

Aeon Metals Limited and its controlled entities

ABN 91 121 964 725

31 December 2020

Interim Financial Report

Aeon Metals Limited
31 December 2020 Interim Financial Report

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Aeon Metals Limited

31 December 2020 Interim Financial Report

Directors' Report

The Directors of Aeon Metals Limited (the "Company" or "Aeon") and the entities it controlled (together, "the Group") present their report together with the consolidated financial statements for the six months ended 31 December 2020 and the auditors' review report thereon.

Directors

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

Name

Mr. Hamish Collins
Managing Director

Mr. Paul Harris
Chairperson
Non-Executive Director

Mr. Ivan Wong
Non-Executive Director

Dr Fred Hess
Non-Executive Director

Mr Andrew Greville
Non-Executive Director

Review of operations

During the 6-month period to 31 December 2020 the Company continued to progress towards Feasibility Study for the mining and processing of both the Copper Lode and Cobalt Peripheral Resources at the 100% owned Walford Creek Cu-Co Project ("Walford Creek" or the "Project") - one of Australia's biggest undeveloped base metals projects in North-West Queensland.

A Pre-Feasibility Study ("PFS") on the Walford Creek Project continued during the half year period. The PFS is being coordinated by leading consultant engineering firm, Ausenco, with expert consultants utilised for each discipline. In parallel to this PFS work, extensive metallurgical testwork and assessment continued for the PFS process flowsheet.

Aeon also holds an extensive (~2,184km²) exploration tenement portfolio, linked by significant fault architecture, in the world-class Mt Isa mineral province in Northwest Queensland. In October 2020, Aeon engaged a drilling contractor and drilling commenced 100km west of Mount Isa focussing on large-scale prospects with Phase 1 targeting the Beauchamps Iron oxide copper gold ore deposits ("IOCG"). A total of 3 RC/diamond holes (~2,322m) were completed at Beauchamps with the first hole fully funded by a Collaborative Exploration Incentive (CEI) grant from the Queensland State Government. The results show a large-scale IOCG mineralisation system with assays returning copper and gold mineralisation. This region west of Mt Isa is seen as a potential new IOCG province.

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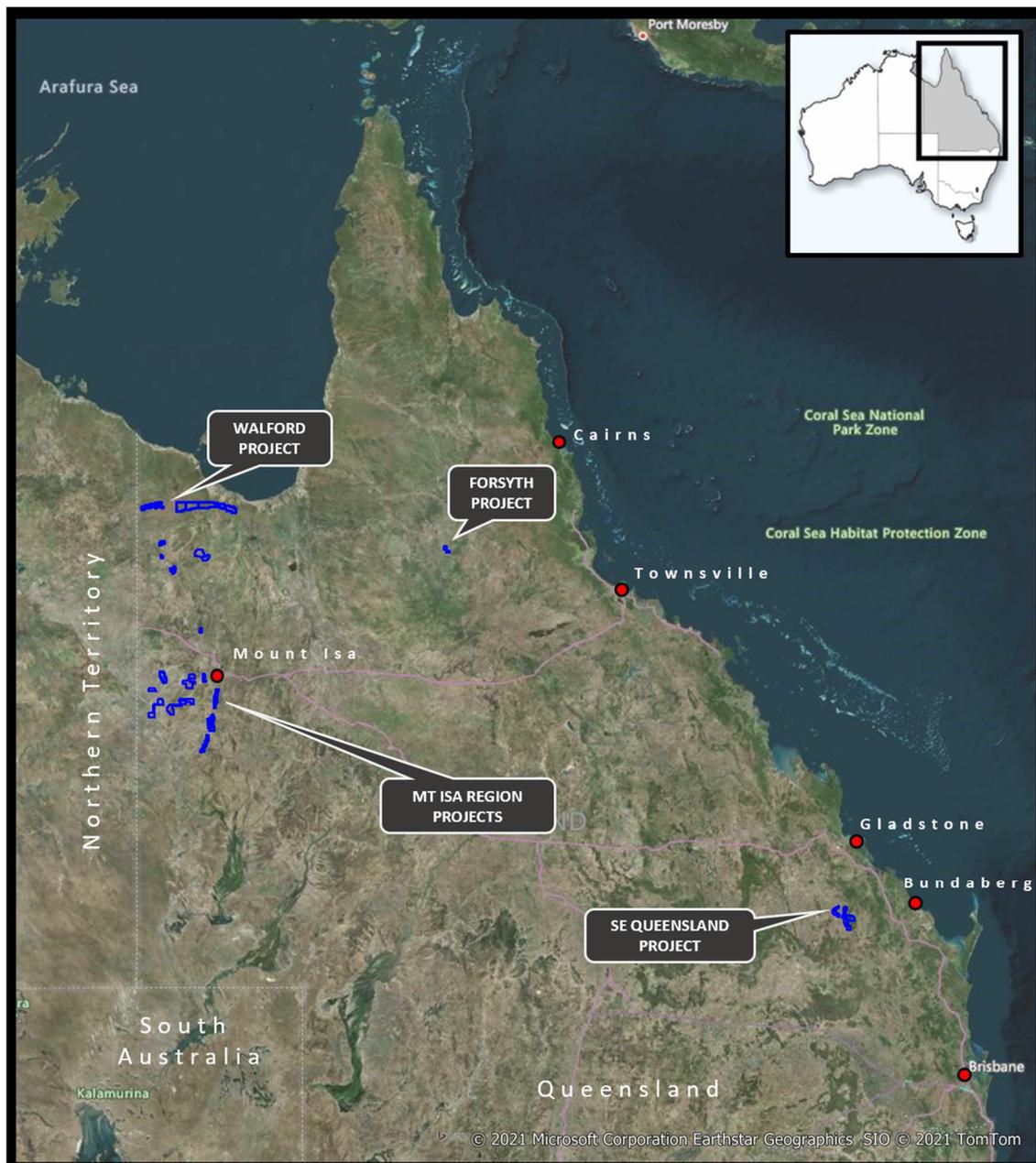
Directors' Report (continued)

