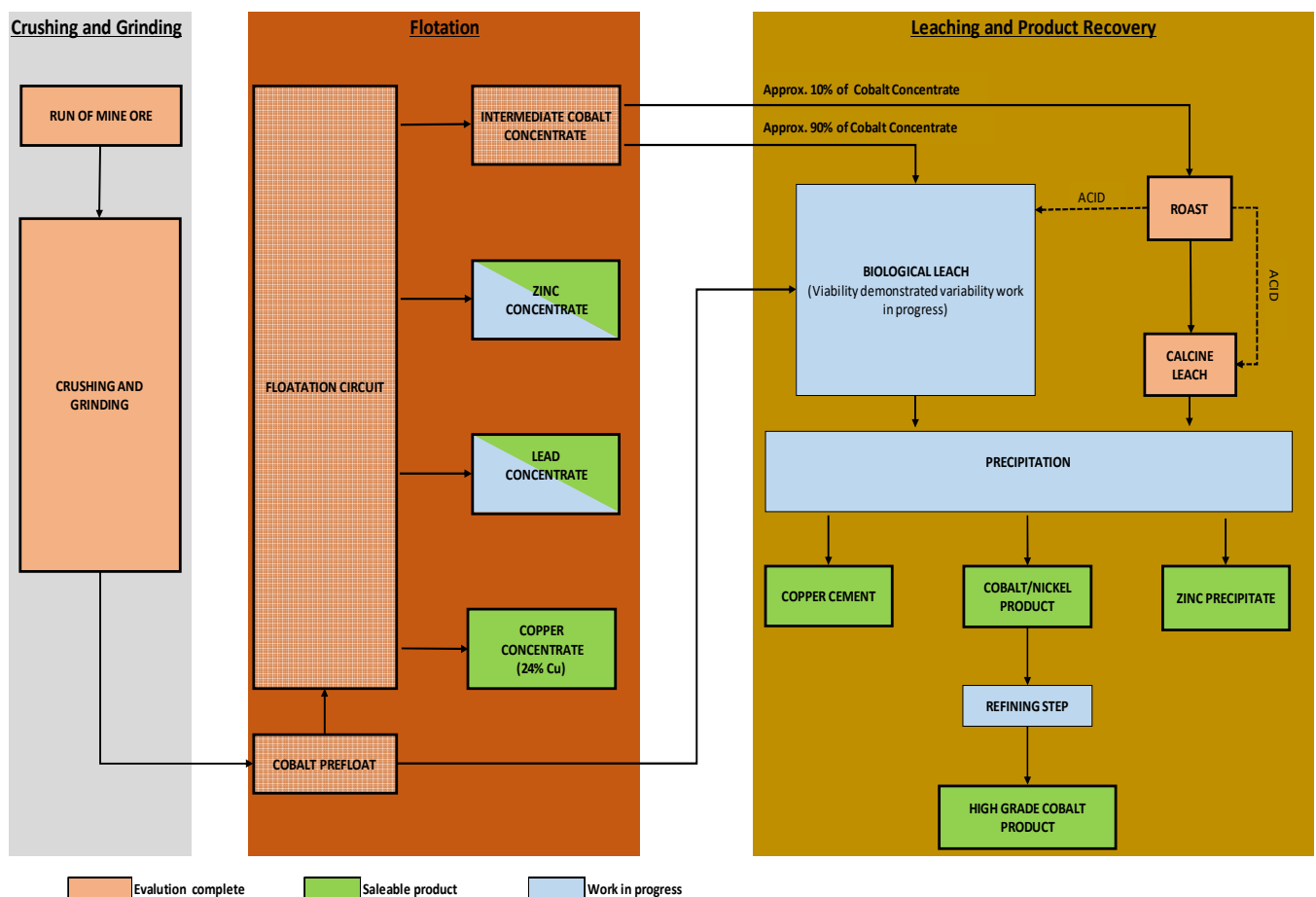
For the year ended 30 June 2019

### Review of operations (continued)

The selected Walford Creek process flowsheet (Figure 12) utilises conventional processes, eliminates excess acid production, and can be broken down as follows:

1. Crush/grind
2. Flotation
3. Bioleach
4. Roasting
5. Precipitation and Cementation

**Figure 12: Walford Creek Process Flowsheet**



With respect to environmental work, the focus has continued on studies that require several seasons of monitoring to produce statistically acceptable data. These include, amongst others:

- sampling of surface water from ephemeral flowing streams that intersect the exploration tenement;
- preparation of surface water flow and surface water management plans for flood mitigation; and
- long term monitoring of pressure and water quality of existing artesian bores within the tenement.

Data collection continued on a selection of material characterisation kinetic leach samples has enabled, along with the developing the Resource block model, the construction of a geo-environmental Block Model. This model classified all the material within the Vardy Resource model into 14 categories based on their geochemical parameters and the data derived from the kinetic leach work. Further refinement of the block model algorithm allowed these categories to be consolidated into 4 units which are used to provide the basis for material handling, scheduling and waste storage during mining. The model is iterative and will be updated as data continues to be gathered.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

An external review of the Flora and Fauna databases has been carried out to determine additional baseline field work that will be required due to the extension of the Resource base to both the west and east of the Vardy pit area. This has included areas to be considered for mine infrastructure.

Pump drawdown testing was carried out on the water bores drilled into the Vardy pit area. Results from the testing indicated that the water resource within the Vardy pit area, as defined by a hydrogeological conceptual site model, is "confined to semi confined". Pumping at a rate of 60 litres per second will be sufficient for mine dewatering but the water source will be diminishing and not in the longer term sufficient to support the full processing operation. Potential water sources along the Fish River Fault have been identified for longer term water processing.

Additional review of the geological database and the seismic geophysical data collected has been carried out to identify drill targets for a sustainable water supply for the project further to the west where currently several artesian bores exist. Baseline sampling for dust and subsurface water continued throughout the period.

#### **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 1,441km<sup>2</sup>, 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.

**Table 6: Other Northwest Queensland Tenement Summary**

Exploration Permit for Minerals (EPM) - Tenement Summary							
EPM No.	Tenement Name	Project	Status	Sub Blocks	Kms <sup>2</sup>	Grant Date	Expiry Date
EPM 11898	May Downs South	IW	Granted	16	51.232	07-Jul-04	06-Jul-23
EPM 13412	Yappo	IS	Granted	20	64.04	16-Dec-11	15-Dec-21
EPM 13413	Rufus	IS	Granted	9	28.818	16-Dec-11	15-Dec-21
EPM 13682	Wonomo	IS	Granted	22	70.444	16-Dec-11	15-Dec-21
EPM 14040	Kahko	IS	Granted	6	19.212	20-Apr-05	19-Apr-21
EPM 14233	Mt Guide	IS	Granted	15	48.03	20-Apr-05	19-Apr-21
EPM 14694	Mount Kelly South	IN	Granted	4	12.808	19-Oct-05	18-Oct-23
EPM 14712	Constance Range	C	Granted	21	67.242	21-Aug-06	20-Aug-24
EPM 14713	Constance Range Sth	C	Granted	16	51.232	21-Aug-06	20-Aug-22
EPM 14821	Waverly	IS	Granted	20	64.04	08-Jan-07	07-Jan-21
EPM 14935	Riversleigh	C	Granted	20	64.04	21-Aug-06	20-Aug-20
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-20
EPM 17513	Calton	IN	Granted	19	60.838	06-Jan-10	05-Jan-20
EPM 17514	Valhalla	IN	Granted	86	275.372	06-Jan-10	05-Jan-20
EPM 17519	Skal	IN	Granted	29	92.858	06-Jan-10	05-Jan-20
EPM 18769	Beauchamps	IW	Granted	50	160.1	23-May-12	22-May-22



