Aeon Metals Limited and Controlled Entities

ABN 91 121 964 725

30 June 2021

Annual Report

Contents

Aeon Metals Limited

Directors' Report

For the year ended 30 June 2021

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 2021 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:

Dr Fred Hess (Managing Director) appointed 12 March 2021, previously a Non-Executive Director
Mr Paul Harris (Chairperson, Non-Executive Director)
Mr Ivan Wong (Non-Executive Director)
Mr Andrew Greville (Non-Executive Director)
Mr Hamish Collins (Managing Director) resigned 26 March 2021

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 Mr David Hwang.

Details of Mr Hwang'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 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.

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Operating and financial review

Operating Results

The loss of the Group amounted to $6,058,000 (2020: $5,402,000) including impairment losses of $1,144,000 (2020: $3,150,000).

Dividends

No dividends were paid or declared, and no dividends have been recommended by the Directors (2020: $Nil).

Review of operations

The past year has been one of significant change for Aeon, marked by the embrace of fresh approaches. Our business has transitioned to an efficient distributed work model under the various waves of COVID-19 induced restrictions. We also farewelled our long serving Managing Director and CEO, Hamish Collins, and appointed Dr Fred Hess as his replacement.

However, perhaps the most important change is that Aeon has adopted a revised process flowsheet that offers the potential to finally unlock the substantial in-situ value contained within the Walford Creek deposit. We have updated our Mineral Resource Estimates for the Vardy and Marley zones, which, in conjunction with the revised flowsheet, has allowed both the open cut and underground mining schedules to be re-optimised. This resulted in project throughput scale increasing by 50% to 3 Mtpa and mine life being extended to 14 years. The culmination of this work was the release of a revised Scoping Study in June 2021 and the decision to proceed to completion of a Pre-Feasibility Study (PFS), which is targeted for completion in Q1 CY2022.

These successes have also provided Aeon with the confidence to further explore our Walford Creek tenements. In-fill drilling of the Vardy and Marley zones will further increase classification confidence while providing additional core for metallurgical testwork. Following this it is proposed to conduct a drilling campaign to ensure that a significantly larger proportion of the 6 km of sparsely drilled Amy strike length is further drilled to allow further expansion of the existing Walford Creek Mineral Resource Estimates.

Subsequent to year end, Aeon released the results of high resolution airborne magnetic and ground-based gravity surveys which have identified a number of new drill target areas to explore. Of particular interest is the large dense bodies sitting below the Py3 horizon in the Walford dolomites beneath both the Vardy and Marley zones.

And finally, we have made the first step towards building on our Walford Creek exploration successes by targeting the regional potential of our extensive (4,464 km2) tenement package – identifying a substantial IOCG system at Beauchamps to the west of Mount Isa.

In addition to pursuing our organic growth strategy, Aeon has also reviewed several external growth opportunities over the past year. To date, none of these opportunities has been sufficiently attractive to advance beyond the preliminary evaluation and due diligence stage. Aeon remains alert to any new potential growth options that may complement our existing focus on developing the Walford Creek Copper-Cobalt Project and undertaking regional exploration activities to further enhance and diversify shareholder value.

In late August, our major shareholder and debt provider, OCP Asia (OCP), announced that it had extended the maturity date for our existing debt facility to 17 December 2023. The new maturity date is well past the expected completion date of a targeted Feasibility Study (following the PFS) and decision to develop the Walford Creek Project.

In addition, OCP continued its long-term support of Aeon when it participated strongly in the $9.5 million placement that we undertook in July 2021. As part of this process, we also broadened the register with a number of new institutional shareholders and sophisticated investors, demonstrating strong support for our fresh approach to the Walford Creek metallurgy.

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Executive Changes

In March 2021, previous Managing Director and CEO, Mr. Hamish Collins, resigned after 10 years of service to Aeon. He was replaced, initially in an interim capacity, and subsequently permanently, by existing non-executive director, Dr Fred Hess.

Mr Collins was responsible for the acquisition, substantial resource expansion and initial study progression of the Walford Creek Copper-Cobalt Project. Dr Hess has a strong metallurgical background and following his appointment has overseen changes to the process flowsheet that have resulted in the adoption of bulk sulphide flotation and pressure oxidation leaching.

Long standing Exploration Manager, Mr Dan Johnson resigned in August 2021 and has been replaced by Mr Peter Moorhouse. In addition, Mr Jeff Botting has taken up the new role of Project Manager to advance the project execution and related engineering elements of the Walford Creek Project.

Walford Creek Copper-Cobalt Project Pre-Feasibility Study Progress

Prior to March 2021, Aeon was pursuing a process flowsheet for Walford Creek that required a sequential base metal float aiming to produce saleable base metal concentrates (copper, zinc, lead) followed by pyrite leaching to extract predominantly cobalt and nickel. Following disappointing testwork results, and the arrival of a new Managing Director and CEO, the decision was made to undertake a holistic review of the process flowsheet.

This review, conducted with the benefit of the extensive body of completed flotation and leach testwork gathered over several years, resulted in the adoption of a fresh approach to extracting the various metals. The revised flowsheet targets the production of a bulk sulphide concentrate (containing copper, lead, zinc, silver, cobalt and nickel) which is then subjected to pressure oxidation leaching to yield saleable end products of both higher quality and quantity than previously pursued.

Floating a bulk sulphide concentrate does not require liberation of individual metals, only separation of the metal sulphides (copper, zinc, lead and iron) from the non-sulphide gangue. This can be achieved at a coarser primary grind (P_{80} -150µm) resulting in a considerable energy saving. Also, the bulk sulphide concentrate simplification resulted in a relatively straightforward circuit configuration and robust flotation chemistry yielding very high metal recoveries.

Pressure oxidation leaching (POX) of the bulk sulphide concentrate in an autoclave operating at 130-180°C and 10-15 bar pressure yields very high metal (copper, zinc, cobalt and nickel) extractions into a high tenor pregnant leach solution within a short residence time. While lead and silver remain largely unleached, the potential exists to recover at least the silver from the autoclave solids residue using a different leaching process.

After separation of the pregnant leach solution from the autoclave solids residue, the metals in solution can be sequentially and selectively extracted using solvent extraction. Once extracted, the various metals streams can be purified to yield high quality end products (e.g. copper cathode, zinc ingot, battery grade cobalt and nickel sulphates) that do not require further treatment or refining.

The revised flowsheet already had an extensive body of metallurgical testwork that supported its adoption. Extensive flotation testwork results collected in the pursuit of producing individual metal concentrates provided an enormous dataset which could be applied with confidence to bulk flotation. Similarly, previous testwork investigating pressure oxidation leaching (POX) on pyrite concentrates provided a sound basis for demonstrating the merits of the POX flowsheet for metal extraction. And finally, pregnant leach solution (PLS) precipitation testwork to recover individual metals and to reject unwanted metals from solution provided sufficient understanding of the downstream metal recovery chemistry to support adoption of the downstream flowsheet elements.

The benefits of the new flowsheet are that it delivers higher metal recoveries and essentially finished end products that do not attract further treatment charges and have lower transport costs. The trade-off for achieving greater effectiveness is however a higher capital cost. However, the substantial increase in revenues achieved more than compensates for the increased capital cost.

A Scoping Study incorporating the revised flowsheet was released in June 2021. This study was based on the April 2021 updated Mineral Resource Estimates for the Vardy and Marley zones. At a 3 Mtpa production rate, the Walford Creek Project is forecast to produce approximately 50 kt CuEq metal per annum over a 14 year mine life. Life-of-mine contained production is forecast to be 243 kt copper, 33 kt cobalt, 278 kt zinc, 26 Moz silver and 15 kt nickel. The suite of battery metals being produced aligns strongly with a global decarbonisation thematic and is from a safe/ethical geo-political environment, both of which are increasingly resonating with investors while providing enhanced risk diversification through a portfolio metals exposure.

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The economic results were presented for two pricing scenarios reflecting long term estimates and spot assumptions. For these two scenarios the ungeared, post-tax Net Present Value 8% (NPV_8) range was $375m to $800m, with forecast free cash generated of $1.2B to $1.9B. Operating costs were in the range US$2.00 to US$2.20/lb CuEq. The initial development capital of $996m was determined using broad benchmarking and hence incorporates significant contingency (and potential room for improvement). At such a preliminary stage, the economic results are indicative and were primarily interpreted to support continuing immediately into the next study phase (i.e. PFS).

The forecast economics offer significant potential for optimisation as a function of a range of readily identifiable potential improvement opportunities including:

- Improved flotation metal recoveries and POX metal extractions.
- Recovery of lead which is not currently included in the revenue stream.
- Updated Mineral Resource Estimates arising from the current exploration program.
- Potential treatment of oxide and transitional ore currently excluded from mine schedules.
- Modified and cheaper bulk mining method for underground production.
- Optimised mine design to minimise waste development and bring forward higher grade material.
- Increased proportion of cheaper solar PV in the overall electricity generation mix.
- Optimisation of the autoclave operating conditions to achieve reduced POX oxygen consumption.
- Co-deposition of acid forming mine waste with acid consuming process tailings.
- Further design and engineering to optimise capital and operating cost estimates.
- Confirming and incorporating any potential premia available for higher quality metal end products.

Aeon has embarked on a program of preliminary engagement with a number of potential debt providers including Commonwealth Government financing agencies, commercial banks and other relevant sources of finance. Aeon has also commenced preliminary engagement with a number of potential off-takers. It is readily apparent that there is substantial market appetite for Walford Creek end products since they enjoy favour from a rising demand globally for battery metals; will be sourced ethically from a stable political jurisdiction thereby avoiding further refining by monopolistic interests; the intention to include a substantial renewable component in our overall energy mix; and, the long mine life and higher quality of metal end products.

While preliminary, the collective feedback is very positive and gives rise to cautious optimism. Australia is a low-risk jurisdiction and our location in north-west Queensland aligns well with Commonwealth and State government support for northern and regional investment in new projects, especially those with strong "green" and national interest credentials. With the expectation that our final project parameters will continue to be tightened over the course of the PFS, the intention is to commence more detailed discussions with these various counterparties in the lead-up to its completion in Q1 CY2022.

At the completion of the PFS, it is expected that a substantial proportion of the project definition will have been completed to a Feasibility Study standard of accuracy. The bulk of the mining schedule is derived from the Vardy and Marley zones where the Mineral Resource Estimates of Measured and Indicated classifications already exceed 95% of the total resources. With a further Mineral Resources Estimates update planned at the completion of the existing drilling program in Q3 CY2021, this will provide the necessary mineral resource resolution and scale for completing final mine optimisations and detailed mine designs and schedules. In conjunction with the completion of the metallurgical testwork program, now already well advanced, the process flowsheet definition and performance parameters will also be completed to a Feasibility Study standard of accuracy.

