

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2021

Aeon Metals Limited (ASX:AML) (**Aeon** or the **Company**) is pleased to present its activities report for the quarter ending 31 December 2021.

Highlights:

- Site exploration activities were concluded in November 2021 ahead of wet season.
- All assay results for the 2021 drilling campaign have been received.
- Drilling at Vardy Deeps has revealed exciting new and highly prospective horizons within the Walford Dolomite.
- Updated Mineral Resource Estimate is scheduled for completion in February 2022.
- Metallurgical testwork continues with flowsheet optimisation progressing well.
- Walford Creek PFS remains on schedule for completion at end of Q1 2022.
- Commodity prices for the Walford Creek Project metal portfolio continue to perform strongly.
- Commonwealth R&D refund of A\$1.17 million received in December 2021.
- Bacchus Capital Advisers appointed in December 2021 and currently advancing financing options for Walford Creek Copper-Cobalt Project development.

Commenting on the activities for the quarter, Aeon Managing Director, Dr Fred Hess, said:

“Both exploration and study activities have continued to advance our knowledge of the Walford Creek mineral resources and the pathway to a successful project development. The 2021 drilling campaign concluded with the tantalising prospect for further expansion of mineralisation beyond the already known 10 km of Fish River Fault. In addition to the new exploration targets identified from the high resolution geophysical surveys conducted in 2021, the net will now be cast even wider in 2022 with the potential for the dolomite sequences to host previously unrecognised but similarly structurally controlled copper mineralisation.”

“The key to the turnaround in fortunes for the Walford Creek Project was adoption, in the Revised Scoping Study in June 2021, of an evolved flowsheet involving bulk flotation followed by leaching. Pleasingly, the past six months of metallurgical testwork has resulted in the optimisation of both flotation and leaching processes which in turn has reinforced confidence in the new approach. All key elements of the Pre-Feasibility Study continue to be advanced and it is expected that the results will be available at the conclusion of the Quarter 1.”

“Project financing is a key challenge for any significant mine development and to this end Aeon has secured the services of Bacchus Capital Advisers. Over the course of 2022, a range of potential financing options will be explored with the aim of resolution in conjunction with the completion of the subsequent Feasibility Study stage for Walford Creek.”

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Exploration

The 2021 field program at the Walford Creek Project had the following objectives:

- Obtaining suitable representative feed samples from the Vardy and Marley resources to allow comprehensive metallurgical test work to be completed.
- Providing further geotechnical data to support mine design.
- Completing infill drilling within the existing resource where appropriate to enhance confidence in mineralisation and continuity.
- Conducting exploration of the Vardy Deeps concept as detailed in ASX release dated 9 August 2021 (New Drill Targets at Walford Creek) and commencing exploration for further mineralisation along strike between the Marley and Amy deposits.

The metallurgical sample collection program was split between the Vardy and Marley zones, while the Amy zone was excluded (see Figure 1). The program commenced with a single, multi-purpose drill rig operating on double shift from 3 June 2021. A second rig was added on 18 September 2021. Drilling ceased in mid-November ahead of the wet season.

A total of 46 new drill holes were completed, plus an additional diamond tail to a historic drill hole, during the 2021 drilling program. This represents a total of 8,951 metres of drilling.

The results of the exploration activities were reported in the following ASX releases:

- 9 Aug 2021 – New drill targets at Walford Creek
- 3 Nov 2021 – 2021 Vardy drilling update
- 11 Nov 2021 – Vardy Deeps exploration update
- 11 Nov 2021 – Vardy and Marley drilling update
- 28 Jan 2022 – 2021 Vardy and Marley drilling update