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

**Table 7: 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

### SOUTHEAST QUEENSLAND OPERATIONS

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

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

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

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

**Table 8: Southeast Queensland Tenement Summary**

EPM / MDL No.	Project	Status	Sub-blocks	Kms <sup>2</sup>	Grant Date	Expiry Date
EPM 14628	Greater Whitewash	Granted	32	102.464	24-Aug-05	23-Aug-20
EPM 15921	7B	Granted	4	12.808	08-Jan-07	07-Jan-22
EPM 17001	Grevillea Fault	Granted	27	86.454	21-Feb-08	20-Feb-23
EPM 17002	Lawgi-Dawes	Granted	14	44.828	20-Feb-08	19-Feb-23
EPM 17060	17060	Granted	18	57.636	26-Jun-09	25-Jun-20
MDL 462	Greater Whitewash	Granted	1005 hectares		01-Jan-13	31-Dec-19

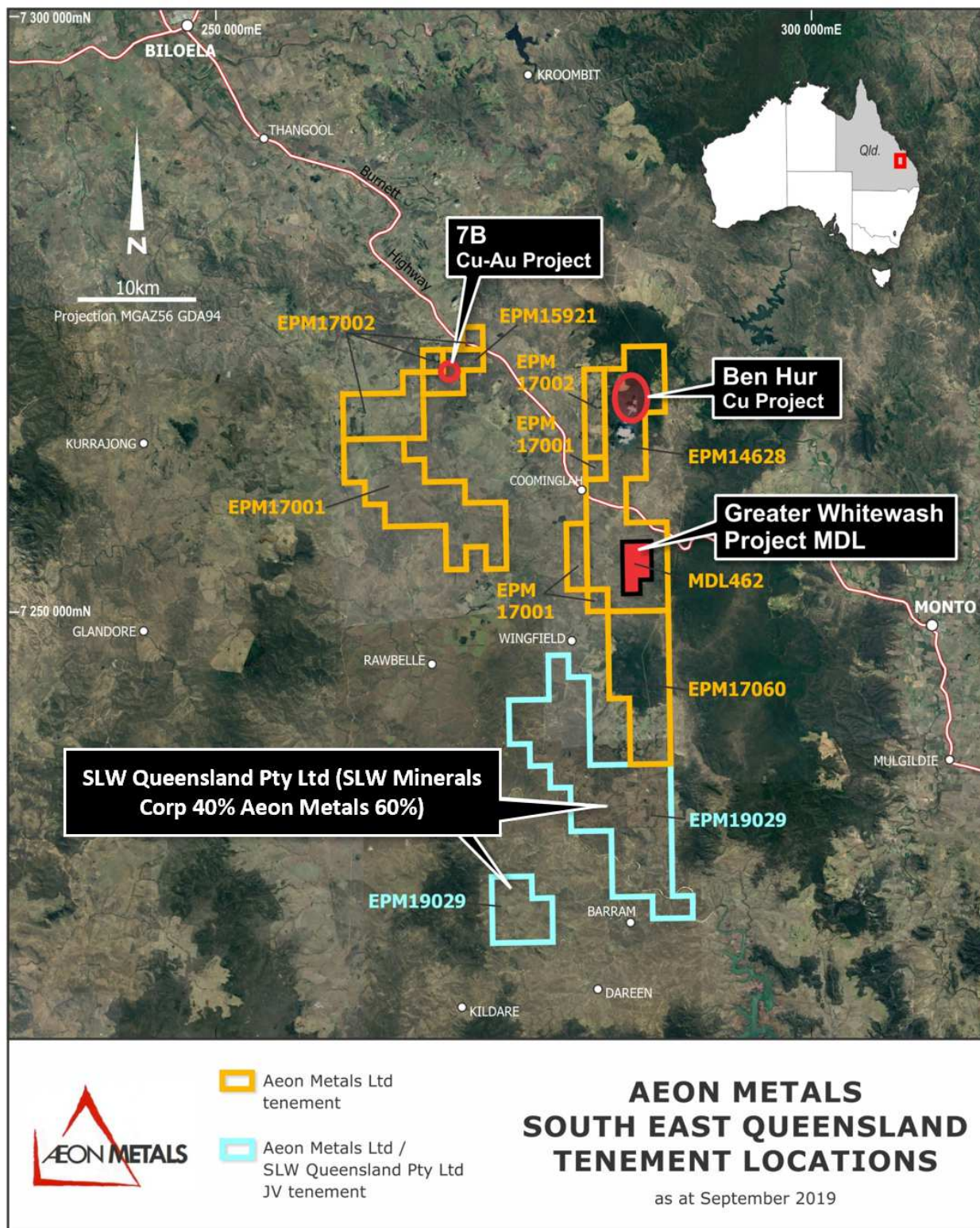
Aeon Metals Limited

Directors' Report

For the year ended 30 June 2019

Review of operations (continued)

Figure 13: Southeast Queensland Tenement locations



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

#### **EPM 18359 – FORSAYTH – Gold**

No work has been undertaken in the field on the Company's Forsyth 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 by 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 (Australasia) Pty Ltd. 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.*

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Review of operations (continued)

#### Corporate

On 18 March 2019, the Company received formal notice from OL Master Limited, a fund managed by OCP Asia (Singapore) Pte Ltd ("OCP"), of exercise of the 85 million warrants it held in Aeon. The exercise price, less fees, was paid by offset against the debt outstanding by the Company to OCP reducing this loan to approximately \$4m.

To enable Aeon to defer its next funding until the value of the Walford Creek project is better understood, OCP agreed to advance an \$8 million cash loan to Aeon with an arrangement fee of \$0.4 million to be capitalised and repaid with the principal. Following the drawdown of the new loan, the Company's net debt position was approximately \$12 million. The maturity date of the loan balance (\$4 million) and the new loan (\$8.4 million) have been extended to 17 December 2020. The new loan funds were received by the Company on 12 April 2019.

On 2 July 2019, the Company announced the appointment of Dr Fred Hess as an independent non-executive Director. Fred brings extensive and diverse operating and development experience to the Aeon Board. His career spans more than 35 years in mining project development, operations and senior management across the Asia Pacific region.

#### Financial Position

The net assets of the Group at 30 June 2019 were \$68 million (2018: \$60 million) including cash of \$7.0 million (2018: \$12.7 million).

The Group significantly strengthened its financial position during the period as a result of capital raising efforts and debt refinancing including significant repayment of existing debt as set out above.

On 25 February 2019 the Company announced the results of an updated Independent Resource estimation (reported in accordance with the 2012 JORC Code and Guideline - see 25 February 2019 announcement). The significant increase in Measured and Indicated tonnages Resources will enable further advancement of the Walford Creek project.

#### 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 4 July 2019, the Company announced that it had lodged five new EPM applications covering 1,555km<sup>2</sup> and signed an earn-in right agreement to acquire 100% of EPM 26316. These will add a further 130km of potential strike extent to the east starting immediately from the eastern boundary of current Walford Creek tenements.

#### Future Developments, Prospects and Business Strategies

The Company's priority is to advance Walford Creek 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 finalising a scoped project to incorporate the bioleach process flowsheet. This Scoping Study sets the Project parameters (plant throughput, product outputs, operating and capital costs, etc) enabling a decision to advance towards a final Feasibility Study and project development.



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Environmental Issues

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 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.

### Directors' meetings

During the financial year ended 30 June 2019, nine (9) 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
Stephen Lonergan	9	9
Hamish Collins	9	9
Paul Harris	9	9
Ivan Wong	9	9

During the period, there were 2 meetings of the Audit Committee and both were attended by all Directors.