Review of operations (continued)

The Company also has a tenement package in Southeast Queensland with a focus on copper. During the half year period considerable desktop analysis of the previous historical work identified new targets both within the ground already held, including the Esme IP anomaly immediately east of Whitewash, as well as a buried porphyry at Scrubby Creek further to the east. 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



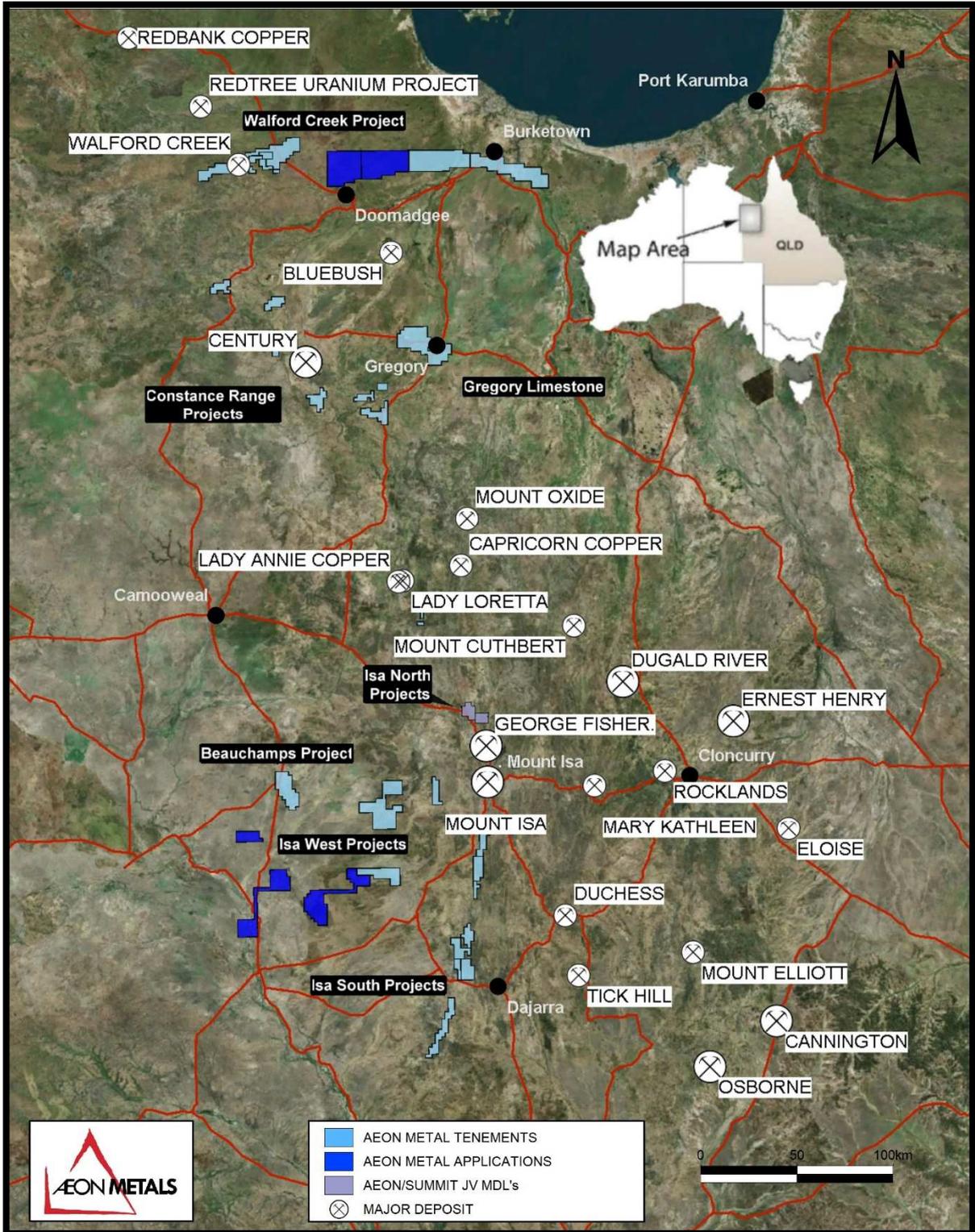
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Directors' Report (continued)

Review of operations (continued)