The principal areas where a Feasibility Study is expected to provide further improvement will revolve around the detailed engineering required to support a capital cost estimate incorporating lower contingency, detailed project execution and scheduling, updated product marketing analysis and commodity price forecasts, and the environmental impact statement (EIS). The completion of many of the Pre-Feasibility Study components to higher Feasibility Study standards underpins the abbreviated projected timeline for completion of a Feasibility Study in H2 CY2022.

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Mineral Resource Estimates

In April 2021, Aeon announced an update to the Mineral Resources Estimates (see Table 1) completed by independent geological consultants, H&S Consultants Pty Ltd (H&SC), using density weighting of the composite samples with the dynamic interpolation Ordinary Kriging technique. The Resource estimates are divided into two components: a Copper Lode Resource and a Cobalt Peripheral Resource. The Mineral Resources Estimates were subsequently used as the basis for completing mine optimisations and schedules used in the June 2021 Scoping Study.

The Copper Lode resource estimates are reported at a 0.5% copper cut off from block centroids within the mineralisation wireframes. Measured and Indicated Resources constitute 95% of the total Vardy/Marley Copper Lode Resource.

The Cobalt Peripheral resource estimates are reported at a 600ppm cobalt cut off (and copper <0.5%) from block centroids inside the cobalt mineralisation wireframes. Measured and Indicated Resources constitute 95% of the total Vardy/Marley Cobalt Peripheral Resource.

Table 1: Walford Creek Project Global Mineral Resource Estimates

Vardy/Marley Copper Lode

Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Ni %	Pyrite %
Measured	6.4	1.17	1.02	0.88	27.9	0.15	0.07	42.8
Indicated	12.2	1.03	1.03	0.66	31.8	0.15	0.07	39.0
Inferred	1.0	1.05	1.13	0.73	36.2	0.14	0.06	42.9
Total	**19.6**	**1.08**	**1.03**	**0.73**	**30.8**	**0.15**	**0.07**	**40.4**

Vardy/Marley Cobalt Peripheral

Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Ni %	Pyrite %
Measured	6.4	0.24	0.85	1.20	19.5	0.10	0.04	44.4
Indicated	11.7	0.25	0.99	1.03	21.8	0.10	0.04	38.5
Inferred	0.9	0.20	1.27	0.72	23.7	0.09	0.04	39.3
Total	**19.0**	**0.24**	**0.96**	**1.07**	**21.1**	**0.10**	**0.04**	**40.5**

Amy Copper Lode

Category	Mt	Cu %	Pb %	Zn %	Ag g/t	Co %	Ni %	Pyrite %
Inferred	5.1	1.25	1.35	0.63	36.9	0.15	0.08	37.7

The April 2021 copper resource estimates show an increase in tonnage relative to the published December 2019 estimates by just under 6% due to the introduction of density weighting to the composite data. This has been accompanied by an increase in copper and cobalt grades of around 4% whilst the lead grade has increased by 21%, the zinc grade by 3% and the silver grade by approximately 6%. As a result, there has been an increase in contained copper, cobalt and zinc metal of around 9% and lead and silver metal increases of 21% and 12% respectively.

The April 2021 cobalt resource estimates show an increase in the tonnage relative to the published December 2019 estimates by 11% with the introduction of density weighting.

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Figure 1 highlights the continuity of mineralisation over almost 10 km of strike length adjacent to the Fish River fault (FRF). The Vardy and Marley zones have been extensively drilled while the more extensive Amy zone is only sparsely drilled to date but clearly shows the continuity of mineralisation along the FRF. Figure 2 highlights the drilling density used to define the location of the mineralised Py1 and Py3 lodes within the lithology of the Vardy and Marley zones.

Figure 1: Long section of Vardy, Marley and Amy zones along the Fish River fault

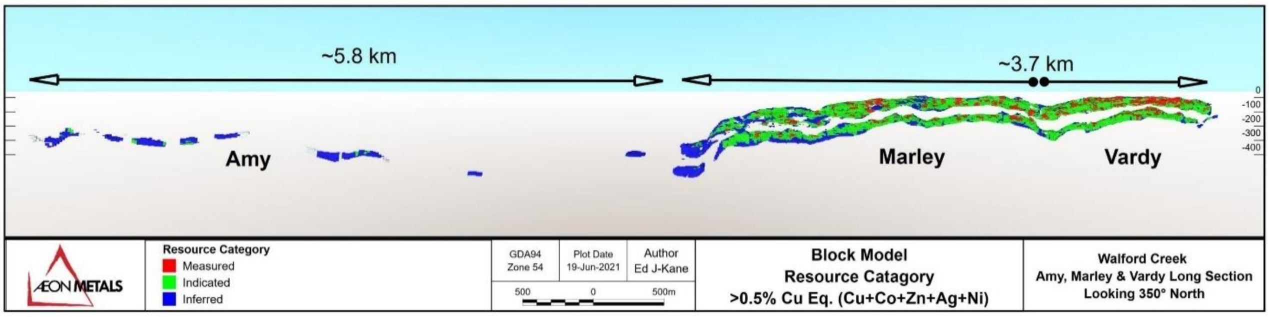
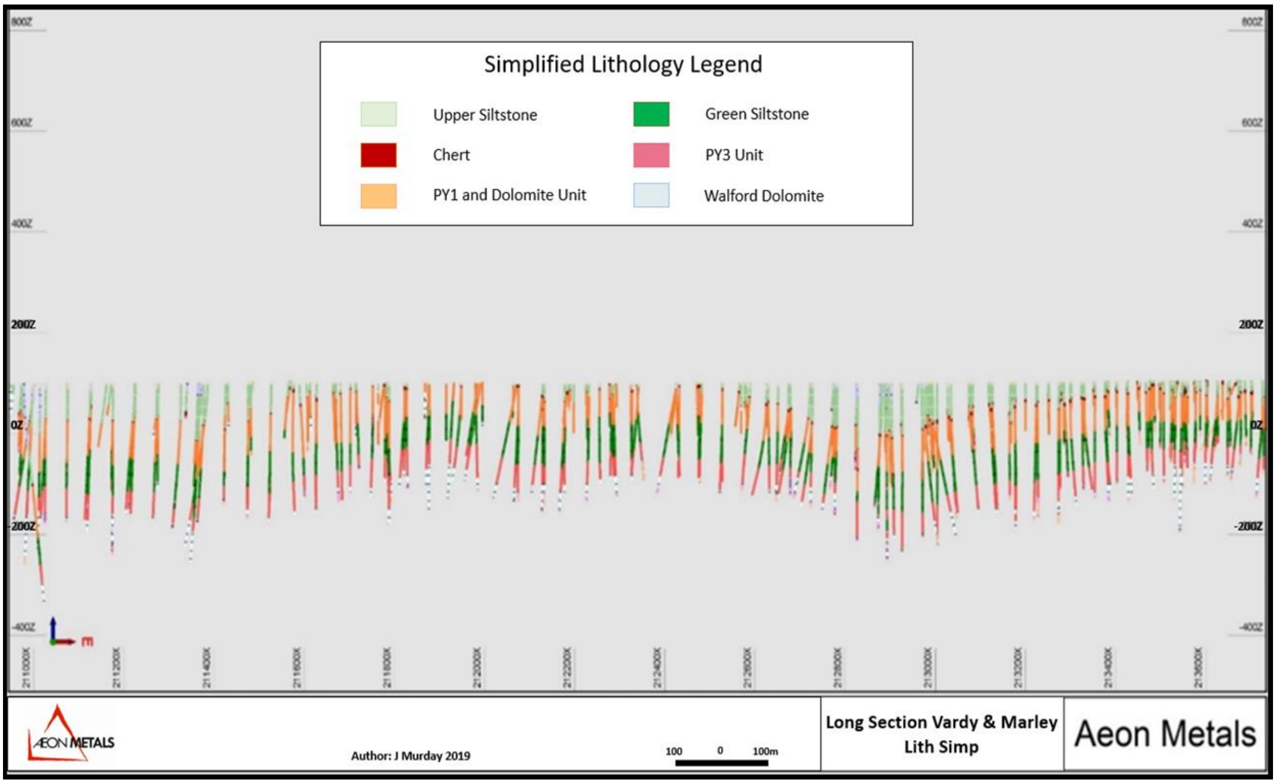


Figure 2: Long section of Vardy/Marley lithology



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2021 Walford Exploration Program

In conjunction with the decision to embrace a revised flowsheet, it was resolved to continue exploration at Walford Creek in pursuit of both an expansion and an upgrade to the classification of the existing Mineral Resources Estimates. This program was planned to be undertaken in three phases:

- Phase 1: Metallurgical and in-fill drilling largely within the Vardy/Marley zones, an airborne magnetic survey and a ground gravity survey.
- Phase 2: Utilisation of results from the tenement wide geophysical surveys to improve targeting for an extensional drilling campaign in the Amy zone and to potentially test newly generated exploration targets.
- Phase 3: Drilling activities tailored to reflect the outcomes of the Phase 2 drilling with a focus on achieving a sufficient level of delineation to incorporate in Mineral Resources Estimates.

Phase 1 of the exploration program is now complete. Assay results are still outstanding for much of the in-fill drilling program conducted at the larger PQ diameter core size. This material will be used to form composites for further use in the bulk sulphide flotation and pressure oxidation leach optimisation testwork programs.

The results of two extensive high resolution magnetic and gravity surveys were announced on 9 August 2021. Interpretation of these results (see Figures 3 and 4) has provided exciting new insights into the potential for further extensions to the already substantial Walford Creek Mineral Resources Estimates. The much higher resolution achieved in the new data has revealed several structural features which were previously poorly defined in the historic, wide-spaced geophysical datasets. The new datasets further refine the geophysical signatures of the Vardy, Marley and Amy zones where strong correlations exist between the known presence of mineralisation and the modelled geophysical response.

New conceptual target areas have been identified which are now set to be tested by drilling over H2 CY2021:

1. Vardy Deeps and Marley Deeps – approximately 300m beneath the Py3;
2. Amy West Splay;
3. Vardy East FRF continuation; and
4. Eastern Dog Leg Trend.