### 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.

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

#### Information on directors

Hamish Collins (age 49)	—	<a href="#">Managing Director (appointed 28 March 2012)</a>
Qualifications	—	B.Eng (Mining) Hons, University of New South Wales
	—	Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia
Experience	—	Mr. Collins has a combined 27 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	—	717,198 shares held by the Collins Family Superannuation Fund; 6,535,716 shares held by Louise Collins. 6,500,000 of these shares are funded by a limited 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
Paul Harris (age 51)	—	<a href="#">Non-Executive Chairman (appointed 17 December 2014)</a>
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 27 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	—	2,650,002 shares held by Hollach Capital Pty Ltd (as of the date of this report). 2,500,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report). 42,150 shares held by Wunulla Holdings Pty Ltd (as of the date of this Report).
Directorships held in other listed entities in the last 3 years	—	Aurelia Metals Ltd

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

#### Information on directors (continued)

Ivan Wong (age 56)	—	Non-Executive Director (appointed 1 July 2016)
Qualifications	—	BSc Hons
Experience	—	Mr. Wong has strong IT background and over 26 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		2,847,061 shares held by Teresa Yi Yin Wong; 2,500,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report).
		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
Stephen Lonergan (age 72)	—	Non-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 36 years.
Interest in Shares and Options	—	3,535,716 shares held by Stephen Lonergan. 3,500,000 of these shares are funded by a limited 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

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Information on directors (continued)

Fred Hess (age 62)	—	Non-Executive Director (appointed 2 July 2019)
Qualifications	—	B.Sc.(Hons)Ph.D. (University of Queensland) MAusIMM
Experience		Mr. Hess has more than 35 years' experience in mining project development, operations and senior management across the Asia Pacific region. His experience covers open cut and underground mine development and operation across both base and precious metals. Most recently Fred was Managing Director of PanAust Limited, a role he held from 2014 until early this year.
Interest in Shares and Options	—	No shares are held by Fred Hess (as of the date of this Report).
Directorships held in other listed entities in the last 3 years	—	None



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Remuneration Report - audited

#### 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.

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.

Mr. Collins' salary for the year ended 30 June 2019 was \$400,000 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 as required 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.

Consultancy fees paid to Mr. Stephen Lonergan are in consideration of provision of his services as Company Secretary of the Company. Mr. Lonergan was paid \$60,000 for his services during the year ended 30 June 2019.

Directors' incentive shares funded by limited recourse loans issued during the year ended 30 June 2018 were approved at the 2017 EGM. The grant of shares was designed to incentivise the Directors by participating in future growth and prosperity of the Company through share ownership and in recognition of their contribution to the Company. The Directors will only benefit from these shares and the associated loans if the Company's share price increases beyond 25% premium above the share issue price. The Directors will not be permitted to sell these shares at a price less than the issue price plus 25%. When sold, the loan amount per share will be repaid to the Company.

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

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Remuneration Report (Continued)

#### 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.

<i>In thousands of AUD</i>	2019	2018	2017	2016	2015
Net loss attributable to owners of the company	(\$4,015)	(\$13,892)	(\$8,241)	(\$2,465)	(\$9,140)
Dividends paid	-	-	-	-	-
Change in share price	\$(0.135)	\$0.210	\$0.080	\$0.002	\$(0.060)

#### Directors' and executive officers' remuneration

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

<i>In AUD</i>		Short-term			Long-term	Post- employments	Share- based payments	Total \$	Performance based on percentage of remuneration
		Salary & fees \$	Cash bonus \$	Consultancy fees \$	Leave entitlements \$	Super- annuation benefits \$	Options & rights \$		
<b>Directors</b>									
<b>Non-executive directors</b>									
Paul Harris	2018	180,000	-	-	-	17,100	220,250	417,350	53%
	<b>2019</b>	<b>180,000</b>	-	-	-	<b>12,825</b>	-	<b>192,825</b>	<b>0%</b>
Stephen Lonergan	2018	50,000	-	60,000	-	-	220,250	330,250	67%
	<b>2019</b>	<b>50,000</b>	-	<b>60,000</b>	-	-	-	<b>110,000</b>	<b>0%</b>
Ivan Wong	2018	50,000	-	-	-	4,750	220,250	275,000	80%
	<b>2019</b>	<b>50,000</b>	-	-	-	<b>4,750</b>	-	<b>54,750</b>	<b>0%</b>
Fred Hess	2018	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-
<b>Executive directors</b>									
Hamish Collins	2018	350,000	65,000	-	21,196	25,000	220,250	681,446	42%
	<b>2019</b>	<b>400,000</b>	-	-	<b>(3,076)</b>	<b>25,000</b>	-	<b>421,924</b>	<b>0%</b>
<b>Total</b>									
	2018	630,000	65,000	60,000	21,196	46,850	881,000	1,704,046	56%
	<b>2019</b>	<b>680,000</b>	-	<b>60,000</b>	<b>(3,076)</b>	<b>42,575</b>	-	<b>779,499</b>	<b>0%</b>

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.

# Aeon Metals Limited

## Directors' Report

For the year ended 30 June 2019

## Remuneration Report (Continued)

### Details of incentive based remuneration

On 11 August 2017, shareholders approved the issue of 2,500,000 fully paid ordinary shares to each of the four directors or their nominees, to be funded by limited recourse loans. These were issued at 14.5 cents per share on 18 August 2017, the recourse on the loan is limited to the shares issued, the loans are interest free and repayable on 18 August 2020. In accordance with AASB 2 the loans are required to be valued and accounted for options. A fair value of \$220,250 was calculated using the Black Scholes model with inputs of 14.5 cents strike price, three-year period to expiry, 1.930% risk free interest rate and 100% volatility. There are no performance or service conditions attached to the loan other than directors are not permitted to sell these shares at a price less than the issue price plus 25%. The fair value of the incentive shares was recognised as an expense during the year ended 30 June 2018. No incentive based remuneration was incurred during the year ended 30 June 2019.

### 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.

### 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.

### Key Management Personnel transactions

Key management persons, or their related parties made no transactions that were 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 for the year ended 30 June		Balance outstanding as at 30 June	
<i>In AUD</i>		<i>Note</i>	2019	2018	2019	2018
<b>Key management person</b>						
Hamish Collins	Reimbursements	(i)	373	263	-	-
Paul Harris	Reimbursements	(i)	-	-	-	-
Stephen Lonergan	Reimbursements	(i)	-	-	-	-
Ivan Wong	Reimbursements	(i)	-	-	-	-
Fred Hess	Reimbursements	(i)	-	-	-	-
Total and current liabilities			373	263	-	-

## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Remuneration Report (Continued)

#### Equity instruments

##### Incentive Shares (accounted for as options)

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

	Held at 1 July 2018	Granted as compensation	Other changes	Held at 30 June 2019
<b>Directors</b>				
Hamish Collins	6,500,000	-	-	6,500,000
Paul Harris	2,500,000	-	-	2,500,000
Stephen Lonergan	3,500,000	-	-	3,500,000
Ivan Wong	2,500,000	-	-	2,500,000
Fred Hess	-	-	-	-
<b>Total</b>	<b>15,000,000</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>

The incentive shares held by each key management person are subject to a holding lock whereby that when sold, the loan amount per share will be repaid to the Company. Other than in respect of 1,000,000 shares held by Mr Lonergan and 4,000,000 shares held by Mr Collins, the sale of the above shares is not permitted at a price less than the 14.5 cents placement price plus 25%.

#### 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, is:

	Held at 1 July 2018	Purchases	Incentive shares granted	Disposals	Held at 30 June 2019
<b>Directors</b>					
Hamish Collins	7,137,914	115,000	-	-	7,252,914
Paul Harris	2,692,152	-	-	-	2,692,152
Stephen Lonergan	3,535,716	-	-	-	3,535,716
Ivan Wong	18,847,061	-	-	-	18,847,061
Fred Hess	-	-	-	-	-
<b>Total</b>	<b>32,212,843</b>	<b>115,000</b>	<b>-</b>	<b>-</b>	<b>32,327,843</b>

**This concludes the Remuneration Report which has been audited.**



## Aeon Metals Limited

### Directors' Report

For the year ended 30 June 2019

### Auditor's independence declaration

The auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 30 of the financial report and forms part of the Directors' Report for the year ended 30 June 2019.