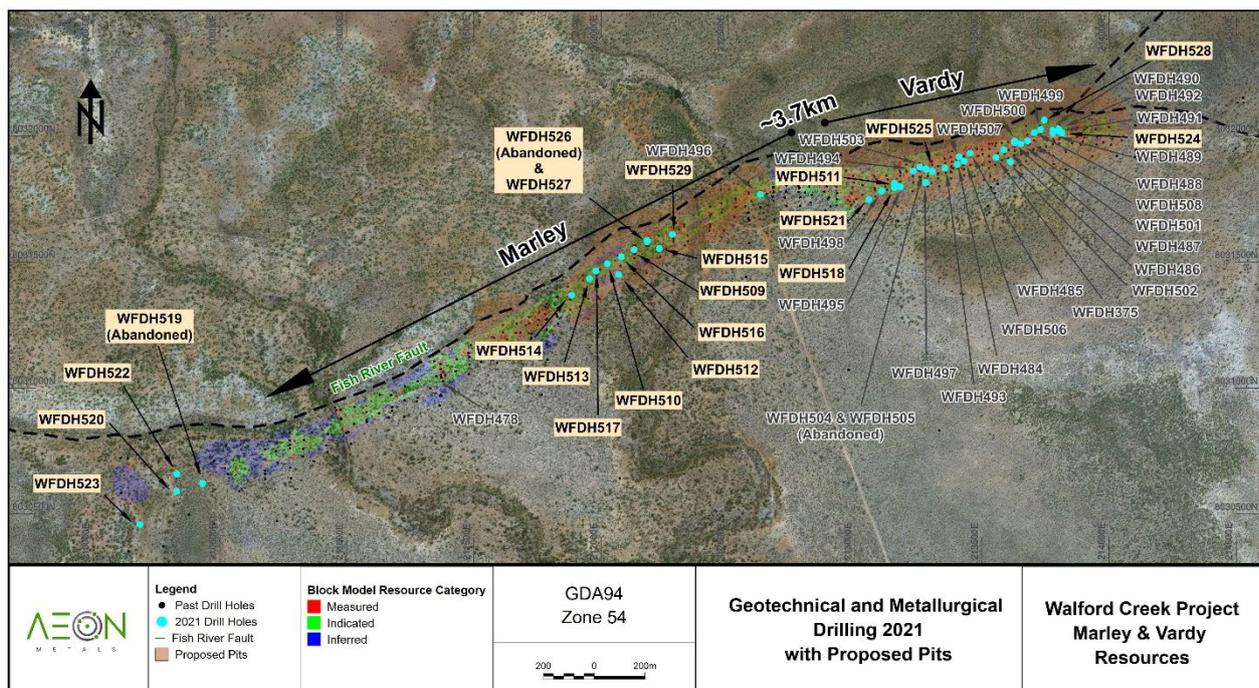


Figure 1: Distribution of the 2021 drilling in relation to the Marley and Vardy deposits

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The existing drill spacing at Vardy and Marley is variable. Where possible, the metallurgical drill holes were designed to tighten drill hole spacing with the objective to achieve a spacing approaching 20 metres. Assay results received are broadly consistent with historic results and continue to demonstrate the exceptional continuity and quality of the mineral resources at Vardy and Marley. The new drill data is currently being incorporated into the Mineral Resource Estimates, which is expected to be updated in February.

The Vardy Deeps target area was defined primarily from a geophysical anomaly using high resolution gravity data collected in Q2 2021. A dense body is modelled sitting beneath the Vardy mineral resource within the Walford Dolomite. This feature cannot be explained by the currently known stratigraphy in the area. A previous drill hole that pierced the upper margins of the Walford Dolomite (WFDH394 reported in ASX release dated 21 November 2018, Marley Resource Drilling – Mineralisation Continuity) returned 10m at 5% copper in the form of "clean" chalcopyrite. In the ASX release, the drill section in Figure 10 incorrectly showed this intersection occurring at the bottom of the Py3 zone when it is actually within the upper portion of the Walford Dolomite (as subsequently noted). This chalcopyrite intersection demonstrates that the Walford Dolomite can be a host of high-grade copper mineralisation.

Two exploratory holes into the Vardy Deeps target were also completed. Both holes intercepted two discrete prospective stratigraphic horizons within the Walford Dolomite that can be correlated between holes. These horizons host hydrothermal alteration textures containing minor chalcopyrite mineralisation (see Figure 2) that are now interpreted as exciting new prospective horizons within the Walford Dolomite itself.