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



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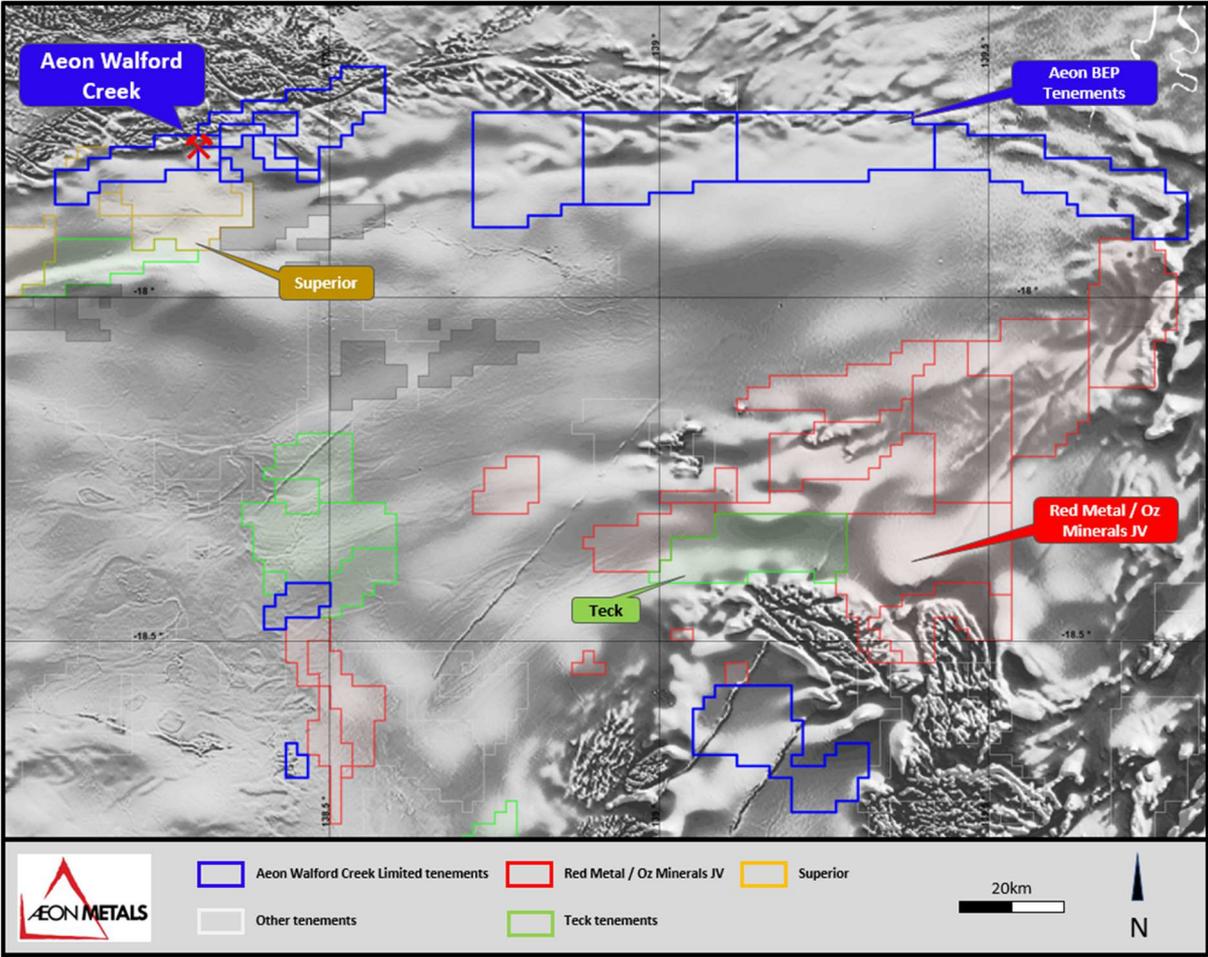
Directors' Report (continued)

Review of operations (continued)

The Walford Creek Project

The flagship asset and highest priority tenement holding of Aeon is the 100% owned Walford Creek Project. The Walford Creek Project is located approximately 350km north west of Mount Isa in Northwest Queensland, close to the Northern Territory border. The closest town is Doomadgee, approximately 70km to the east, which is accessed by a sealed road from Cloncurry. Doomadgee has a commercial airstrip that connects to other major centres within North 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 211.3km². In addition, following the considerable success of the along strike Walford Creek 2018 exploration drilling campaign, Aeon added additional strike potential to the east along the basin margin with 2 additional mineral exploration permits (“EPM”s) and finalisation of a low, upfront cost earn-in arrangement over an adjoining EPM.

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Directors' Report (continued)

Review of operations (continued)

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

Tenement Summary							
EPM	Tenement Name	Project	Status	Sub Blocks	Kms ²	Grant Date	Expiry Date
EPM 14220	Walford Creek	WC	Granted	41	131.282	08-Mar-04	07-Mar-22
EPM 14854	Walford East	WC	Granted	6	19.212	22-Nov-05	21-Nov-20*
EPM 18552	Walford Far East	WC	Granted	7	22.414	30-Nov-12	29-Nov-22
EPM 26906	Walford Extended	WC	Granted	12	38.424	18-Dec-18	17-Dec-23
EPM 26316**	Walford North East	WC	Granted JV	60	192.120	29-May-17	28-May-22
EPM 27512	Vardy East	WC	Granted	4	12.808	09-July-20	08-Jul-25

*Renewal submitted for EPM14854.

**EPM 26316 has been transferred into Aeon Walford Creek Pty Ltd from Footprint Resources Pty Ltd, Footprint have been granted a 1% Net Smelter Royalty for any sales derived from this EPM, capped at \$50 million.

A PFS on the Walford Creek Project continued during the half year period. The PFS is being coordinated by leading consultant engineering firm, Ausenco, with expert consultants utilised for each discipline. In parallel to this PFS work, extensive metallurgical testwork and assessment continued for the PFS process flowsheet. This included:

A. Flotation Pilot Plant – undertaken at ALS Burnie, Tasmania (15 - 29 January 2020)

- 529 kg treated, producing 316 kg of cobalt concentrate;
- Results in line with Scoping Study;
- Approximate 87% copper recovery to copper concentrate. Concentrate grade within expectations at approximately 24% copper. Another approximate 12% of the copper was recovered in the cobalt concentrate. Current indications are that around two thirds of this will be extracted in the cobalt leach, with overall copper recovery increasing to 95%; and
- Cobalt and nickel recovery to cobalt concentrate both approximately 85%, 2/3rds of this in the leach silver recovery increases to 66%.