### 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.

### Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* 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.

This report is made in accordance with a resolution of the Directors.



Hamish Collins  
**Managing Director**

Dated at Sydney this 27<sup>th</sup> day of September 2019.

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

As lead auditor of Aeon Metals Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



Gareth Few  
Partner

**BDO East Coast Partnership**

Sydney, 27 September 2019

Aeon Metals Limited  
30 June 2019 Annual Report  
Consolidated Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	15	6,980	12,654
Trade and other receivables	14	232	410
Other investments	12	51	53
Prepayments		72	116
<b>Total current assets</b>		<b>7,335</b>	<b>13,233</b>
Property, plant and equipment	10	413	437
Other assets		53	48
Exploration and evaluation assets	11	75,445	62,988
<b>Total non-current assets</b>		<b>75,911</b>	<b>63,473</b>
<b>Total assets</b>		<b>83,246</b>	<b>76,706</b>
<b>Liabilities</b>			
Trade and other payables	21	2,105	1,949
Employee benefits	19	226	173
Provisions	20	50	50
<b>Total current liabilities</b>		<b>2,381</b>	<b>2,172</b>
Loans and borrowings	22	12,790	14,623
<b>Total non-current liabilities</b>		<b>12,790</b>	<b>14,623</b>
<b>Total liabilities</b>		<b>15,171</b>	<b>16,795</b>
<b>Net assets</b>		<b>68,075</b>	<b>59,911</b>
<b>Equity</b>			
Share capital	17	108,465	90,049
Reserves	17	2,169	8,406
Accumulated losses		(42,564)	(38,550)
<b>Total equity attributable to owners of the Company</b>		<b>68,070</b>	<b>59,905</b>
<b>Non-controlling interests</b>		<b>5</b>	<b>6</b>
<b>Total equity</b>		<b>68,075</b>	<b>59,911</b>

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Administrative expenses		(1,248)	(1,337)
Impairment loss	11	(1,711)	(10,572)
Other expenses	7	(1,155)	(2,175)
<b>Results from operating activities</b>		<b>(4,114)</b>	<b>(14,084)</b>
Finance income		99	191
Finance costs		-	-
<b>Net finance income</b>	9	<b>99</b>	<b>191</b>
<b>Loss before income tax</b>		<b>(4,015)</b>	<b>(13,893)</b>
Income tax expense	13	-	-
<b>Loss for the period</b>		<b>(4,015)</b>	<b>(13,893)</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income for the period, net of tax</b>			
<b>Total comprehensive loss for the period</b>		<b>(4,015)</b>	<b>(13,893)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(4,014)	(13,892)
Non-controlling interests		(1)	(1)
<b>Loss for the period</b>		<b>(4,015)</b>	<b>(13,893)</b>
<b>Total comprehensive Loss attributable to:</b>			
Owners of the Company		(4,014)	(13,892)
Non-controlling interests		(1)	(1)
<b>Total comprehensive Loss for the period</b>		<b>(4,015)</b>	<b>(13,893)</b>
<b>Loss per share</b>			
Basic loss per share (cents per share)	18	(0.66)	(2.82)
Diluted loss per share (cents per share)	18	(0.66)	(2.82)

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

Aeon Metals Limited  
30 June 2019 Annual Report  
Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

Note	Attributable to owners of the Company				Non-Controlling interests	Total equity
	Share capital	Equity Compensation reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	48,379	4,096	(28,163)	24,312	7	24,319
<b>Total comprehensive loss for the period</b>						
Loss for the period	-	-	(13,892)	(13,892)	(1)	(13,893)
<b>Total comprehensive loss for the period</b>	-	-	(13,892)	(13,892)	(1)	(13,893)
<b>Transactions with owners of the Company, recognised directly in equity</b>						
<i>Contributions by and distributions to owners of the company</i>						
Expiration of warrants & options	17	-	(3,505)	3,505	-	-
Issue of options	17	-	1,372	-	-	1,372
Issue of options		43,501	-	-	-	43,501
Issue of ordinary shares		(1,831)	-	-	-	(1,831)
Capital raising costs		-	6,443	-	-	6,443
Total contributions by and distributions to owners of the company		41,670	4,310	3,505	49,485	-
						49,485
<b>Balance at 30 June 2018</b>		90,049	8,406	(38,550)	59,905	6
						59,911
Balance at 1 July 2018		90,049	8,406	(38,550)	59,905	6
<b>Total comprehensive loss for the period</b>						
Loss for the period		-	-	(4,014)	(4,014)	(1)
<b>Total comprehensive loss for the period</b>		-	-	(4,014)	(4,014)	(1)
<b>Transactions with owners of the Company, recognised directly in equity</b>						
<i>Contributions by and distributions to owners of the company</i>						
Exercise of options & warrants	17	6,483	(6,483)	-	-	-
Issue of options	17	-	246	-	246	246
Issue of ordinary shares	17	13,633	-	-	13,633	-
Warrant conversion costs	17	(1,700)	-	-	(1,700)	-
Total contributions by and distributions to owners of the company		18,416	(6,237)	-	12,179	-
						12,179
<b>Balance at 30 June 2019</b>		108,465	2,169	(42,564)	68,070	5
						68,075

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.



Aeon Metals Limited  
30 June 2019 Annual Report  
Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(1,852)	(2,095)
Cash used in operations		(1,852)	(2,095)
Interest received		99	191
<b>Net cash used in operating activities</b>	16	(1,753)	(1,904)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(73)	(364)
Payments for exploration activities		(11,881)	(5,235)
<b>Net cash used in from investing activities</b>		(11,954)	(5,599)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		33	36,677
Payment of capital raising costs		-	(1,831)
Proceeds from borrowings		8,000	-
Repayment of borrowings		-	(16,557)
<b>Net cash from financing activities</b>		8,033	18,289
<b>Net (decrease)/increase in cash and cash equivalents</b>		(5,674)	10,786
Cash and cash equivalents at 1 July		12,654	1,868
<b>Cash and cash equivalents at 30 June</b>	15	6,980	12,654

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 1. Corporate Information

The financial statements of Aeon Metals Limited ('Company' or 'Aeon') and its controlled entities ('the Group') for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 27 September 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 year was exploration and evaluation of mineral permits in Australia.

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

#### 2. Basis of preparation

##### 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).

##### Basis of Preparation

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

The 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.

##### *New standards and interpretations*

The Group has adopted all 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 year ended 30 June 2019.

The revised Standards and Interpretations with the most relevance to the Company are as follows:

##### 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. Financial assets that were classified as held-to-maturity investments or loans and receivables under AASB 139 are now classified as amortised cost. As the financial assets of the Group are immaterial, no impairment allowance has been recognised on initial transition as at 1 July 2018.

Accounting standards issued by AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are listed below:

- AASB 16: Leases (applicable for the annual reporting period beginning on 1 July 2019), refer to note 4 for the assessment of impact.

## Aeon Metals Limited

### 30 June 2019 Annual Report

#### Notes to the consolidated financial statements

##### **Going concern**

The annual 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 2019, the Group incurred a net loss before tax of \$4.0 million (2018: \$13.9 million) and net cash outflow from operating and investing activities of \$13.7 million (2018: \$7.5 million).

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 execute the Group's stated aim of progressing the Walford Creek Project. 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.

As at 30 June 2019, the Group had net assets of \$68.1 million (June 2018: \$59.9 million) including cash of \$7.0 million (June 2018: \$12.7 million). 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. The Group has the capacity, if necessary, to defer discretionary expenditure in the current cash flow forecast period or take steps to moderate the cash outflows of the business as needed to ensure that the Group maintains expenditure in line with the level of funding available.

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.