Figure 3: RTP (Reduced to Pole) magnetics survey with location of the drilling and the target zones

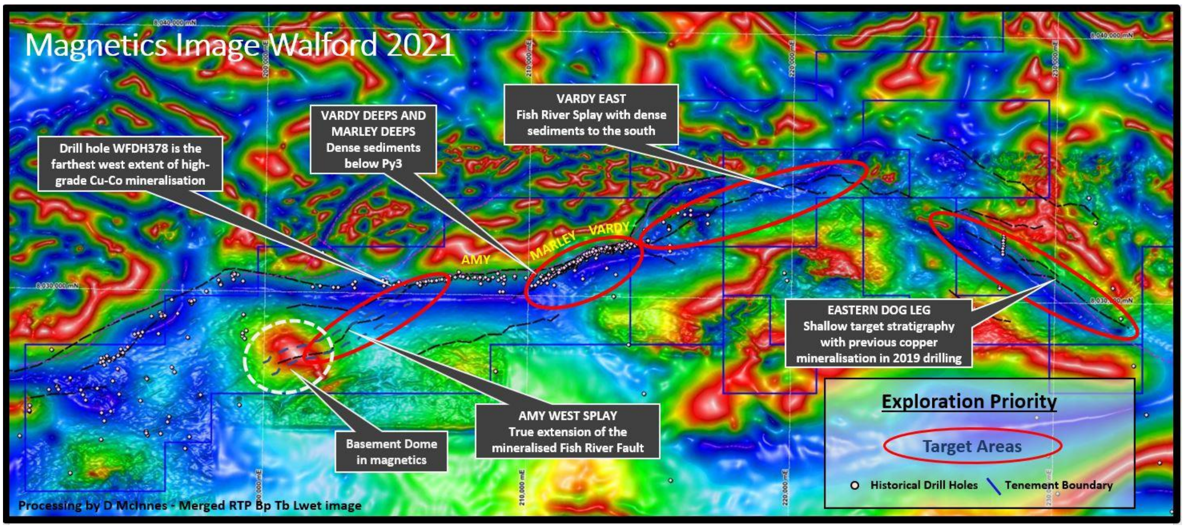

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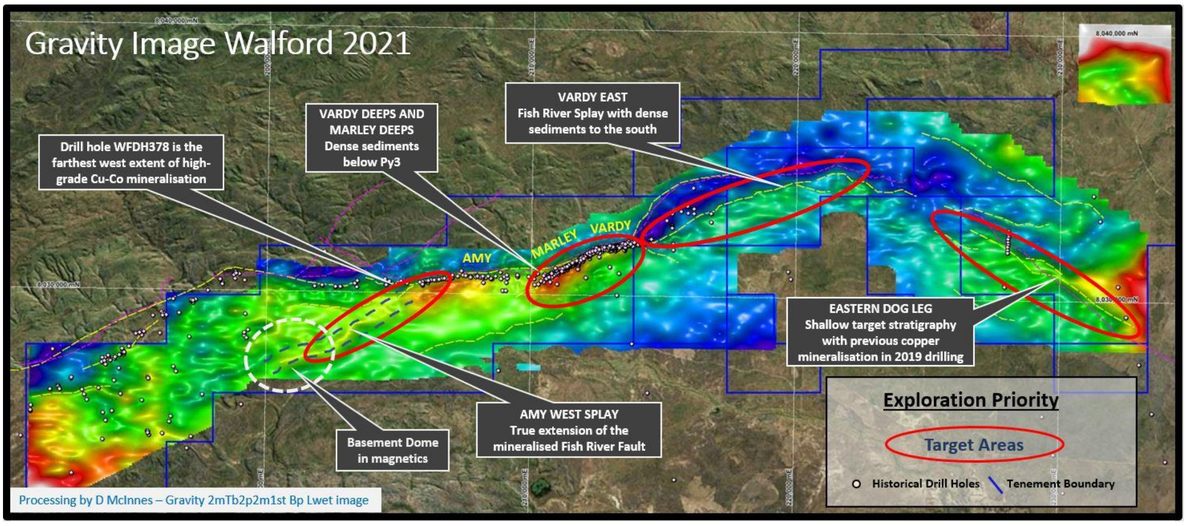
Figure 4: Bouguer gravity survey with location of the drilling and the target zones



The Vardy Deeps dense body is a priority drill target given the previously encountered copper intercept in its upper margins and its potential scale. The extension of an existing drill hole in Vardy with a favourable orientation to intersect the target area has been identified and offers the opportunity to accelerate testing of this exciting target. Figure 5 shows schematically the modelled 3D gravity shells and their excellent correlation with existing Py1 and Py3 mineralised lodes, and the unexplained deeper dense body within the Walford dolomites.

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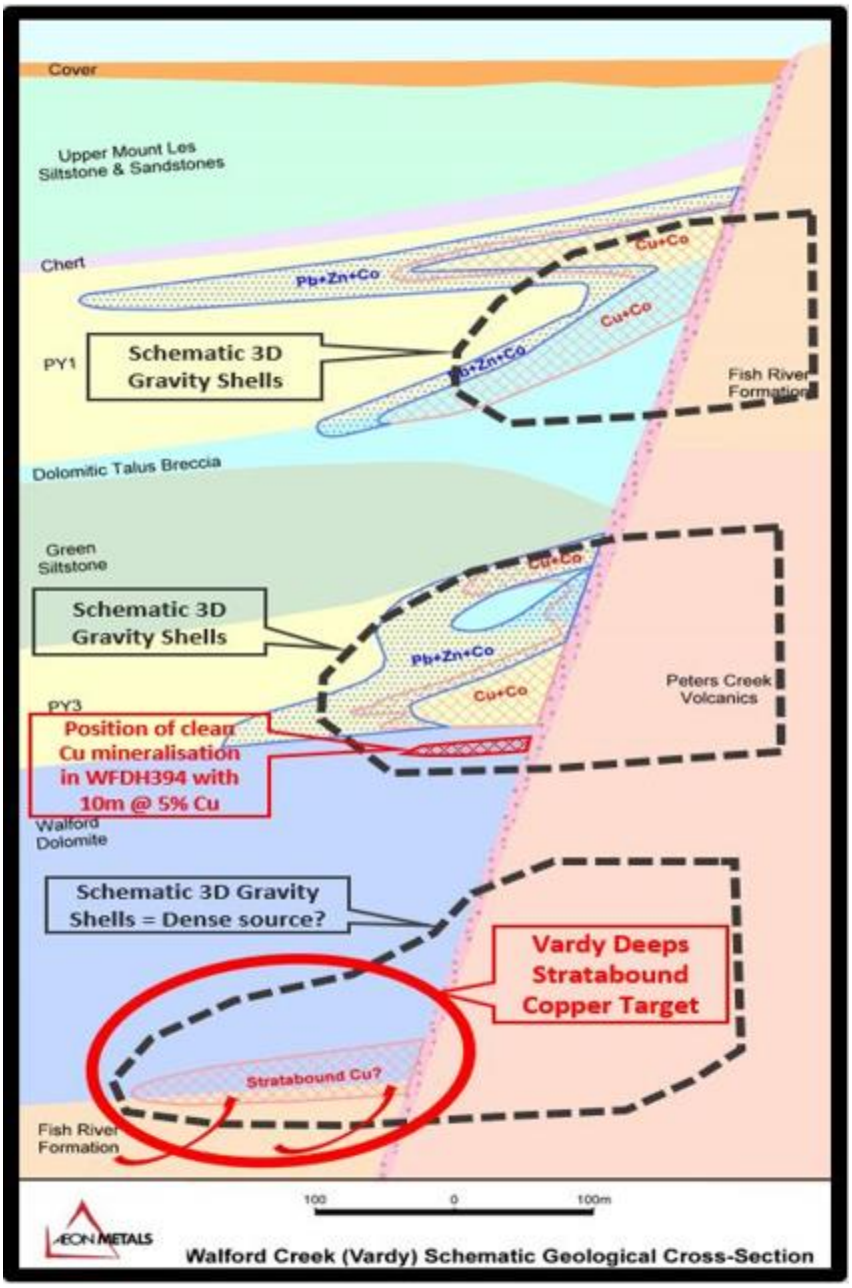
Figure 5: Schematic cross-section illustrating the possible target at depth in Vardy zone.



These new target areas will be drill tested over the remainder of the current drilling season (expected to conclude in early November subject to the onset of the wet season).

It is envisaged that updated Mineral Resources Estimates for the Vardy and Marley zones will be compiled once final assay results are received for the holes completed as part of the in-fill drilling campaign. These updated Mineral Resources Estimates are expected to inform the PFS with results targeted for release in late Q4 CY2021.