B. Bioleach Pilot Plant – undertaken at ALS Burnie, Tasmania (3 February - 10 March 2020)

- 300 kg of cobalt concentrate treated;
- Metal recoveries in line with or slightly better than those achieved with Scoping Study; and
- Average approximate cobalt extraction of 97% from cobalt concentrate to pregnant leach solution (PLS).

C. Heap Leach Bottle Roll Testwork – undertaken at ALS Burnie, Tasmania (27 February - 6 March 2020)

- Results in line with Scoping Study.

D. Product Purification Pilot Plant

1. Outotec Research Facility, Pori, Finland (October - November 2019)
 - The campaign consisted of two phases:
 - a leach phase for generation of pregnant leach solution (PLS), including iron-arsenic removal; and
 - a purification phase where copper sulphide, zinc sulphide and cobalt-nickel sulphide products were produced (see Figure 4).
 - Average approximate cobalt extraction from PLS to product of 95% for cobalt.
2. ALS Burnie, Tasmania (19 - 25 May 2020)
 - Iron-Arsenic Removal (19 - 25 May 2020):
 - 1,000 litres of bioleach PLS was treated in the iron-arsenic removal pilot plant;
 - Iron and arsenic removal rates >99% achieved, with minor cobalt loss; and
 - Performance was in line with both the Outotec pilot and the Scoping Study.
 - Copper precipitation pilot plant (9 - 25 June 2020):
 - 1,000 litres of bioleach PLS was treated in the copper precipitation plant;
 - Copper recovery to precipitate was in line with both the Outotec pilot and the Scoping Study; and
 - Copper recovery from PLS to precipitate varied from 91% to 98%, producing a precipitate of typically 45% copper.

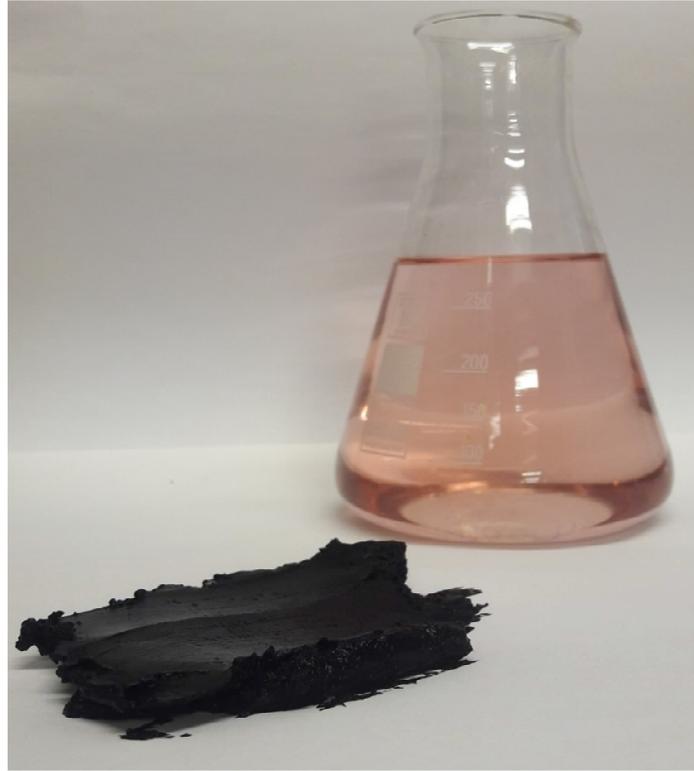
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Directors' Report (continued)

Review of operations (continued)

Figure 4: Pregnant Leach Solution (PLS) and Nickel-Cobalt Filtered Precipitate



During the half year period the following metallurgical testwork and assessment was undertaken:

E. Product Purification Pilot Plant – Cobalt-Nickel Precipitation – undertaken at ALS Burnie, Tasmania (complete)

- Semi-continuous cobalt-nickel precipitation tests are in progress to confirm conditions for the 1,000 litre cobalt-nickel precipitation pilot plant.

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Directors' Report (continued)

Review of operations (continued)

Figure 5: Co-Ni PLS (feed stock for Cu-Ni precipitation pilot plant)



Figure 6: Progressive extraction of copper from Pregnant Leach Solution (PLS) (PLS in bucket second from left showed maximum copper extraction with minimum cobalt loss)



F. Lead and Zinc Evaluation – in progress (awaiting assays) at ALS Burnie, Tasmania

- Comminution evaluation in line with Scoping Study;
- Lead composite flotation results to date, with modified reagent scheme, exceed Scoping Study estimates;
- Lead-zinc composite flotation results to date, with modified reagent scheme, exceed Scoping Study estimates; and
- Zinc composite flotation results to date, with modified reagent scheme, exceed Scoping Study estimates.

Metallurgical testwork for the front-end flowsheet design (see Figure 6) to produce copper, zinc and lead concentrates has proceeded well.

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Directors' Report (continued)

Review of operations (continued)

G. Heap Leach testwork, Tasmania

- Stage 1 of binder investigation: After over 20 trials a suitable binder was identified and was used to agglomerate a sample of Co / Ni concentrate.
- Two heap leach column tests were run in December 2020.
- Leach solution was collected, and the Co/Ni in this solution has been precipitated in January 2021.