##### **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.

##### *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.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### **Judgements and estimates**

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 impact on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 2 – Going concern

Note 11 – Exploration and evaluation asset impairment

Note 13 – Unrecognised deferred tax assets

Note 17 – Issuance/exercise of warrants

Note 17 – Measurement of share-based payments

Note 23 – Valuation of financial instruments

#### **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.

#### **Basis of consolidation**

##### *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.

##### *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.

##### *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.

##### *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.

#### **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.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 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.

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.

#### 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.



# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### Exploration and evaluation expenditure (continued)

##### 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;
- 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.

###### (ii) *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.

##### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

##### Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 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 adjustment 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. The future benefit calculated is discounted to determine its present value. Revisions to this calculated value are recognised in profit or loss in the period in which they arise.

#### 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.

#### 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.

#### Finance income

Finance income is recognised as it accrues in profit or loss, using the effective interest method.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### **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.

##### *(ii) Deferred tax*

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.

#### **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

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 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 of the warrants.

#### 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. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

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 2019, 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.

##### **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 117.

The Group leases premises in Mt Isa Queensland. The non-cancellable period of the lease is 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.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### AASB 16 Leases (continued)

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	Jun-19 \$'000
Property, plant and equipment	10	413
Right-of-use assets, except for investment property		60
Exploration and evaluation assets	11	75,445
		<b>75,918</b>

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 year	(72)
<b>Balance at 30 June 2019</b>	<b>60</b>

#### Lease liabilities

	Jun-19 \$'000
Current	62
Non-current	-
	<b>62</b>

#### Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

Interest on lease	2
Depreciation charge for the period	72
	<b>74</b>

#### Amounts recognised in the Statement of Cash Flows

Total cash outflow for leases	<b>72</b>
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# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 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.

##### **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.

##### **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 bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

##### **Share-based payment transactions**

The fair value of employee share options and warrants, including shares issued to Directors and employees as incentives, 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.

##### **Financial liabilities**

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

#### 6. Operating segments

The Group's only operation is exploration for 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.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 7. Other expenses

	<b>Jun-19</b>	<b>Jun-18</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits expense	(825)	(692)
Superannuation expense	(84)	(111)
Share based payments	(246)	(1,372)
	<u>(1,155)</u>	<u>(2,175)</u>

#### 8. Expenses by nature

	<b>Jun-19</b>	<b>Jun-18</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits expense – including superannuation	(909)	(803)
Depreciation expense	(95)	(53)
Consultancy expense	(437)	(348)
Advertising expense	(42)	(28)
Impairment loss	(1,711)	(10,572)
Share based payments	(246)	(1,372)
Other expenses	(674)	(908)
	<u>(4,114)</u>	<u>(14,084)</u>

#### 9. Finance income and finance costs Recognised in profit or loss

	<b>Jun-19</b>	<b>Jun-18</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	99	191
	<u>99</u>	<u>191</u>

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 10. Property, plant and equipment

<i>in thousands of AUD</i>	Computer equipment	Mining and exploration equipment	Plant and equipment	Motor vehicles	Property improvements	Total
<b>Cost</b>						
Balance at 1 July 2017	61	249	54	123	-	487
Additions/(Disposals)	19	145	12	17	171	364
Balance at 30 June 2018	80	394	66	140	171	851
Balance at 1 July 2018	80	394	66	140	171	851
Additions/(Disposals)	5	64	12	(8)	-	73
Balance at 30 June 2019	85	458	78	132	171	924
<b>Depreciation</b>						
Balance at 1 July 2017	(59)	(191)	(19)	(92)	-	(361)
Charge for the year	(7)	(24)	(7)	(9)	(6)	(53)
Disposals	-	-	-	-	-	-
Balance at 30 June 2018	(66)	(215)	(26)	(101)	(6)	(414)
Balance at 1 July 2018	(66)	(215)	(26)	(101)	(6)	(414)
Charge for the year	(9)	(43)	(13)	(10)	(22)	(97)
Disposals	-	-	-	-	-	-
Balance at 30 June 2019	(75)	(258)	(39)	(111)	(28)	(511)
<b>Carry amounts</b>						
At 1 July 2017	2	58	35	31	-	126
At 30 June 2018	14	179	40	39	165	437
At 1 July 2018	14	179	40	39	165	437
At 30 June 2019	10	200	39	21	143	413

#### 11. Exploration and evaluation of assets

	2019 \$'000	2018 \$'000
Balance at 1 July	62,988	54,814
Additions, including capitalised interest	14,168	18,746
Impairment losses	(1,711)	(10,572)
Balance at 30 June	75,445	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 \$1.7 million includes \$1.5 million relating to the Gladstone Project/Monto tenements which brings the value down to a recent independent valuation. The balance relates to tenements that have been relinquished.

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## 12. Other Investments

	2019 \$'000	2018 \$'000
<b>Current investments</b>		
Financial assets designated at fair value through profit or loss	-	4
Term deposit	51	49
	<u>51</u>	<u>53</u>

The term deposit had an average interest rate of 2.48% (2018: 3.11%) and matures in 1 month.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 23.

## 13. Income tax

	2019 \$'000	2018 \$'000
<b>Income tax recognised in profit</b>		
<b>Current tax expense</b>		
Current year	-	-
Deferred tax expense	-	-
Total income tax expense	<u>-</u>	<u>-</u>

**Reconciliation of effective tax rate**

	2019 \$'000	2018 \$'000
Loss for the year	(4,015)	(13,893)
Total tax expense	-	-
Loss excluding tax	<u>-</u>	<u>-</u>
	<u>(4,015)</u>	<u>(13,893)</u>

Tax using the Company's domestic tax rate of 30 percent (2018:30 percent)

	(1,204)	(4,168)
Non-assessable income	247	317
Losses not brought to account	957	3,851
	<u>-</u>	<u>-</u>

**Unrecognised deferred tax assets**

	2019 \$'000	2018 \$'000
Deductible temporary differences	-	-
Tax losses	24,139	19,294
	<u>24,139</u>	<u>19,294</u>

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.

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## 14. Trade and other receivables

	2019 \$'000	2018 \$'000
Trade debtors	1	3
GST receivable	231	407
	<u>232</u>	<u>410</u>

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 23.

## 15. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Bank balances	6,980	12,654
	<u>6,980</u>	<u>12,654</u>

## 16. Reconciliation of cash flows from operating activities and non-cash financing activities

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Loss for the year		(4,015)	(13,893)
Adjustments for:			
Depreciation	10	97	53
Impairment of exploration and evaluation assets	11	1,711	10,572
Share-based payments	17	246	1,372
		<u>(1,961)</u>	<u>(1,896)</u>
Change in trade and other receivables	14	176	(291)
Change in prepayments		44	(66)
Change in trade and other payables	21	(65)	291
Change in provisions and employee benefits	19, 20	53	58
Net cash used in operating activities		<u>(1,753)</u>	<u>(1,904)</u>
<b>Non-cash financing activities</b>			
Issue of share capital	17	11,900	-
Repayment of borrowings	22	(11,900)	(6,826)
		<u>-</u>	<u>(6,826)</u>



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## 17. Capital and reserves

## Share capital

	2019		2018	
	no. of ordinary shares (thousands)	\$'000	no. of ordinary shares (thousands)	\$'000
On issue at 1 July	585,969	90,049	347,832	48,379
Shares issued for cash	-	-	223,337	41,670
Exercise of warrants, net of costs	85,000	11,900	-	-
Exercise of incentive shares	-	33	-	-
Transfer from equity compensation reserve on exercise of warrants	-	6,483	-	-
Incentive shares issued for services	2,101	-	14,800	-
On issue at 30 June	673,070	108,465	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.

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.