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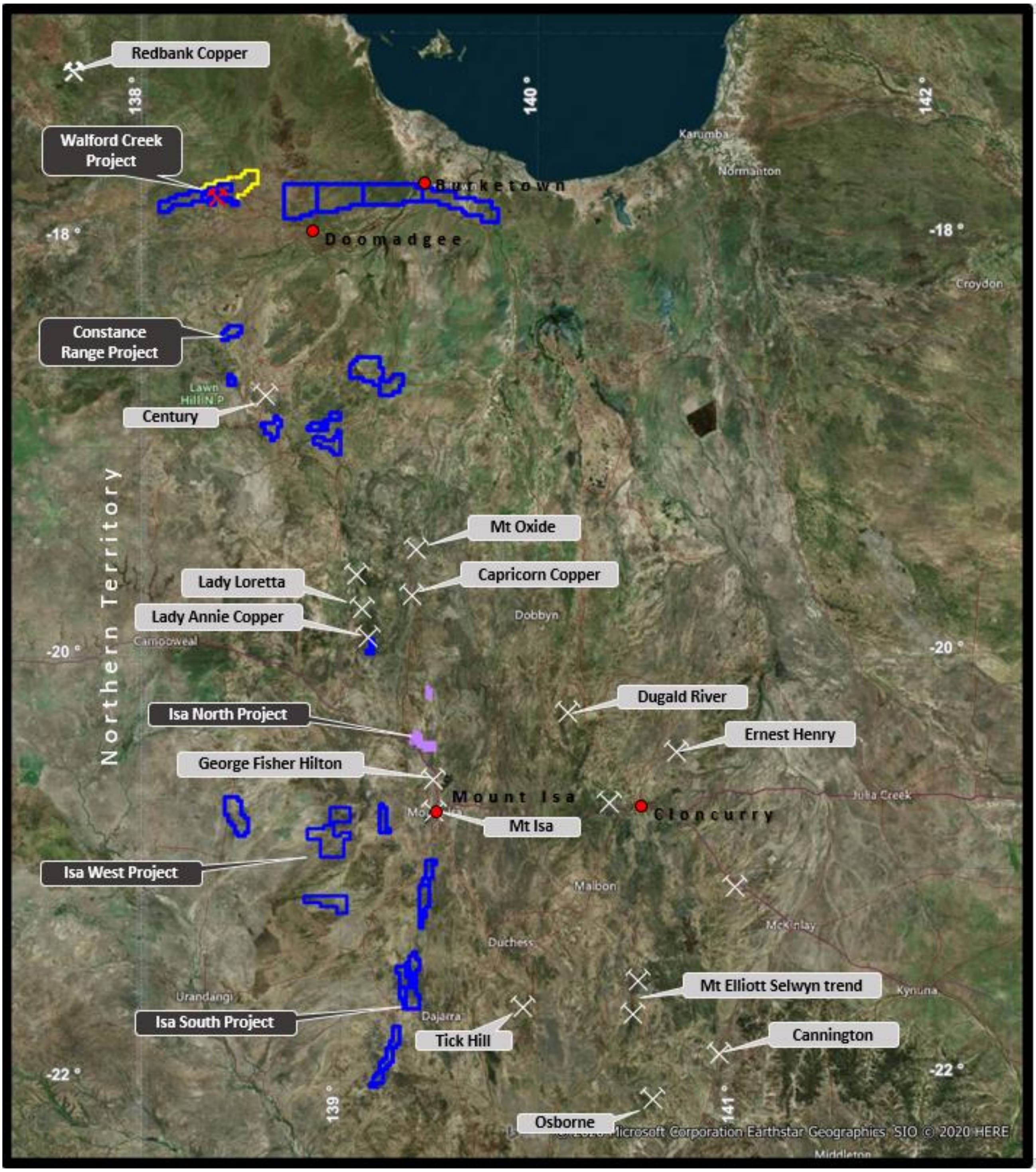
Regional Exploration

Aeon has an extensive tenement package covering 4,464 km2 within Queensland. In north-west Queensland (see Figure 6), the Isa West Project area is considered to be highly prospective for copper. Aeon has six sub-projects within this region that comprise four tenements prospective for Iron Oxide Copper Gold (IOCG) targets and two for sedimentary hosted copper targets.

Figure 6: Location of Aeon's north-west Queensland Exploration Projects



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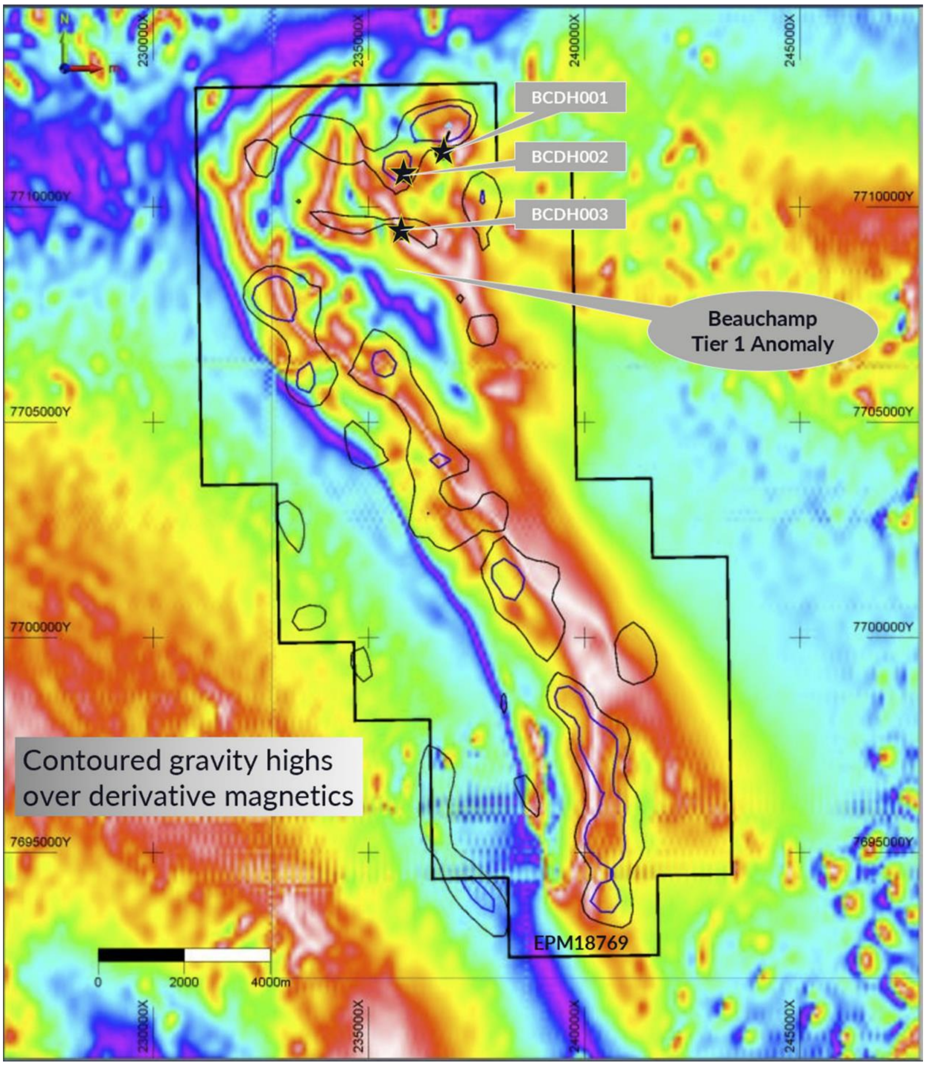
The Beauchamps target area (see Figure 7) is a regional scale gravitational and magnetic anomaly located approximately 100 km to the west of Mt Isa. Its geophysical signature has clear similarities to other world-class IOCG deposits including Olympic Dam, Ernest Henry and Carrapateena. In late CY2020, and with the support of a Queensland Government Collaborative Exploration Initiative (CEI) grant, three diamond drill holes totalling 2,322 m were drilled to test the northern anomaly of the Beauchamps Project area.

The drilling results confirmed the presence of a large scale IOCG system, containing copper and gold mineralisation, albeit of a low tenor. All three holes intersected Proterozoic basement rock at relatively shallow depths, vertically less than 125 m below surface. The plan is to follow up this promising start with higher resolution geophysical surveys later this year as a prelude to planned further target drilling during the CY2022 exploration season.

Figure 7: Location of drill holes at the northern end of the Beauchamp Project



In CY2019, Aeon added over 130km of potential strike extent starting immediately from the eastern boundary of the Walford Creek tenements through a combination of the Footprint Resources JV earn-in and additional tenement applications. These new tenement holdings, known as the Basin Edge Project, lie on the northern margin of a large sedimentary basin bounding fault architecture. This structure is interpreted as a continuation of the Fish River Fault that hosts the Walford Creek deposits. The identification of the prospective Mt Les formation under cover, and the identified presence of copper mineralisation approximately 14 km to the east of Walford Creek, add to the growing body of evidence that support the postulated target model.

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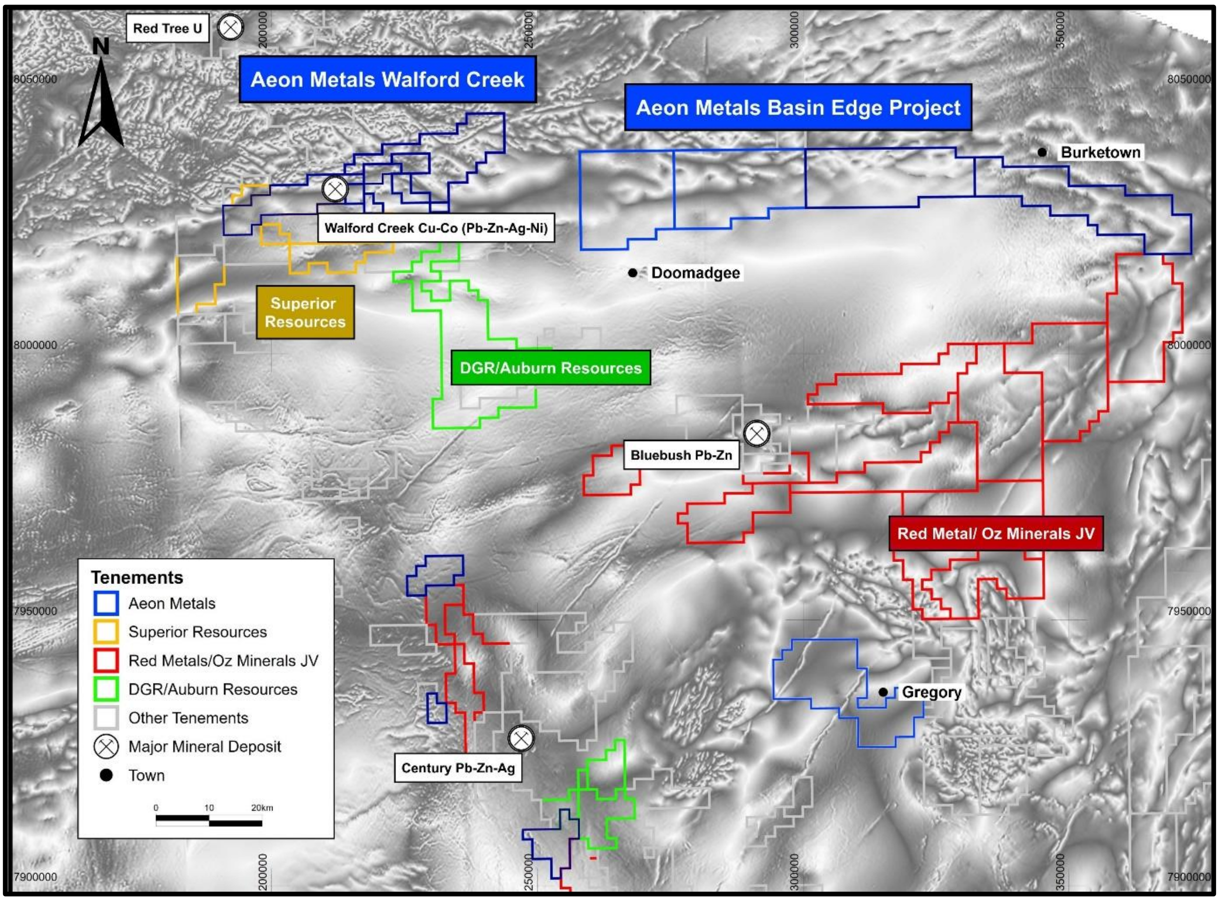
To date, there has been no follow-up exploration undertaken within this tenement package. It is now envisaged that targeted geophysical surveys will commence in the vicinity of the mineralised horizons proximal to main structures. As noted above, this is consistent with the proposed testing of the prospective zones in the Walford dolomite to the immediate east of the Vardy zone of the Walford Creek Project.