Figure 7: 2.5m high (0.15m diameter) leach column



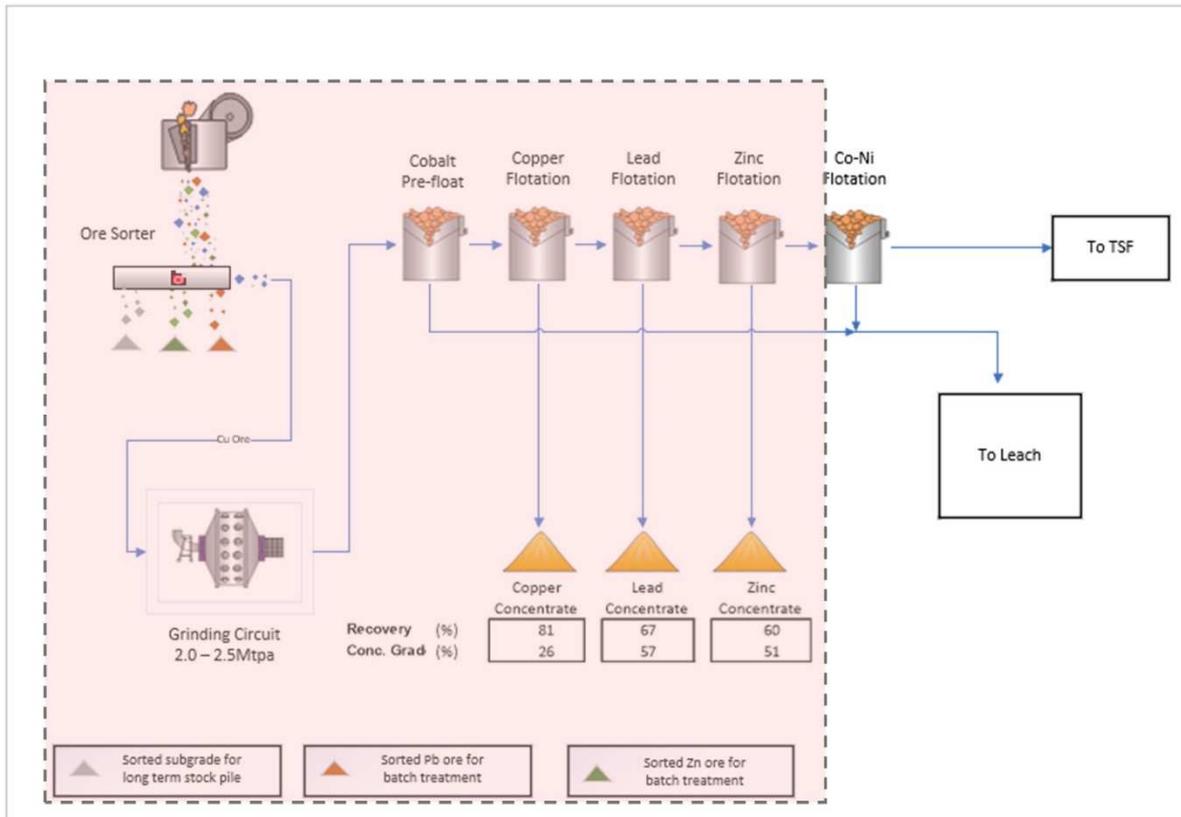
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Directors' Report (continued)

Review of operations (continued)

Figure 8: Primary concentrator flowsheet



During the half year period it was announced that finalisation of the PFS-level evaluation of the back-end agitated bioleach processing route (outlined in the Walford Creek Scoping Study) indicated that capital and operating cost forecasts are likely to be significantly higher for this part of the circuit than originally anticipated. This dynamic is a function of both:

- The extreme exothermic nature of the leaching reactions on Walford Creek material specifically giving rise to the necessity for a substantial quantity of energy-intensive cooling capacity to sustain a habitable environment for the leach bacteria; and
- The precipitation of zinc from the bioleach pregnant liquor occurring in higher than expected quantities.

In response, intensive testwork was undertaken during the half year period across a variety of alternative cobalt and nickel extraction process routes. This included evaluation of lower capital intensive leaching options such as heap (column testing) and vat leaching, precipitation circuit options (mixed sulphide or carbonate precipitates), third party cobalt extraction routes and broader cobalt and nickel product marketing considerations.

While results to date are encouraging, key portions of this testwork activity remain ongoing or pending results submission. Selection and optimisation of the preferred cobalt extraction route remains subject to these continuing testwork outcomes.

Infrastructure & Logistics

In October 2020, Aeon advised that it had selected a solar energy primary power solution for the Walford Creek Project. The planned energy system provides solar generation capacity, with an accompanying battery storage facility, alongside full back-up/supplementary diesel generation capacity. The system is to be constructed at the Walford Creek Project and delivered under a Build-Own-Operate ("BOO") structure. The system is to be provided by Sun Cable Pty Ltd ("Sun Cable"). Sun Cable is an Australian-based company specialising in solar energy developments. Aeon has executed a non-binding Letter of Intent ("LOI") with Sun Cable in relation to the provision of this energy system for the Walford Creek Project via BOO arrangement.

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Directors' Report (continued)

Review of operations (continued)

The key benefits to Aeon of adopting this power solution and delivery mechanism include:

- A substantial reduction in projected carbon emissions associated with the life-of-mine operations, with a forecast renewable energy penetration of over 90%;
- Removal of almost all pre-production capital cost associated with power generation;
- Substantial power operating cost savings across the life-of-mine, even after allowance for capital amortisation and operating margin under the BOO structure; and
- Full back-up diesel generation capacity delivering strong baseload assurance and swing capacity.