## Issuance of ordinary shares for the year to 30 June 2019

Date	no. of shares issued	Price per share \$	Total consideration \$	Purpose
29 October 2018	1,500,000	0.26	-	Share based payment*
4 March 2019	600,000	0.28	-	Share based payment*
11 March 2019	-	-	32,500	Exercise of incentive shares
18 March 2019	85,000,000	0.16	11,900,000	Exercise of warrants, net of costs
	<u>87,100,000</u>		<u>11,932,500</u>	

\* Incentive shares – recorded in equity compensation reserve (see below).

## Year Ending 30 June 2019

650,000 shares that were granted to an employee as incentive for services were exercised during the year. These shares were issued in a prior year. The 650,000 shares were initially provided through a limited recourse loan arrangement which expired during the current year. The exercise of the share options had no effect on the number of shares issued for the year.

## Year Ending 30 June 2018

500,000 shares were granted to an employee as incentive for services performed were then sold on the market for \$81,000. 200,000 of these shares were issued in a prior year. The 500,000 shares were initially provided through a limited recourse loan arrangement. The share sale had no effect on the number of shares for the period.

Capital raising costs incurred as part of share issues during the year were \$1,700,000 (2018: \$1,831,000). These costs are deducted directly from equity.

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### Notes to the consolidated financial statements

#### 17. Capital and reserves (continued)

##### **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.

##### **Issue of warrants**

Year Ending 30 June 2019

No new warrants were issued during the period.

Year Ending 30 June 2018

The company issued 85 million warrants on 17 August 2017 to OL Master Limited exercisable at 16 cents. These warrants were to expire on 17 December 2019 and represented consideration for an extension of expiry date of the Limited Recourse notes from 17 December 2017 to 17 December 2019. The warrants were valued at \$6.4 million based on an exercise price of 16 cents, refer Note 22.

##### **Exercise and expiration of warrants**

Year Ending 30 June 2019

On 18 March 2019, 85 million warrants (share options) were exercised by OL Master Limited. This parcel of warrants had an exercise price of 16 cents totalling \$13.6 million. The funds from the exercise of the warrants, less fees, were used to repay the debt to OL Master Limited, the net loan repayment was \$11.9 million.

Year Ending 30 June 2018

On 5 December 2017, 73 million warrants (share options) were exercised by OL Master and OL Master (Singapore Fund 1) Pty Ltd. This parcel of warrants had an exercise price of \$0.0935 and a fair value of \$3.3 million.

##### **Total on issue**

The total number of warrants on issue at 30 June 2019 is Nil (June 2018: 85,000,000).

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**17. Capital and reserves (continued)**

**Share based payments**

**Description of the share-based payment arrangements**

**Year Ending 30 June 2019**

On 29 October 2018, 1.5 million ordinary shares were purchased by a participant in the Company's Share Incentive Plan through a limited recourse loan provided by the company. The limited recourse loan is limited to shares issued, is interest free and repayable within 3 years. The fair value of these shares of \$203,000 was calculated using the Black Scholes Model as at 30 June 2019. The shares are not able to be sold until specific conditions are satisfied.

On 4 March 2019, 0.6 million ordinary shares were purchased by participants in the Company's Share Incentive Plan through limited recourse loans provided by the company. The limited recourse loans are limited to shares issued, are interest free and repayable within 3 years. The fair value of these shares of \$43,000 was calculated using the Black Scholes Model as at 30 June 2019. The shares are not able to be sold until specific conditions are satisfied.

**Year Ending 30 June 2018**

On 18 August 2017, 13.3 million ordinary shares were purchased by directors and employees participating in the Company's Share Incentive Plan through limited recourse loans provided by the company. The loans are limited to shares issued, are interest free and repayable within 3 years. The fair value of these shares of \$1.17 million was calculated using the Black Scholes Model as at 30 June 2018. The shares are not able to be sold until specific conditions are satisfied.

On 8 February 2018, 1.5 million ordinary shares were purchased by a participant in the Company's Share Incentive Plan through a limited recourse loan provided by the company. The limited recourse loan is limited to shares issued, is interest free and repayable within 3 years. The fair value of these shares of \$258,000 was calculated using the Black Scholes Model as at 30 June 2018. The shares are not able to be sold until specific conditions are satisfied.

From time to time the Company may issue shares to employees pursuant to the Company's Employee Share Incentive Plan which are funded by interest free loans from the Company, with recourse on these loans being limited to the shares issued. In accordance with AASB 2 the loans provided to the employees and shares issued are required to be valued as options.

The number and weighted average exercise prices of shares funded by limited recourse loans and valued as options is as follows:

	<b>no. of incentive shares (thousands)</b>	<b>Weighted average exercise price \$</b>	<b>no. of incentive shares (thousands)</b>	<b>Weighted average exercise price \$</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Outstanding at 1 July	20,150	0.16	7,850	0.14
Granted during the year	2,100	0.28	14,800	0.16
Expired during the year	-	-	(2,000)	(0.20)
Exercised during the year	(650)	(0.05)	(500)	(0.16)
Outstanding at 30 June	21,600	0.16	20,150	0.16

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### Notes to the consolidated financial statements

#### 17. Capital and reserves (continued)

##### Share based payments (continued)

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 incentive shares		Director incentive shares	Employee incentive shares	
	2019	2019	2018	2018	2018
Number of incentive shares	1,500,000	600,000	10,000,000	1,500,000	3,300,000
Grant date	29 Oct 2018	4 Mar 2019	18 Aug 2017	8 Feb 2018	18 Aug 2017
Fair value at grant date	\$0.135	\$0.072	\$0.088	\$0.172	\$0.086
Share price at grant date	27.5 cents	27.5 cents	14.5 cents	27.0 cents	14.5 cents
Exercise price	28.2 cents	27.8 cents	14.5 cents	26.0 cents	15.1 cents
Expected volatility	75%	82%	100%	100%	100%
Expected life	3 years	3 years	3 years	3 years	3 years
Risk-free interest rate	2.00%	2.00%	1.93%	2.15%	1.93%
Dividend yield	0%	0%	0%	0%	0%

The expected share price volatility has been calculated based on Aeon Metals Limited's historical share price performance.

#### 18. Earnings per share

##### Basic earnings per share

The calculation of basic earnings per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$4,015,000 (2018: \$13,892,000) and a weighted average number of ordinary shares outstanding of 611,455,000 (2018: 492,845,000), calculated as follows:

Loss attributable to ordinary shareholders (basic)

	2019 \$'000	2018 \$'000
Loss for the year	(4,015)	(13,893)
Loss attributable to ordinary shareholders	(4,015)	(13,892)

Weighted average number of ordinary shares (basic)

	2019 thousands	2018 thousands
Issued ordinary shares at 1 July	585,969	347,832
Effect of shares issued	25,486	145,013
Weighted average number of ordinary shares at 30 June	611,455	492,845

	2019 cents per share	2018 cents per share
Basic loss per share	0.66	2.82

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### Notes to the consolidated financial statements

#### 18. Earnings per share (continued)

##### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2019 was based on loss attributable to ordinary shareholders of \$4,015,000 (2018: \$13,892,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 611,455,000 (2018: 492,845,000), calculated as follows:

Loss attributable to ordinary shareholders (diluted)	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss attributable to ordinary shareholders (basic)	(4,015)	(13,892)
Loss attributable to ordinary shareholders (diluted)	(4,015)	(13,892)
Weighted average number of ordinary shares (diluted)	<b>2019</b>	<b>2018</b>
	<b>thousands</b>	<b>thousands</b>
Weighted average number of ordinary shares at 30 June (basic)	611,455	492,845
Effect of shares options on issue	-	-
Weighted average number of ordinary shares at 30 June (diluted)	611,455	492,845
Diluted loss per share	<b>2019</b>	<b>2018</b>
	<b>cents per share</b>	<b>cents per share</b>
	0.66	2.82

At 30 June 2019 no warrants (2018: 85,000,000 warrants) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

#### 19. Employee Benefits

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages accrued	41	40
Liability for annual leave	167	109
Liability for long service leave	18	17
Liability for superannuation	-	7
Total employee benefit – current	226	173

## Aeon Metals Limited

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## 20. Provisions

	<b>Site restoration \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2018	50	50
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Balance at 30 June 2019	50	50

	<b>Site restoration \$'000</b>	<b>Total \$'000</b>
Current	50	50
Non-current	-	-
	50	50

## Site Restoration

A provision of \$50,000 was made in respect of the Group's obligations in respect of environmental remediation. The required work is completed throughout the year on an ongoing basis. There has been no change to the provision in the current year. The provision has been capitalised to the Exploration and Evaluation assets at Note 11.