Figure 8: Basin Edge Project to the east of Walford Creek.



With the focus now firmly on expanding regional exploration intensity at the Isa West and Basin Edge Projects, it is increasingly apparent that the other projects within the extensive tenement package currently held by Aeon cannot also be progressed at the same rate. In addition, the success of Walford Creek Project exploration over the past five years in delineating a substantial mineral resource has prompted a strategic reassessment of the importance of other project areas when competing for funding within a limited exploration budget framework. As such, Aeon will embark on a strategic review of its various projects to establish whether they remain core or not. Where projects remain core but cannot be accommodated within existing exploration budgets then seeking the assistance of third parties in joint venture is the preferred approach.

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Funding

OCP is both a major shareholder of, and debt provider to, Aeon. In the years following Aeon's acquisition of the Walford Creek Project, OCP has consistently supported Aeon in seeking to advance the Walford Creek Project and its broader objectives to increase shareholder value. At various times in the past, OCP has both underwritten and participated in capital raises when funding was sourced from equity investors. When equity markets were less favourable, OCP stepped in to provide a debt facility which has been increased and extended on several occasions subsequently, thereby allowing Aeon to progress its exploration and study programs uninterrupted. This funding flexibility extended to Aeon by major shareholder OCP is a rare and valuable relationship to possess for a junior exploration company having project development aspirations.

At 30 June 2021, the OCP debt facility stood at approximately $24.8 million including capitalised interest. On 15 April 2021, Aeon advised in an ASX release titled "Walford Creek Pre-Feasibility Study Update and Next Steps" that it had received indicative, non-binding funding commitments that would allow completion of the proposed PFS based on the revised flowsheet. This commitment once again provided Aeon with valuable ongoing funding flexibility.

On 15 July 2021, Aeon's advised in an ASX release titled "24-month Loan Maturity Extension" that it had reached in-principle agreement with OCP to extend the term of the debt facility by two years to 17 December 2023, this was confirmed in an announcement on 24 August 2021. In conjunction with this, Aeon was able to successfully raise $9.5 million of new equity from institutions and sophisticated investors, including OCP, and a further $0.7 million through a SPP on similar terms for existing shareholders.

The decision to raise equity versus increasing debt was preceded by an extensive engagement process with selected shareholders, brokers and institutional investors. The overwhelming consensus was that Aeon's long term capital structure would be enhanced by seeking to cultivate a broader institutional shareholder base possessing the financial capacity to underpin a major project development decision in the future.

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 southeastern 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.

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Corporate

On 25 September 2020, the Company announced that OCP Asia Group had agreed to increase the limit on its existing loan facility by up to $3 million, on the same terms as the extended tranches disclosed in note 19.

On 12 March 2021, the Company announced the appointment of Mr Fred Hess as Interim Managing Director and CEO.

On 19 April 2021, the Company announced the results of a revised update in the Mineral Resource Estimates (reported in accordance with the 2012 JORC Code and Guideline) as disclosed on page 7.

On 25 June 2021, the Company announced the appointment of Mr Fred Hess as its new permanent Managing Director and CEO.

On 30 June 2021, the Company announced a revised scoping study on its Walford Creek project, the revised scoping study provided an initial operating life of approximately 14 years with an ungeared, real, post-tax NPV (rate of 8%) of $375 million to $805 million.

The Coronavirus (Covid-19) pandemic up to 30 June 2021 has not had a significant impact for the Company.

Financial Position

The net assets of the Group at 30 June 2021 were $58.6 million (2020: $63.0 million) including cash of $0.5 million (2020: $2.4 million).

On 18 December 2020, the Company announced receipt of R&D grant funds amounting to $1.4 million. The grant is associated with the selection, design and operation of metallurgical processes that seek to produce high grade concentrates consistently and at maximum recovery. The Company intends to lodge a further R&D claim for FY2021.

The financial statements have been prepared on a going concern basis, refer to note 2.

Significant Changes in State of Affairs

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

Events Since the End of the Financial Year

The Coronavirus (Covid-19) pandemic is ongoing and is continuing to develop but is not having a significant impact after the reporting date.

On 19 July 2021, the Company announced that it had successfully secured commitments from sophisticated and professional investors via a two-tranche share placement to raise $9.5 million at an issue price of 5.8 cents per share. The second tranche was approved by shareholders on 17 September 2021.

On 23 August 2021, the Company announced it had raised $0.7 million via a Share Placement Plan on the same terms as the share placement above.

On 24 August 2021, the Company announced that it had completed an agreement with OCP Asia Group to extend the maturity date on its existing loan facility by 24 months (to 17 December 2023), on the same terms as the extended tranches disclosed in note 19. In consideration for the maturity extension, the Company has agreed an additional cash fee equivalent to 2% of the total facility size.

On 17 September 2021, the shareholders of the Company approved the issue of 8,500,000 unvested loan funded shares to Dr. Fred Hess, Managing Director and CEO of the Company, under the Company's Long Term Incentive Plan. The loan funded shares which are granted to Dr. Hess will vest upon achievement of specified hurdles.

Other than the items noted above, there have not been any additional 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.

Aeon Metals Limited

Directors' Report

For the year ended 30 June 2021

Environmental regulation

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 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 2021, eighteen (18) Meetings of the Board of Directors were held. Attendances by each Director during the period were as follows:

Director	Number eligible to attend	Number attended
Fred Hess	18	18
Paul Harris	18	18
Ivan Wong	18	18
Andrew Greville	18	17
Hamish Collins[(i)]	14	14

[(i)] On 26 March 2021 Mr Collins resigned as a director.

During the period, there were 2 meetings of the Audit Committee, and both were attended by all Directors that were in office at the time.

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 2021

Information on Directors and Company Secretary at the year end

Fred Hess (age 64)		Managing Director (appointed Interim Managing Director 12 March 2021 and permanently from 25 June 2021), previously Non-Executive Director from 2 July 2019.
Qualifications	—	B.Sc. (Hons) Ph.D. University of Queensland MAusIMM
Experience	—	Dr Hess has more than 40 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.
Interest in Shares and Options	—	2,500,000 shares held by Fred Hess; 2,500,000 of these shares are funded by a limited recourse loan and considered to be options.
Directorships held in other listed entities in the last 3 years	—	Ironbark Zinc Ltd
Paul Harris (age 53)	—	Non-Executive Chairman (appointed 17 December 2014)
Qualifications	—	M.Eng (Mining), University of New South Wales
	—	B.Comm (Finance), University of New South Wales
	—	Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia
	—	Graduate of the Australian Institute of Company Directors (GAICD)
Experience	—	Mr Harris has over 29 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	—	4,767,858 shares held by Hollach Capital Pty Ltd (as of the date of this report). 4,750,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report). 174,294 shares held by Wunulla Holdings Pty Ltd.
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 2021

Information on Directors and Company Secretary at the year end (continued)

Ivan Wong (age 58)	—	Non-Executive Director (appointed 1 July 2016)
Qualifications	—	B.Sc. Hons
Experience	—	Mr Wong has strong IT background and over 28 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	—	2,250,000 shares held by Great Pacific Investment Pty Ltd (as of the date of this report). 2,250,000 of these shares are funded by a limited recourse loan and considered to be options (as of the date of this Report). 347,061 shares held by Teresa Yi Yin Wong. 16,000,000 shares held by SLW Minerals Corporation Pty Ltd.
Directorships held in other listed entities in the last 3 years	—	None
Andrew Greville (age 58)	—	Non-Executive Director (appointed 15 May 2020)
Qualifications	—	B.Eng (Mining), University of Queensland MAICD
Experience	—	Mr Greville is a senior international mining executive with over 37 years' experience and a track record of success. His expertise is particularly strong in the fields of business development, mergers and acquisitions, product marketing and strategy.
Interest in Shares and Options	—	2,250,000 shares held by Alg Family A/C (as of the date of this report). 2,250,000 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	—	Rimfire Pacific Mining Ltd, Tulla Resources Plc and Nova Royalty Corporation
David Hwang (age 36)	—	Company Secretary (appointed 29 January 2021)
Qualifications	—	LL.B, University of New South Wales
	—	BA (Media & Communications), University of New South Wales
Experience	—	Mr Hwang is a Principal and CCO of Automic Group and is an experienced corporate lawyer specialising in listings on the ASX, equity capital markets and providing advice on corporate governance and compliance issues.
Interest in Shares and Options	—	No shares are held by David Hwang.
Directorships held in other listed entities in the last 3 years	—	None

Aeon Metals Limited

Directors' Report

For the year ended 30 June 2021

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. No external remuneration consultants were used during the year.

Dr Hess' salary since being appointed as Managing Director and CEO was $400,000 per annum plus a superannuation contribution by the Company. Other key terms of Dr Hess' agreement include an annual cash payment of up to 33% of base remuneration, evaluated on the delivery of the Walford Creek PFS in the 1st half of 2022 (50%), board discretion (40%) and a safety target of zero LTI's (10%).

Dr. Hess' service agreement may be terminated at any time by the Company giving to the employee not less than three months' prior written notice. In the event of termination, the Company must pay Dr. Hess an amount equal to the remuneration payable for as much of the notice period as the employee is not so retained. The Company may terminate Dr. Hess' service agreement immediately in certain events including serious misconduct and material breach of contract.

The agreement may be terminated at any time by Dr Hess giving to the Company not less than three months prior written notice.

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.

Directors' incentive shares funded by limited recourse loans issued during the year ended 30 June 2021 were approved at the 2020 AGM. 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 2021

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.