For further information on the Sun Cable solar energy power solution for Walford Creek, see Aeon ASX release dated 30 October 2020, Substantial Power Cost Savings for Walford Creek.

“Other” Northwest Queensland Tenements

A map showing Aeon's interest (through subsidiary Aeon Walford Creek Limited) in various exploration permits in Northwest Queensland is shown in Figure 2. This tenement package is extensive, covering some 1,441km², and located in the world-class Mount 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 Mount Isa Fault, bordering north and south of Glencore Xstrata's Mount Isa Mines. An additional large tenement at Gregory was secured with the aim of testing for possible shallow limestone to use both in the processing circuit but also potentially as buffer material in future mine site rehabilitation. A shallow drill program is required for that tenement to test the interpreted horizon around Gregory Township.

During the half year, Aeon engaged Tulla Drilling based out of Mount Isa and commenced drilling 100km west of Mount Isa. The initial focus was on the large-scale Beauchamps prospect, targeting the coincident gravity and magnetics anomaly. A total of 3 RC/diamond holes (2,321.7m) were completed at Beauchamps with the first hole fully funded by a Collaborative Exploration Incentive (“CEI”) grant from the Queensland State Government. The results indicate a large-scale IOCG mineral system. Assays returned copper and gold mineralisation, the late stage of those fluids bringing in the copper and gold and the extensive alteration seen, are highly encouraging. The Aeon geological team is excited by this broad regional alteration observed and that the target stratigraphy is at shallow depths which are far more favourable than previously understood. The Company has subsequently secured three further tenements over associated structures with coincident magnetic and gravity responses. This region west of Mt Isa is seen as a potential new IOCG province and the Company is reviewing its options for securing additional funds to advance this area including a possible JV with a major.

Southeast Queensland Tenements

The Southeast Queensland tenement package (see Figure 9) 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.

During the half year period considerable desktop analysis of the previous historical work identified new targets both within the ground already held, including the Esme IP anomaly immediately east of Whitewash, as well as a buried porphyry at Scrubby Creek further to the east. The Scrubby Creek target is covered by a recent tenement application which is awaiting grant.

This tenement package, consisting of the Ben Hur, 7B, and Greater Whitewash Projects, is considered to have potential for large porphyry style deposits but also epithermal and vein systems sitting off to the edges of the porphyries. The locations of the projects are all close to major infrastructure (power, sealed highway, water) and only 215km by highway to Gladstone port.

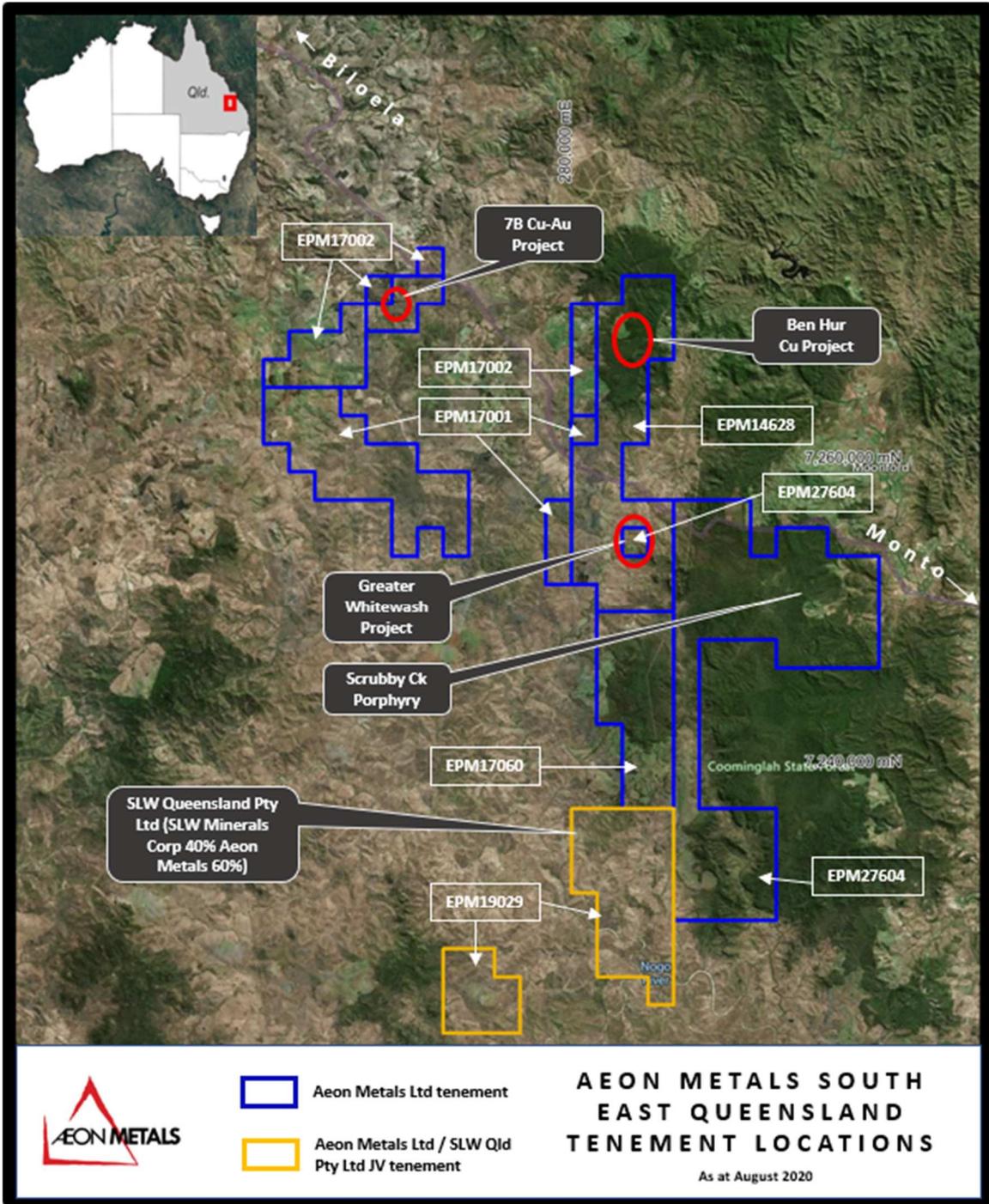
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Directors' Report (continued)

Review of operations (continued)

Figure 9: Southeast Queensland Tenement locations as at 28 August 2020.