## 21. Trade and other payables

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Trade payables	1,680	1,833
Accrued expenses	425	116
	2,105	1,949

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 23.

## 22. Loans and borrowings

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Non-current</b>		
Limited recourse notes	12,790	14,623
	12,790	14,623

## Reconciliation of movement in loans and borrowings

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Outstanding at 1 July	14,623	31,814
New loan during the year	8,000	-
Repaid during the year	(11,900)	(23,383)
Accrued interest and fees during the year	2,067	6,192
Outstanding at 30 June	12,790	14,623



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#### Notes to the consolidated financial statements

##### 22. Loans and borrowings (continued)

###### Year Ending 30 June 2019

On 18 March 2019, the company received notice from OL Master Limited exercising an aggregate of 85 million warrants each exercisable at 16 cents. This, less fees, was used to repay the principal and accrued interest owing under the existing limited recourse notes. As a result, the value of the debt facility was reduced by \$11.9 million to \$4 million.

Also on 18 March 2019, the company announced that OCP had agreed to advance a further cash loan of \$8 million with a repayment date of 17 December 2020. OCP also agreed to extend the repayment date of the remaining \$4 million facility to 17 December 2020.

The Company has accrued interest of \$1.7 million and was charged a financing fee of \$0.4 million during the year ended 30 June 2019. These transactions have been capitalised against the exploration and evaluation assets in accordance with AASB 123 (Borrowing costs) which requires borrowing costs directly attributable to the production of a qualifying asset, to form part of the cost of the asset.

###### Year Ending 30 June 2018

During the period, an agreement was reached 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 issued to OL Master Limited 85 million warrants each expiring on 17 December 2019 and exercisable at 16 cents. The issue of the warrants was approved at a General Meeting of the Company's shareholder on 11 August 2017.

On 5 December 2017, the company received notices from OL Master and OL Master (Singapore Fund 1) Pty Ltd (formerly named OL Master (Singapore) Limited) exercising an aggregate of 73 million warrants each exercisable at 9.35 cents. No cash was received as the warrant holders elected to repay the principal and accrued interest owing under the existing limited recourse notes. As a result, the value of the debt facility was reduced by \$6.82 million.

On 28 December 2017, the Company issued 107.2 million new ordinary shares at a price of \$0.28 per share. \$15.5 million of the proceeds were used to further repay the principal and accrued interest owing under the existing limited recourse notes.

On 2 February 2018, the Company issued 3.8 million new ordinary shares as part of a share purchase plan at a price of \$0.28 per share. \$1 million of the proceeds were used to further repay the principal and accrued interest owing under the existing limited recourse notes.

The Company accrued interest of \$6.2 million during the year ended 30 June 2018. This interest was capitalised against the exploration and evaluation assets in accordance with AASB 123 (Borrowing costs) which requires borrowing costs directly attributable to the production of a qualifying asset, to form part of the cost of the asset.

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22. Loans and borrowings (continued)

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

				2019		2018	
				Face value	Carrying amount	Face value	Carrying amount
	Currency	Nominal Interest Rate	Year of maturity	\$'000	\$'000	\$'000	\$'000
Limited recourse notes	AUD	12.00%	Dec 2020	12,790	12,790	14,623	14,623
<b>Total interest-bearing liabilities</b>				<b>12,790</b>	<b>12,790</b>	<b>14,623</b>	<b>14,623</b>

The amortised cost of the notes was calculated using a discounted cashflow based on an effective interest rate of 13%

23. 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:

	Note	Carrying amount	
		2019	2018
		\$'000	\$'000
Interest bearing investments	12	51	49
Trade and other receivables	14	232	410
Cash and cash equivalents	15	6,980	12,654
		<b>7,263</b>	<b>13,113</b>

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### Notes to the consolidated financial statements

#### 23. Financial instruments

##### Impairment losses

	2019 \$'000	2018 \$'000
Neither past due nor impaired	232	410
Past due 1 – 30 days	-	-
Past due 31 – 90 days	-	-
Past due 91 + days	-	-
	<u>232</u>	<u>410</u>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2019 \$'000	2018 \$'000
Balance at 1 July	17	17
Impairment loss recognised	-	-
Amounts written off	-	-
Balance at 30 June	<u>17</u>	<u>17</u>

At 30 June 2019 and 30 June 2018 an impairment loss of \$17,000 relates to a reimbursement of a deposit paid which the Group is not expecting to receive.

Based on historic default rates and forward-looking information, 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 \$30,000 credit card facility (2018: \$30,000). At 30 June 2019 the undrawn amount is \$30,000 (2018: \$30,000).

At 30 June 2019 the Group has payables of \$2,105,000 (2018: \$1,949,000) due within 3 months.

##### 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.

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## Notes to the consolidated financial statements

## 23. Financial instruments (continued)

30 June 2019

	Contractual cash flows						More than 5 years \$'000
	Carrying Amount \$'000	Total \$'000	2 months or less \$'000	2-12 months \$'000	1-2 years \$'000	2-5 years \$'000	
<b>Liabilities</b>							
Limited recourse notes (i)	12,790	15,216	-	-	15,216	-	-
Trade payables	2,105	2,105	2,105	-	-	-	-
	14,895	17,321	2,105	-	15,216	-	-

(i) 15,216,000 of the contractual cash flow payable in 1-2 years relates to a limited recourse loan secured over the assets of Aeon Walford Creek Limited.

30 June 2018

	Contractual cash flows						More than 5 years \$'000
	Carrying Amount \$'000	Total \$'000	2 months or less \$'000	2-12 months \$'000	1-2 years \$'000	2-5 years \$'000	
<b>Liabilities</b>							
Limited recourse notes (i)	14,623	17,336	-	-	17,336	-	-
Trade payables	1,949	1,949	1,949	-	-	-	-
	16,572	19,285	1,949	-	17,336	-	-

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## Notes to the consolidated financial statements

## 23. Financial instruments (continued)

**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:

	Interest rate	Carrying amount	Interest rate	Carrying amount
	2019	2019	2018	2018
<b>Fixed rate instruments</b>				
Financial liabilities (i)	12%	12,790	12%	14,623
		12,790		14,623
<b>Variable rate instruments</b>				
Financial assets	1.50%	6,980	1.66%	12,654
Amortised cost	2.48%	51	2.45%	49
		7,031		12,703

- (i) The coupon rate on the limited recourse loan is 12% p.a. however the effective interest rate has been determined to be 13% 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.

**Cashflow 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.

	<b>Variable rate instruments</b>	
	2019	2018
<b>Profit or loss</b>	<b>\$'000</b>	<b>\$'000</b>
100bp increase	64	114
100bp decrease	(64)	(114)

## Aeon Metals Limited

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## Notes to the consolidated financial statements

## 23. Financial instruments (continued)

**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 Value versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Note	2019		2018	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Assets carried at fair value</b>					
Financial assets designated at fair value through profit and loss	12	-	-	4	4
		-	-	4	4
<b>Assets carried at amortised costs</b>					
Interest bearing investments	12	51	51	49	49
Trade and other receivables	14	232	232	410	410
Cash and cash equivalents	15	6,980	6,980	12,654	12,654
		7,263	7,263	13,113	13,113
<b>Liabilities carried at amortised cost</b>					
Trade and other payables	21	(2,105)	(2,105)	(1,949)	(1,949)
Limited recourse notes	22	(12,790)	(12,790)	(14,623)	(14,623)
		(14,895)	(14,895)	(16,572)	(16,572)

## 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).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>30 June 2019</b>			
Financial assets designated at fair value through profit and loss	-	-	-
Total assets	-	-	-
<b>30 June 2018</b>			
Financial assets designated at fair value through profit and loss	4	-	-
Total assets	4	-	-

There have been no transfers from Level 1 to Level 2 during the year ended 30 June 2019 (2018: no transfers in either direction).



# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 24. Operating Leases

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

	2019 \$'000	2018 \$'000
Less than one year	15	62
Between one and five years	-	-
More than five years	-	-
	<u>15</u>	<u>62</u>

The Group leases four premises under operating leases. Of these four leases, two leases are on a month to month basis. The rental payments of these leases is \$9,000 per month. The other two leases are under 12-month contracts, one expiring in September 2019 and the other in December 2019. The rental payments on these leases are \$3,000 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.

#### 25. Commitments and contingencies

There are no contractual commitments or contingent liabilities at 30 June 2019 (2018: Nil).

#### 26. Related parties

##### Key management personnel compensation

The key management personnel compensation comprised:

	2019 \$	2018 \$
Short-term employee benefits	680,000	695,000
Consulting fees	60,000	60,000
Long-term employment benefits	(3,076)	21,196
Post-employment benefits	42,575	46,850
Share based payments	-	881,000
	<u>779,499</u>	<u>1,704,046</u>

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.

# Aeon Metals Limited

## 30 June 2019 Annual Report

### Notes to the consolidated financial statements

#### 26. Related parties (continued)

##### 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 for the year ended 30 June		Balance outstanding as at 30 June	
<i>In AUD</i>		<i>Note</i>	2019	2018	2019	2018
<b>Key management person</b>						
Hamish Collins	Reimbursements	(i)	373	263	-	-
Paul Harris	Reimbursements	(i)	-	-	-	-
Stephen Lonergan	Reimbursements	(i)	-	-	-	-
Ivan Wong	Reimbursements	(i)	-	-	-	-
Fred Hess	Reimbursements	(i)	-	-	-	-
Total and current liabilities			373	263	-	-

(i) The Group reimbursed Hamish Collins for business related expenditure. The amounts were paid as per third party receipts.

#### 27. Group entities

##### Significant subsidiaries

	Country of incorporation	2019 %	2018 %
<b>Parent entity:</b>			
Aeon Metals Limited	Australia		
<b>Significant subsidiaries:</b>			
Aussie NQ Resources Pty Ltd	Australia	100	100
SLW Queensland Pty Ltd	Australia	60	60
Aeon Walford Creek Ltd	Australia	100	100
Aeon Isa Exploration Pty Ltd	Australia	100	-
Aeon Monto Exploration Pty Ltd	Australia	100	-

#### 28. Subsequent events

On 4 July 2019, the Company announced that it had lodged five new EPM applications covering 1,555km<sup>2</sup> and signed an earn-in right agreement to acquire 100% of EPM 26316. These will add a further 130km of potential strike extent to the east starting immediately from the eastern boundary of current Walford Creek tenements.

## Aeon Metals Limited

## 30 June 2019 Annual Report

## Notes to the consolidated financial statements

## 29. Auditors' remuneration

	2019 \$	2018 \$
<b>Audit and review services</b>		
Auditors of the Company – BDO		
Audit and review of financial statements	66,000	62,245
	<u>66,000</u>	<u>62,245</u>
<b>Other services</b>		
Auditors of the Company – BDO		
Other non-audit services	-	-
	<u>-</u>	<u>-</u>

## 30. Parent entity disclosures

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

	2019 \$'000	2018 \$'000
<b>Results of the parent entity</b>		
Loss for the year	(4,007)	(13,798)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>(4,007)</u>	<u>(13,798)</u>
<b>Financial position of parent entity at year end</b>		
Current assets	7,324	13,196
Non-current assets	74,500	62,004
<b>Total assets</b>	<u>81,824</u>	<u>75,200</u>
Current liabilities	2,234	1,949
Non-current liabilities	12,790	14,623
	<u>15,024</u>	<u>16,572</u>
<b>Net assets</b>	<u>66,800</u>	<u>58,628</u>
<b>Total equity of parent entity comprising of:</b>		
Share capital	101,981	90,049
Reserves	2,169	8,406
Accumulated losses	(37,350)	(39,827)
<b>Total equity</b>	<u>66,800</u>	<u>58,628</u>

**Commitments and contingencies**

The parent entity had no commitments or contingent liabilities as at 30 June 2019 and 30 June 2018.

## Aeon Metals Limited

### 30 June 2019 Annual Report

#### Directors' declaration

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

- a) the consolidated financial statements and notes set out on pages 31 to 63 and the remuneration report on pages 25 to 28 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 2019 and of its performance for the 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.

The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards

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 2019.

Signed in accordance with a resolution of the Directors.



Hamish Collins  
**Managing Director**

Dated at Sydney this 27<sup>th</sup> day of September 2019

## INDEPENDENT AUDITOR'S REPORT

To the members 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) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is 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 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related 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 opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for loans and borrowings

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The accounting for the debt facility with OL Masters Limited is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the balance of the debt, being the largest liability on the Group's balance sheet; and</li> <li>• The judgement and complexity of management's calculation in evaluating the carrying value of the debt.</li> </ul> <p>Details of the loans and borrowings are disclosed in Note 22.</p>	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating management's calculation of the carrying value of the debt including critically assessing the key inputs with reference to the underlying loan agreements;</li> <li>• Tracing movements in the liability to underlying accounting records and relevant supporting documentation;</li> <li>• Reviewing the accounting treatment for the loan repayment, loan extension and new issuance during the period; and</li> <li>• Obtaining third party confirmation of the fair value of the debt outstanding at 30 June 2019.</li> </ul>



## Accounting for the exercise of warrants issued as consideration for the extension of the debt facility

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The accounting for these warrants is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the transaction value of the warrants; and</li> <li>• The complexity of the accounting treatment, ensuring to consider the interdependency between the warrants and the debt facility.</li> </ul> <p>Details of the warrants are disclosed in Note 17.</p>	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Critically evaluating the accounting treatment for the exercise of the warrants in accordance with the applicable accounting standards; and</li> <li>• Evaluating management's calculation of the value of the warrants to be offset against the debt facility.</li> </ul>

## Exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Exploration and evaluation assets are a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the exploration and evaluation activities to the Group's business and the carrying value of these assets, being the largest group of assets on the balance sheet; and</li> <li>• The significance of management's estimates and assumptions regarding the recoverability of carrying values in accordance with AASB 6.</li> </ul> <p>Details of the exploration and evaluation assets are disclosed in Note 11.</p>	<p>To address the key audit matter, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in AASB 6;</li> <li>• Reviewing the Group's tenement licences to assess the rights to tenure are current;</li> <li>• Testing a sample of the Group's additions to areas of interest for the year and agreeing additions to underlying records - including capitalised interest and borrowing costs;</li> <li>• Analysing management's assessment of the recoverability of assets through successful development and exploitation of the areas of interest, or by their sale, by evaluating the Group's documentation of planned activities including tenements expenditure commitments as per the approved work programs issued by the QLD Department of Natural Resources, Mines and Energy;</li> </ul>

- Evaluating internal budget and cash flow projections for consistency with management's stated intentions for continuing exploration and evaluation activities in the areas of interest and critically assessing feasibility of these intentions with regard to available cash; and
- Holding discussions with Management regarding their assessment of the future recoverable value of the exploration and evaluation expenditure.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Aeon Metals Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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

### **BDO East Coast Partnership**

A handwritten signature in blue ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a stylized, cursive script.

Gareth Few  
Partner

Sydney, 27 September 2019