In thousands of AUD	2021	2020	2019	2018	2017
Net loss attributable to owners of the company	**$(6,057)**	**$(5,402)**	**$(4,015)**	**$(13,892)**	**$(8,241)**
Dividends paid	-	-	-	-	-
Change in share price	**$(0.013)**	**$(0.130)**	**$(0.135)**	**$0.210**	**$0.080**

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:

		Short-term			Long-term	Post-employments	Share-based payments		
In AUD		Salary & fees $	Severance pay $	Consultancy fees $	Leave entitlements $	Super-annuation benefits $	Options & rights(vi) $	Total $	Performance based on percentage of remuneration
Directors									
Non-executive directors									
Paul Harris	2020	180,000	-	-	-	-	-	180,000	0%
	2021	**218,475(v)**	**-**	**-**	**-**	**-**	**294,828**	**513,303**	**0%**
Stephen Lonergan(i)	2020	20,000	-	24,000	-	-	-	44,000	0%
	2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Ivan Wong	2020	51,208	-	-	-	4,865	-	56,073	0%
	2021	**59,361**	**-**	**-**	**-**	**5,639**	**145,944**	**210,944**	**0%**
Fred Hess(ii)	2020	51,208	-	-	-	4,865	198,585	254,658	0%
	2021	**41,170**	**-**	**-**	**-**	**3,911**	**-**	**45,081**	**0%**
Andrew Greville(iii)	2020	7,659	-	-	-	728	-	8,387	-
	2021	**59,361**	**-**	**-**	**-**	**5,639**	**145,944**	**210,944**	**0%**
Executive directors									
Fred Hess(ii)	2020	-	-	-	-	-	-	-	0%
	2021	**114,919**	**-**	**-**	**-**	**7,661**	**-**	**122,580**	**0%**
Hamish Collins(iv)	2020	400,000	-	-	1,539	25,000	208,169	634,708	0%
	2021	**295,652**	**412,674**	**-**	**-**	**38,649**	**294,828**	**1,041,803**	**0%**
Total									
	2020	710,075	-	24,000	1,539	35,458	406,754	1,177,826	0%
	2021	**788,938**	**412,674**	**-**	**-**	**61,499**	**881,544**	**2,144,655**	**0%**

(i) On 25 November 2019 Mr Lonergan retired as a director.

(ii) On 2 July 2019 Mr Hess was appointed a director, on 12 March 2021 appointed Interim Managing Director and CEO and on 25 June 2021 appointed permanent Managing Director and CEO.

(iii) On 15 May 2020 Mr Greville was appointed a director.

(iv) On 26 March 2021 Mr Collins resigned as a director, options and rights for 2020 have been restated due to an extension of the expiry date.

(v) Amount includes compensation for amounts equivalent to superannuation of $21,375 relating to prior years.

(vi) Amounts include new and extended options valued using the Black Scholes method and involves no cash outlay from the Company.

Short-term remuneration includes salaries and fees and consultancy fees paid to non-executive Directors 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 2021

Remuneration Report (Continued)

Details of incentive-based remuneration

On 12 August 2020, shareholders approved the issue of 9.0 million fully paid ordinary shares equally split between Paul Harris, Ivan Wong, Andrew Greville and Hamish Collins or their nominees respectively, to be funded by limited recourse loans. These were issued at 15.5 cents per share on 25 August 2020, the recourse on the loan is limited to the shares issued, the loans are interest free and repayable on 25 August 2023. In accordance with AASB 2 the loans are required to be valued and accounted for as options. A fair value of $914,582 was calculated using the Black Scholes model with inputs of 15.5 cents strike price, three-year period to expiry, 0.27% risk free interest rate and 67% 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 2021.

Modification of terms of equity-settled share-based payment transactions

On 12 August 2020, shareholders approved the extension of 5.0 million fully paid ordinary shares equally split between Paul Harris and Hamish Collins, the expiry date of these shares were extended by three years to 18 August 2023. In accordance with AASB 2 the modification of terms are required to be valued and accounted for as options. An increase in the fair value of $297,768 was calculated using the Black Scholes model with inputs of 14.5 cents strike price, increase of three-year period to expiry, 0.27% risk free interest rate and 67% 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 2021.

No other 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 2020 Annual General Meeting, shareholders approved an aggregate amount of $500,000 to be available for payment of non-executive Directors' fees. This was an increase from the previous limit of $375,000.

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.

Aeon Metals Limited

Directors' Report

For the year ended 30 June 2021

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 2020	Granted as compensation	Other changes	Held at 30 June 2021
Directors				
Hamish Collins(i)	7,500,000	2,250,000	(9,750,000)	**-**
Paul Harris	2,500,000	2,250,000	-	**4,750,000**
Ivan Wong	2,500,000	2,250,000	(2,500,000)	**2,250,000**
Fred Hess	2,500,000	-	-	**2,500,000**
Andrew Greville	-	2,250,000	-	**2,250,000**
Total	15,000,000	9,000,000	(12,250,000)	**11,750,000**

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. The sale of the above shares are not permitted at a price less than the issue 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 2020	Purchases	Incentive shares granted	Disposals/ Other	Held at 30 June 2021
Directors					
Hamish Collins(i)	8,479,986	-	2,250,000	(10,729,986)	**-**
Paul Harris	2,692,152	-	2,250,000	-	**4,942,152**
Ivan Wong	18,847,061	-	2,250,000	(2,500,000)	**18,597,061**
Fred Hess	2,500,000	-	-	-	**2,500,000**
Andrew Greville	-	-	2,250,000	-	**2,250,000**
Total	32,519,199	-	9,000,000	(13,229,986)	**28,289,213**

(i) On 26 March 2021 Mr Collins resigned as a director.

Voting and comments made at the company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, 89% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the Remuneration Report which has been audited.

Aeon Metals Limited

Directors' Report

For the year ended 30 June 2021

Auditor's independence declaration

The auditor's independence declaration, as required under s307C of the Corporations Act 2001, is included on page 25 of the financial report and forms part of the Directors' Report for the year ended 30 June 2021.

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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services, as disclosed in note 29 to the financial statements, do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence, as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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.

Dr Fred Hess
Managing Director

Dated at Sydney this 20th day of September 2021.

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Sydney NSW 2000
Australia

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 2021, 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 period.

Gareth Few
Director

BDO Audit Pty Ltd

Sydney, 20 September 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Aeon Metals Limited

30 June 2021 Annual Report

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Assets			
Cash and cash equivalents	11	527	2,425
Trade and other receivables	12	183	264
Other investments	13	53	52
Prepayments		89	73
Total current assets		852	2,814
Property, plant and equipment	14	270	334
Other assets		46	38
Exploration and evaluation assets	15	84,180	79,953
Total non-current assets		84,496	80,325
Total assets		85,348	83,139
Liabilities			
Trade and other payables	16	1,702	754
Employee benefits	17	262	256
Provisions	18	50	50
Loans and borrowings	19	24,758	-
Total current liabilities		26,772	1,060
Loans and borrowings	19	-	19,044
Total non-current liabilities		-	19,044
Total liabilities		26,772	20,104
Net assets		58,576	63,035
Equity			
Share capital	20	108,465	108,465
Reserves	20	3,453	2,531
Accumulated losses		(53,318)	(47,939)
Total equity attributable to owners of the Company		58,600	63,057
Non-controlling interests		(24)	(22)
Total equity		58,576	63,035

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Aeon Metals Limited

30 June 2021 Annual Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Other income		2	102
Administrative expenses		(2,156)	(1,318)
Impairment loss	15	(1,144)	(3,150)
Other expenses	8	(2,765)	(1,074)
Results from operating activities		(6,063)	(5,440)
Finance income		6	38
Finance costs		-	-
Net finance income	7	6	38
Loss before income tax		(6,057)	(5,402)
Income tax expense	10	-	-
Loss for the period		(6,057)	(5,402)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(6,057)	(5,402)
Loss attributable to:			
Owners of the Company		(6,055)	(5,375)
Non-controlling interests		(2)	(27)
Loss for the period		(6,057)	(5,402)
Total comprehensive Loss attributable to:			
Owners of the Company		(6,055)	(5,375)
Non-controlling interests		(2)	(27)
Total comprehensive Loss for the period		(6,057)	(5,402)
Loss per share			
Basic loss per share (cents per share)	22	(0.93)	(0.83)
Diluted loss per share (cents per share)	22	(0.93)	(0.83)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Aeon Metals Limited

30 June 2021 Annual Report

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	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 2019		108,465	2,169	(42,564)	68,070	5	68,075
Total comprehensive loss for the period							
Loss for the period		-	-	(5,375)	(5,375)	(27)	(5,402)
Total comprehensive loss for the period		-	-	(5,375)	(5,375)	(27)	(5,402)
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the company							
Issue of options	20	-	362	-	362	-	362
Total contributions by and distributions to owners of the company		-	362	-	362	-	362
Balance at 30 June 2020		108,465	2,531	(47,939)	63,057	(22)	63,035
Balance at 1 July 2020		108,465	2,531	(47,939)	63,057	(22)	63,035
Total comprehensive loss for the period							
Loss for the period		-	-	(6,055)	(6,055)	(2)	(6,057)
Total comprehensive loss for the period		-	-	(6,055)	(6,055)	(2)	(6,057)
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the company							
Issue of options	20	-	1,598	-	1,598	-	1,598
Expired options	20	-	(676)	676	-	-	-
Total contributions by and distributions to owners of the company		-	922	676	1,598	-	1,598
Balance at 30 June 2021		**108,465**	**3,453**	**(53,318)**	**58,600**	**(24)**	**58,576**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Aeon Metals Limited

30 June 2021 Annual Report

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Other income		50	51
Cash paid to suppliers and employees		(2,423)	(1,960)
Cash used in operations		(2,373)	(1,909)
Interest received		6	38
Net cash used in operating activities	21	(2,367)	(1,871)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4)	(1)
Payments for exploration activities (net of grants received)		(2,527)	(6,683)
Net cash used in from investing activities		(2,531)	(6,684)
Cash flows from financing activities			
Proceeds from borrowings	19	3,000	4,000
Net cash from financing activities		3,000	4,000
Net decrease in cash and cash equivalents		(1,898)	(4,555)
Cash and cash equivalents at 1 July		2,425	6,980
Cash and cash equivalents at 30 June	11	527	2,425

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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 2021 were authorised for issue in accordance with a resolution of the directors on 20 September 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 year was exploration and evaluation of mineral permits in Australia.

The Registered Office of the Company is Level 5, 126 Philip 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 2021. The new and revised Standards and Interpretations did not have any significant impact.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

2. Basis of preparation (continued)

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 2021, the Group incurred a net loss before tax of $6.1 million (2020: $5.4 million) and net cash outflow from operating and investing activities of $4.9 million (2020: $8.6 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. 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 2021, the Group had net current liabilities of $25.9 million (June 2020: assets of $1.8 million) including cash of $0.5 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.