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Financial Position

The net assets of the Group at 31 December 2020 were \$61.5 million (30 June 2020: \$63.0 million) including cash of \$3.0 million (30 June 2020: \$2.4 million).

Significant Changes in State of Affairs

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

After Balance Date Events

There have been no significant subsequent events to note.

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 completing a PFS. A PFS 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.

Environmental Issues

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

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

Auditor's independence declaration

The auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 16 of the financial report and forms part of this directors' report.

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Rounding off

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

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 10th day of March 2021.

COMPETENT PERSON STATEMENTS

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

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

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

As lead auditor for the review of Aeon Metals Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



Gareth Few
Director

BDO Audit Pty Ltd

Sydney, 10 March 2021

Aeon Metals Limited
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Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents		3,040	2,425
Trade and other receivables		345	264
Other investments		52	52
Prepayments		34	73
Total current assets		3,471	2,814
Property, plant and equipment		302	334
Other assets		47	38
Exploration and evaluation assets	6	81,844	79,953
Total non-current assets		82,193	80,325
Total assets		85,664	83,139
Liabilities			
Trade and other payables		385	754
Employee benefits		428	256
Provisions		50	50
Loans and borrowings	7	23,348	-
Total current liabilities		24,211	1,060
Loans and borrowings	7	-	19,044
Total non-current liabilities		-	19,044
Total liabilities		24,211	20,104
Net assets		61,453	63,035
Equity			
Share capital	8	108,465	108,465
Reserves		2,628	2,531
Accumulated losses		(49,618)	(47,939)
Total equity attributable to owners of the Company		61,475	63,057
Non-controlling interests		(22)	(22)
Total equity		61,453	63,035

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

Aeon Metals Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Other income		2	-
Administrative expenses		(1,090)	(690)
Impairment loss	6	-	(719)
Other expenses		(1,413)	(784)
Results from operating activities		(2,501)	(2,193)
Finance income		4	26
Finance costs		-	-
Net finance income		4	26
Profit/(loss) before income tax		(2,497)	(2,167)
Income tax expense		-	-
Profit/(loss) for the period		(2,497)	(2,167)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit/(loss) for the period		(2,497)	(2,167)
Profit/(loss) attributable to:			
Owners of the Company		(2,497)	(2,166)
Non-controlling interests		-	(1)
Profit/(loss) for the period		(2,497)	(2,167)
Total comprehensive Profit/(loss) attributable to:			
Owners of the Company		(2,497)	(2,166)
Non-controlling interests		-	(1)
Total comprehensive Profit/(loss) for the period		(2,497)	(2,167)
Profit/(loss) per share			
Basic profit/(loss) per share (cents per share)	9	(0.36)	(0.32)
Diluted profit/(loss) per share (cents per share)	9	(0.36)	(0.32)

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

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Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

Note	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Equity compensation reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000		
Balance at 1 July 2019, as previously reported	108,465	2,169	(42,564)	68,070	5	68,075
Total comprehensive loss for the period						
Loss for the period	-	-	(2,166)	(2,166)	(1)	(2,167)
Total comprehensive loss for the period	-	-	(2,166)	(2,166)	(1)	(2,167)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Issue of options	-	362	-	362	-	362
Total contributions by and distributions to owners of the company	-	362	-	362	-	362
Balance at 31 December 2019	108,465	2,531	(44,730)	66,266	4	66,270
Balance at 1 July 2020, as previously reported	108,465	2,531	(47,939)	63,057	(22)	63,035
Total comprehensive loss for the period						
Loss for the period	-	-	(2,497)	(2,497)	-	(2,497)
Total comprehensive loss for the period	-	-	(2,497)	(2,497)	-	(2,497)
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the company</i>						
Issue of options	8	915	-	915	-	915
Lapse of options	8	(818)	818	-	-	-
Total contributions by and distributions to owners of the company	-	97	818	915	-	915
Balance at 31 December 2020	108,465	2,628	(49,618)	61,475	(22)	61,453

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

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Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities		
Other income	50	-
Cash paid to suppliers and employees	(1,345)	(1,016)
Cash used in operations	(1,295)	(1,016)
Interest received	4	26
Net cash used in operating activities	(1,291)	(990)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2)	(1)
Payments for exploration and evaluation activities (net of grants received)	(1,092)	(3,624)
Net cash used in from investing activities	(1,094)	(7,989)
Cash flows from financing activities		
Proceeds from borrowings	3,000	-
Net cash from financing activities	3,000	-
Net decrease in cash and cash equivalents	615	(8,994)
Cash and cash equivalents at 1 July	2,425	6,980
Cash and cash equivalents at 31 December	3,040	2,365

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

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Notes to the consolidated interim financial statements

1. Corporate Information

The financial statements of Aeon Metals Limited ('Company' or 'Aeon') and its controlled entities ('the Group') for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 10 March 2021.