On 19 July 2021, the Company announced that it had successfully secured commitments from sophisticated and professional investors via a two-tranche share placement to raise $9.5 million at an issue price of 5.8 cents per share.

On 23 August 2021, the Company announced it had raised $0.7 million via a Share Placement Plan on the same terms as the share placement above.

On 24 August 2021, the Company announced that it had completed an agreement with OCP Asia Group to extend the maturity date on its existing loan facility by 24 months (to 17 December 2023), on the same terms as the extended tranches disclosed in note 19. In consideration for the maturity extension, the Company has agreed an additional cash fee equivalent to 2% of the total facility size.

Should the Group be unable to execute the forecast strategy, which includes raising capital, 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.

2. Basis of preparation (continued)

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than delay in completing the PFS there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 20 for further information.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Acquisitions

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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.

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.

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.

3. Significant accounting policies (continued)

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:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- 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.

3. Significant accounting policies (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.

3. Significant accounting policies (continued)

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.

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.

Right-of-use assets

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3. Significant accounting policies (continued)

Finance income

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

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3. Significant accounting policies (continued)

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.

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 2021, and have not been applied in preparing these consolidated financial statements. None of the new standards and amendments to standards are expected to have a material effect on the Group. The Group does not plan to adopt these standards early.

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.

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 and evaluation phase, so it has no products or services nor any major customers.

7. Finance income and finance costs recognised in profit or loss

	2021	2020
	$'000	$'000
Interest income	6	38
	6	38

8. Other expenses

	2021	2020
	$'000	$'000
Employee benefits expense	(1,100)	(658)
Superannuation expense	(67)	(54)
Share based payments	(1,598)	(362)
	(2,765)	(1,074)

9. Expenses by nature

	2021	2020
	$'000	$'000
Employee benefits expense – including superannuation	(1,167)	(712)
Depreciation expense	(68)	(81)
Consultancy expense	(1,373)	(445)
Impairment loss	(1,144)	(3,150)
Share based payments	(1,598)	(362)
Other expenses	(715)	(792)
	(6,065)	(5,542)

10. Income tax

	2021	2020
Income tax recognised in profit	**$'000**	**$'000**
Current tax expense		
Current year	-	-
Deferred tax expense	-	-
Total income tax expense	-	-

Reconciliation of effective tax rate

	2021 $'000	2020 $'000
Loss for the year	(6,057)	(5,402)
Total tax expense	-	-
Loss excluding tax	-	-
	(6,057)	(5,402)
Tax using the Company's domestic tax rate of 26.0 percent (2020: 27.5 percent)	(1,574)	(1,486)
Non-assessable income	403	333
Losses not brought to account	1,171	1,153
	-	-

Unrecognised deferred tax assets

	2021 $'000	2020 $'000
Deductible temporary differences	(20,592)	(21,388)
Tax losses	23,140	22,888
	2,548	1,500

From 1 July 2019 Aeon Metals Limited, as head entity, and its subsidiaries elected to form a tax consolidated group.

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.

11. Cash and cash equivalents

	2021 $'000	2020 $'000
Bank balances	527	2,425
	527	2,425

Refer to note 24 for further information on financial instruments.

12. Trade and other receivables

	2021 $'000	2020 $'000
Other debtors	-	50
GST receivable	183	214
	183	264

Refer to note 24 for further information on financial instruments.

13. Other Investments

Current investments	2021 $'000	2020 $'000
Term deposit	53	52
	53	52

The term deposit had an average interest rate of 1.41% (2020: 1.62%) and matures in 1 month.

Refer to note 24 for further information on financial instruments.

14. Property, plant and equipment

in thousands of AUD	Computer equipment	Mining and exploration equipment	Plant and equipment	Motor vehicles	Property improvements	Total
Cost						
Balance at 1 July 2019	85	458	78	132	171	924
Additions/(Disposals)	-	1	1	-	-	2
Balance at 30 June 2020	85	459	79	132	171	926
Balance at 1 July 2020	85	459	79	132	171	926
Additions/(Disposals)	3	-	1	-	-	4
Balance at 30 June 2021	88	459	80	132	171	930
Depreciation						
Balance at 1 July 2019	(75)	(258)	(39)	(111)	(28)	(511)
Charge for the year	(5)	(41)	(8)	(5)	(22)	(81)
Disposals	-	-	-	-	-	-
Balance at 30 June 2020	(80)	(299)	(47)	(116)	(50)	(592)
Balance at 1 July 2020	(80)	(299)	(47)	(116)	(50)	(592)
Charge for the year	(3)	(32)	(8)	(4)	(21)	(68)
Disposals	-	-	-	-	-	-
Balance at 30 June 2021	(83)	(331)	(55)	(120)	(71)	(660)
Carry amounts						
At 1 July 2019	10	200	39	21	143	413
At 30 June 2020	5	160	32	16	121	334
At 1 July 2020	5	160	32	16	121	334
At 30 June 2021	5	128	25	12	100	270

15. Exploration and evaluation of assets

	2021	2020
	$'000	$'000
Balance at 1 July	79,953	75,445
Additions, including capitalised interest and fees	6,729	9,303
R&D claim received	(1,358)	(1,645)
Impairment losses	(1,144)	(3,150)
Balance at 30 June	84,180	79,953

Recoverability of the carrying amount of exploration and evaluation 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 $2,714,000 (2020: $2,254,000) relating to capitalised interest and fees, this represented 100% of interest and fees.

The impairment loss of $1,144,000 (2020: $3,150,000) relates to all other exploration and evaluation assets except for Walford Creek, this is due to Walford Creek being the main focus of the Company. Whilst these assets have been impaired it is still the intention of the Company to further these projects in the future.

16. Trade and other payables

	2021	2020
	$'000	$'000
Trade payables	1,271	614
Accrued expenses	431	140
	1,702	754

Refer to note 24 for further information on financial instruments.

17. Employee Benefits

	2021	2020
	$'000	$'000
Salaries and wages accrued	43	47
Liability for annual leave	130	188
Liability for long service leave	86	20
Liability for superannuation	3	1
Total employee benefit – current	262	256

18. Provisions

	Site restoration $'000	Total $'000
Balance at 1 July 2020	50	50
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Balance at 30 June 2021	50	50

	Site restoration $'000	Total $'000
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 15.

19. Loans and borrowings

	2021 $'000	2020 $'000
Current		
Limited recourse notes	24,758	-
	24,758	-
Non-current		
Limited recourse notes	-	19,044
	-	19,044

Refer to note 24 for further information on assets pledged as security and financing arrangements.

Refer to note 24 for further information on financial instruments.

Reconciliation of movement in loans and borrowings

	2021 $'000	2020 $'000
Outstanding at 1 July	19,044	12,790
New loan during the year	3,000	4,000
Accrued interest and fees during the year	2,714	2,254
Oustanding at 30 June	24,758	19,044

Year Ended 30 June 2021

On 25 September 2020, the Company announced that OCP Asia Group had agreed to increase the limit on its existing loan facility by up to $3 million.

On 25 July 2021, the Company announced that it has reached an in-principle agreement with OCP Asia Group to extend the maturity date on its existing loan facility by 24 months (to 17 December 2023).

The Company has accrued interest of $2,714,000 during the year ended 30 June 2021. 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.

19. Loans and borrowings (continued)

Year Ended 30 June 2020

On 18 March 2020, the company announced that OCP had agreed to advance a further cash loan of $4,000,000 with a repayment date of 17 December 2021.

On 30 March 2020, the company announced that OCP had agreed to extend the repayment date of the facility to 17 December 2021.

The Company has accrued interest of $1,723,000 and was charged a facility extension fee of $531,000 during the year ended 30 June 2020. 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.

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

				2021		2020	
	Currenc	**Nominal Interest Rate**	**Year of maturity**	**Face value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Limited recourse notes	AUD	12.00%	Dec 2021	24,758	24,758	19,044	19,044
Total interest-bearing liabilities				24,758	24,758	19,044	19,044

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

20. Capital and reserves

Share capital

	2021		2020	
	no. of oridnary shares (thousands)	$'000	no. of oridnary shares (thousands)	$'000
On issue at 1 July	677,570	108,465	673,070	108,465
Shares issued for cash	-	-	-	-
Incentive shares issued for services	14,100	-	4,500	-
Transfer between reserves from exercise of warrants	-	-	-	-
On issue at 30 June	691,670	108,465	677,570	108,465

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 2021

Date	no. of shares issued	Price per share $	Total consideration $	Purpose
12 August 2020	14,100,000	0.16	-	Share based payment*
	14,100,000		-	

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

20. Capital and reserves (continued)

Year Ended 30 June 2021

14,100,000 shares were granted to employees and directors as incentive for services, these shares were provided through a limited recourse loan arrangement.

Year Ended 30 June 2020

4,500,000 shares were granted to employees and directors as incentive for services, these shares were provided through a limited recourse loan arrangement.

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.

Share based payments

Description of the share-based payment arrangements

Year Ended 30 June 2021

On 4 August 2020, 2.0 million fully paid ordinary shares, through limited recourse loans provided by the company, were extended by three years to 4 August 2023. In accordance with AASB 2 the modification of terms are required to be valued and accounted for as options. An increase in the fair value of $94,000 was calculated using the Black Scholes model.

On 12 August 2020, 14.1 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, is interest free and repayable within 3 years. The fair value of these shares of $915,000 was calculated using the Black Scholes model.

On 12 August 2020, 5.0 million fully paid ordinary shares, through limited recourse loans provided by the company, were extended by three years to 18 August 2023. In accordance with AASB 2 the modification of terms are required to be valued and accounted for as options. An increase in the fair value of $298,000 was calculated using the Black Scholes model.

On 14 August 2020, 2.5 million fully paid ordinary shares, through limited recourse loans provided by the company, were extended by three years to 18 August 2023. In accordance with AASB 2 the modification of terms are required to be valued and accounted for as options. An increase in the fair value of $155,000 was calculated using the Black Scholes model.

On 14 August 2020, 1.5 million fully paid ordinary shares, through limited recourse loans provided by the company, were extended by three years to 8 February 2024. In accordance with AASB 2 the modification of terms are required to be valued and accounted for as options. An increase in the fair value of $136,000 was calculated using the Black Scholes model.

20. Capital and reserves (continued)

Year Ended 30 June 2020

On 20 August 2019, 1.0 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 $84,000 was calculated using the Black Scholes Model as at 30 June 2020. The shares are not able to be sold until specific conditions are satisfied.

On 18 December 2019, 3.5 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 $278,000 was calculated using the Black Scholes Model as at 30 June 2020. 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:

	no. of incentive shares (thousands) 2021	Weighted average exercise price $ 2021	no. of incentive shares (thousands) 2020	Weighted average exercise price $ 2020
Outstanding at 1 July	26,100	0.16	21,600	0.16
Granted during the year	14,100	0.16	4,500	0.17
Expired during the year	(5,600)	(0.16)	-	-
Exercised during the year	-	-	-	-
Outstanding at 30 June	34,600	0.16	26,100	0.16

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 2021	Director incentive shares 2021	Employee incentive shares 2020	Director incentive shares 2020
Number of incentive shares	5,100,000	9,000,000	1,000,000	3,500,000
Grant date	12 Aug 2020	12 Aug 2020	20 Aug 2019	18 Dec 2019
Fair value at grant date	$0.065	$0.065	$0.084	$0.079
Share price at grant date	15.0 cents	15.0 cents	17.0 cents	17.0 cents
Exercise price	15.5 cents	15.5 cents	15.2 cents	17.0 cents
Expected volatility	67%	67%	71%	71%
Expected life	3 years	3 years	3 years	3 years
Risk-free interest rate	0.27%	0.27%	0.70%	0.70%
Dividend yield	0%	0%	0%	0%

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

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

	Note	2021	2020
Cash flows from operating activities		**$'000**	**$'000**
Loss for the year		(6,057)	(5,402)
Adjustments for:			
Depreciation	14	68	81
Impairment of exploration and evaluation assets	15	1,144	3,150
Share-based payments	20	1,598	362
		(3,247)	(1,809)
Change in trade and other receivables		48	(50)
Change in prepayments		(15)	(1)
Reclassification of exploration costs		94	89
Change in trade and other payables		747	(130)
Change in provisions and employee benefits		6	30
Net cash used in operating activies		**(2,367)**	**(1,871)**

22. Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted (options have no dilutive affect) earnings per share at 30 June 2021 was based on the loss attributable to ordinary shareholders of $6,055,000 (2020: $5,402,000) and a weighted average number of ordinary shares outstanding of 690,042,000 (2020: 675,792,000), calculated as follows:

Loss attributable to ordinary shareholders (basic and diluted)

	2021	2020
	$'000	**$'000**
Loss for the year	(6,055)	(5,402)
Loss attributable to ordinary shareholders	(6,055)	(5,402)

Weighted average number of ordinary shares (basic and diluted)

	2021	2020
	thousands	**thousands**
Issued ordinary shares at 1 July	651,469	651,469
Effect of shares issued	-	-
Weighted average number of ordinary shares at 30 June	651,469	651,469

	2021	2020
	cents per share	**cents per share**
Basic and diluted loss per share	0.93	0.83

23. Operating Leases

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

	2021 $'000	2020 $'000
Less than one year	15	15
Between one and five years	-	-
More than five years	-	-
	15	15

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 total $10,000 per month. One other lease is under a six-month contract, expiring in September 2021, the rental payment on this lease is $700 per month. The remaining lease is under a 12-month contract which expires in December 2021. The rental payment on this lease is $2,000 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.

24. Financial instruments

Financial risk management

The Group's financial assets consist mainly of deposits with banks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity, other than deposits with Australian regulated banks and trade and other receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Note	Carrying amount 2021 $'000	2020 $'000
Interest bearing investments	13	53	52
Trade and other receivables	12	183	264
Cash and cash equivalents	11	527	2,425
		763	2,741

Impairment losses

	2021 $'000	2020 $'000
Neither past due nor impaired	183	264
Past due 1 – 30 days	-	-
Past due 31 – 90 days	-	-
Past due 91 + days	-	-
	183	264

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

24. Financial instruments (continued)

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 (2020: $30,000). At 30 June 2021 the undrawn amount is $30,000 (2020: $30,000).

At 30 June 2021 the Group has payables of $1,702,000 (2020: $754,000) 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, include estimated interest payments and exclude the impact of netting agreements.

30 June 2021

		Contractual cash flows					
	Carrying Amount $'000	**Total $'000**	**2 months or less $'000**	**2-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Liabilities							
Limited recourse notes [i]	24,758	26,160	-	26,160	-	-	-
Trade payables	1,702	1,702	1,702	-	-	-	-
	26,460	27,862	1,702	26,160	-	-	-

30 June 2020

		Contractual cash flows					
	Carrying Amount $'000	**Total $'000**	**2 months or less $'000**	**2-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Liabilities							
Limited recourse notes [i]	19,044	22,647	-	-	22,647	-	-
Trade payables	754	754	754	-	-	-	-
	19,798	23,401	754	-	22,647	-	-

[i] 26,160,000 of the contractual cash flow payable in 2 to 12 months relates to a limited recourse loan secured over the assets of Aeon Walford Creek Limited.

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.

24. Financial instruments (continued)

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 2021	Carrying amount 2021	Interest rate 2020	Carrying amount 2020
Fixed rate instruments				
Financial liabilities[i]	12%	24,758	12%	19,044
		24,758		19,044
Variable rate instruments				
Financial assets	0.34%	529	1.00%	2,425
Amortised cost	0.13%	53	1.62%	52
		582		2,477

[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.

	Variable rate instruments	
	2021	**2020**
Profit or loss	**$'000**	**$'000**
100bp increase	22	40
100bp decrease	(22)	(40)

24. 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	2021		2020	
Assets carried at amortised costs		**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Interest bearing investments	13	53	53	52	52
Trade and other receivables	12	183	183	264	264
Cash and cash equivalents	11	527	527	2,425	2,425
		763	763	2,741	2,741
Liabilities carried at amortised cost					
Trade and other payables	16	(1,702)	(1,702)	(754)	(754)
Limited recourse notes	19	(24,758)	(24,758)	(19,044)	(19,044)
		(26,460)	(26,460)	(19,798)	(19,798)

25. Commitments and contingencies

There are no contractual commitments or contingent liabilities at 30 June 2021 (2020: Nil).

26. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

	2021 $	2020 $
Short-term employee benefits	788,938	710,075
Severnce pay	412,674	-
Consulting fees	-	24,000
Long-term employment benefits	-	1,539
Post-emplyment benefits	61,499	35,458
Share based payments	881,544	406,754
	2,144,655	1,177,826

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Group.

Key management personnel and director transactions

There were no related party transactions during the year other than transactions with key management personnel as part of their remuneration.

27. Group entities

Significant subsidiaries

	Country of incorporation	2021 %	2020 %
Parent entity:			
Aeon Metals Limited	Australia		
Significant subsidiaries:			
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	100
Aeon Monto Exploration Pty Ltd	Australia	100	100
Aeon Walford Exploration Pty Ltd	Australia	100	100

28. Events Since the End of the Financial Year

The Coronavirus (Covid-19) pandemic is ongoing and is continuing to develop but is not having a significant impact after the reporting date.

On 19 July 2021, the Company announced that it had successfully secured commitments from sophisticated and professional investors via a two-tranche share placement to raise $9.5 million at an issue price of 5.8 cents per share. The second tranche was approved by shareholders on 17 September 2021.

On 23 August 2021, the Company announced it had raised $0.7 million via a Share Placement Plan on the same terms as the share placement above.

On 24 August 2021, the Company announced that it had completed an agreement with OCP Asia Group to extend the maturity date on its existing loan facility by 24 months (to 17 December 2023), on the same terms as the extended tranches disclosed in note 19. In consideration for the maturity extension, the Company has agreed an additional cash fee equivalent to 2% of the total facility size.

On 17 September 2021, the shareholders of the Company approved the issue of 8,500,000 unvested loan funded shares to Dr. Fred Hess, Managing Director and CEO of the Company, under the Company's Long Term Incentive Plan. The loan funded shares which are granted to Dr. Hess will vest upon achievement of specified hurdles.

Other than the items noted above, there have not been any additional significant subsequent events to note.

29. Auditors' remuneration

	2021	2020
Audit and review of financial statements	**$**	**$**
Auditors of the Company – BDO and related network firms		
Group	68,500	60,000
Controlled entities and joint operations	5,000	5,000
Total audit and review of financial statements	73,500	65,000
Non-audit services		
Auditors of the Company – BDO and related network firms		
Taxation compliance services	32,531	31,696
R&D compliance services	30,000	30,000
Total non-audit services	62,531	61,696
Total services provided by BDO and related network firms	**136,031**	**126,696**

On 31 July 2020, the Company announced that BDO East Coast Partnership had resigned as auditor and BDO Audit Pty Ltd had been appointed.

30. Parent entity disclosures

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

	2021	2020
Results of the parent entity	**$'000**	**$'000**
Loss for the year	(5,935)	(4,250)
Other comprehensive income	-	-
Total comprehensive income for the year	(5,935)	(4,250)
Financial position of parent entity at year end		
Current assets	849	2,808
Non-current assets	84,422	80,099
Total assets	85,271	82,907
Current liabilities	26,695	951
Non-current liabilities	-	19,044
Total liabilities	26,695	19,995
Net assets	58,576	62,912
Total equity of parent entity comprising of:		
Share capital	108,465	108,465
Reserves	3,453	2,531
Accumulated losses	(53,342)	(48,083)
Total equity	58,576	62,912

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 26 to 55 and the remuneration report on pages 20 to 23 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 2021 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 2021.

Signed in accordance with a resolution of the Directors.

Dr Fred Hess
Managing Director

Dated at Sydney this 20th day of September 2021

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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 2021, 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 2021 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 (including Independence Standards) (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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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.

Exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
Exploration and evaluation assets are a key audit matter due to: 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 The significance of management's estimates and assumptions regarding the recoverability of carrying values in accordance with AASB 6. Details of the exploration and evaluation assets are disclosed in Note 15.	To address the key audit matter, our audit procedures included: • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in AASB 6; • Reviewing the Group's tenement licences to assess the rights to tenure are current; • 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; • 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; • Evaluating internal budgets 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; • Holding discussions with Management regarding their assessment of the future recoverable value of the exploration and evaluation expenditure; • Together with BDO valuation specialists, assess the reasonableness of the discount rate applied by management for the impairment model; and • Consider management's conclusion on the impairment of non-core exploration & evaluation assets and recalculating the impairment loss recognised.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the financial report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

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 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 Annual Report to Shareholders, 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 under the heading 'Remuneration Report' for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Aeon Metals Limited, for the year ended 30 June 2021, 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 Audit Pty Ltd

BDO

Gareth Few

Gareth Few
Director

Sydney, 20 September 2021