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

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

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

2. Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report of the Company as at 30 June 2020 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Basis of Preparation

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

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

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

New standards and interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)

Going concern

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

During the interim period ended 31 December 2020, the Group incurred a net loss before tax of \$2.5 million (2019: \$2.2 million) and had a net cash outflow from operating and investing activities of \$2.4 million (2019: \$4.6 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. In addition to progressing the Walford Creek project, the financing arrangements with OCP Asia Group ("OCP") as disclosed in Note 7 are required to be repaid by 17 December 2021. These matters give rise to a need to raise funds in the short term to finance ongoing development of Walford Creek and refinance the OCP facility.

The above matters give rise to a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern.

The Directors have assessed that the Going Concern basis of preparation is appropriate for the following reasons:

As at 31 December 2020, the Group had net assets of \$61.5 million (June 2020: \$63.0 million) including cash of \$3.0 million (June 2020: \$2.4 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. Furthermore, should it be required, they are also able to cut expenditure or sell assets to preserve cash.

The borrowings of the Group from OCP (which is also the Company's largest shareholder) are due to mature on 17 December 2021 and have been classified as a current liability resulting in a net current liability position for the Group at 31 December 2020 of \$20.7 million (30 June 2020: \$1.8 million current asset). The borrowings are secured by a charge over the Group's subsidiary, Aeon Walford Creek Limited. OCP have extended the loan several times in the past, and in the absence of any alternative refinancing, the Company intends to request a further extension.

Discussions are ongoing in relation to the future financing of the Walford Creek project. The nature and timing of the financing is to be determined after finalisation of all feasibility studies, with the PFS currently ongoing. Based on the scoping study economics of ungeared, real, post-tax NPV (8%) of A\$431M, post-tax internal rate of return (IRR) of 34% and modelled payback of 3 years, the directors are confident of the ability to finance the project including refinance of the OCP facility.

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.

Aeon Metals Limited

31 December 2020 Interim Financial Report

Notes to the consolidated interim financial statements

2. [Summary of Significant Accounting Policies \(continued\)](#)

Judgements and estimates

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2020. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

3. [Accounting policies](#)

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2020 unless amended due to the adoption of new accounting standards effective for the period.

4. [Financial risk management](#)

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2020.

5. [Operating segments](#)

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

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

6. [Exploration and evaluation of assets](#)

	Dec-20	Jun-20
	\$'000	\$'000
Balance at 1 July	79,953	75,445
Additions, including capitalised interest	3,249	9,303
R&D claim received	(1,358)	(1,645)
Impairment losses	-	(3,150)
Balance at 31 December/30 June	81,844	79,953

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.

Included in additions is an amount of \$1,304,000 (2020: \$2,254,000) relating to capitalised interest and fees, this represented 100% of interest and fees.

Aeon Metals Limited

31 December 2020 Interim Financial Report

Notes to the consolidated interim financial statements

7. Loans and Borrowings

	Dec-20 \$'000	Jun-20 \$'000
Current liabilities		
Limited recourse notes	23,348	-
	<u>23,348</u>	<u>-</u>
Non-current liabilities		
Limited recourse notes	-	19,044
	<u>-</u>	<u>19,044</u>

The were no changes to any terms relating to loans and borrowings during the period.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	Currency	Nominal Interest rate	Year of maturity	31 December 2020		30 June 2020	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
				Limited recourse notes	AUD	12.00%	Dec 2021
Total interesting- bearing liabilities				<u>23,348</u>	<u>23,348</u>	<u>19,044</u>	<u>19,044</u>

8. Capital and reserves

Share capital

	31 December 2020		30 June 2020	
	No. of Ordinary shares	\$'000	No. of Ordinary shares	\$'000
In thousands of shares				
In issue at 1 July	677,570	108,465	673,070	108,465
Issued for services	14,100	-	4,500	-
In issue at 31 December/30 June	<u>691,670</u>	<u>108,465</u>	<u>677,570</u>	<u>108,465</u>

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Reserves

Equity compensation reserve

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

Incentive shares

14,100,000 incentive shares were issued during the period, 9,000,000 expired and none were exercised.

The total number of incentive shares on issue at 31 December 2020 is 31.2 million (30 June 2020: 26.1 million), these have been funded by limited recourse loans.

Aeon Metals Limited

31 December 2020 Interim Financial Report

Notes to the consolidated interim financial statements

9. Earnings/(loss) per share

	Dec-20	Dec-19
	\$'000	\$'000
<i>Basic earnings/(loss) per share has been calculated using:</i>		
Net loss for the period attributable to owners of the Company	(2,497)	(2,166)
Weighted average number of ordinary shares	688,433	674,025
<i>Diluted earnings/(loss) per share has been calculated using:</i>		
Net loss for the period attributable to owners of the Company	(2,497)	(2,166)
Weighted average number of ordinary shares – basic	688,433	674,025
Effect of share options on issue	-	-
Weighted average number of ordinary shares - diluted	688,433	674,025

10. Related parties

Arrangements with related parties, involving only key management personnel compensation, continued to be in place. For details on these arrangements, refer to Note 26 of the 30 June 2020 Annual Financial Report.

11. Subsequent events

There have been no significant subsequent events to note.

Aeon Metals Limited
31 December 2020 Interim Financial Report

Directors' Declaration

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

1. the consolidated interim financial statements and notes set out on pages 17 to 25, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 10th day of March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aeon Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Aeon Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

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



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit Pty Ltd

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

Gareth Few
Director

Sydney, 10 March 2021