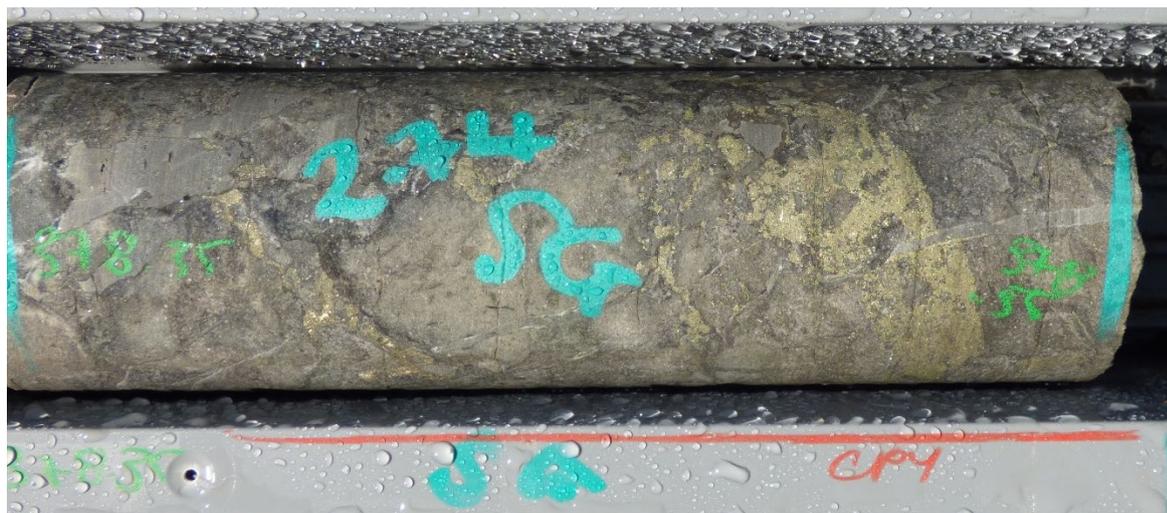


Figure 2: Drill core from WFDH375 378.7 metres showing chalcopyrite as matrix infill in the Walford Dolomite (sample is roughly 40m off the Fish River Fault)

Pre-Feasibility Study (PFS) Progress

The primary grind and flotation testwork has been undertaken at ALS Burnie Laboratory under the direction of Dr Greg Harbort from Geometecon. The hydrometallurgy testwork has been undertaken in the ALS Perth laboratory under the direction of Mr Bruce Wedderburn from Malachite Consulting.

The metallurgical testwork completed to date has focussed broadly on four key areas. These are:

1. Optimisation of primary grinding to achieve adequate metal sulphides liberation.
2. Optimisation of the bulk sulphide flotation to maximise metal sulphides recovery.

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3. Optimisation of bulk sulphide concentrate leaching conditions to maximise metal extractions into the pregnant leach solution.
4. Sighter testwork to identify the preferred process option for undertaking solid/liquid separation of the leach residue solids from the pregnant leach solution.

This testwork phase is now largely completed. A detailed update of the results is currently in preparation. The basic flowsheet has however been confirmed using the various samples collected from the 2021 drilling program. The operation of the pressure leaching circuit was remarkably robust and was essentially insensitive to the variability of the ore types characterised by flotation response. Thickening followed by filtration was demonstrated to be superior to counter-current decantation for solid/liquid separation of the autoclave discharge. Impurity removal and solvent extraction testwork on the pregnant leach solution are currently well advanced.

PFS work has continued to progress on a number of fronts including:

- Mining optimisation
- Site layout
- Logistics
- Power generation
- Marketing
- Environment
- Project execution strategy

The PFS remains on schedule for completion at the end of March with the results expected to be released shortly thereafter.

Corporate

On 7 December 2021, Aeon announced the appointment of Bacchus Capital Advisers as strategic financial advisers to Aeon Metals. Bacchus Capital Advisers (**BCA**), led by Peter Bacchus, has extensive experience in resource capital markets, both in Australia and the northern hemisphere. The BCA team has raised more than US\$15 billion in public and private capital for the global natural resources sector and engineered many transformational transactions. Their appointment is for an initial 12-month period to provide strategic corporate financial advice that includes with respect to potential funding options, strategic equity, M&A and defence. Specific to Aeon's Walford Creek Copper-Cobalt Project, BCA will progress considerations on debt funding, potential project partners and related major commercial opportunities.

In December 2021, Aeon received Federal Government R&D grant funds of A\$1.17 million for research and development work already completed. This grant is associated with the selection, design and operation of metallurgical processes that seek to produce high grade concentrates consistently and at maximum recovery.

At quarter end, Aeon held A\$2.8 million cash and had drawn debt of A\$26.3 million.

Commodity Price Trends

Figures 3a to 3d highlight the consistent upwards trend in metal prices for the proposed Walford Creek products over the course of 2021. The commitment of most major developing countries to the target of achieving net zero carbon dioxide emissions by 2050 is set to have far-reaching effects for future supply and demand across a number of metals, including all of the key products from Walford Creek

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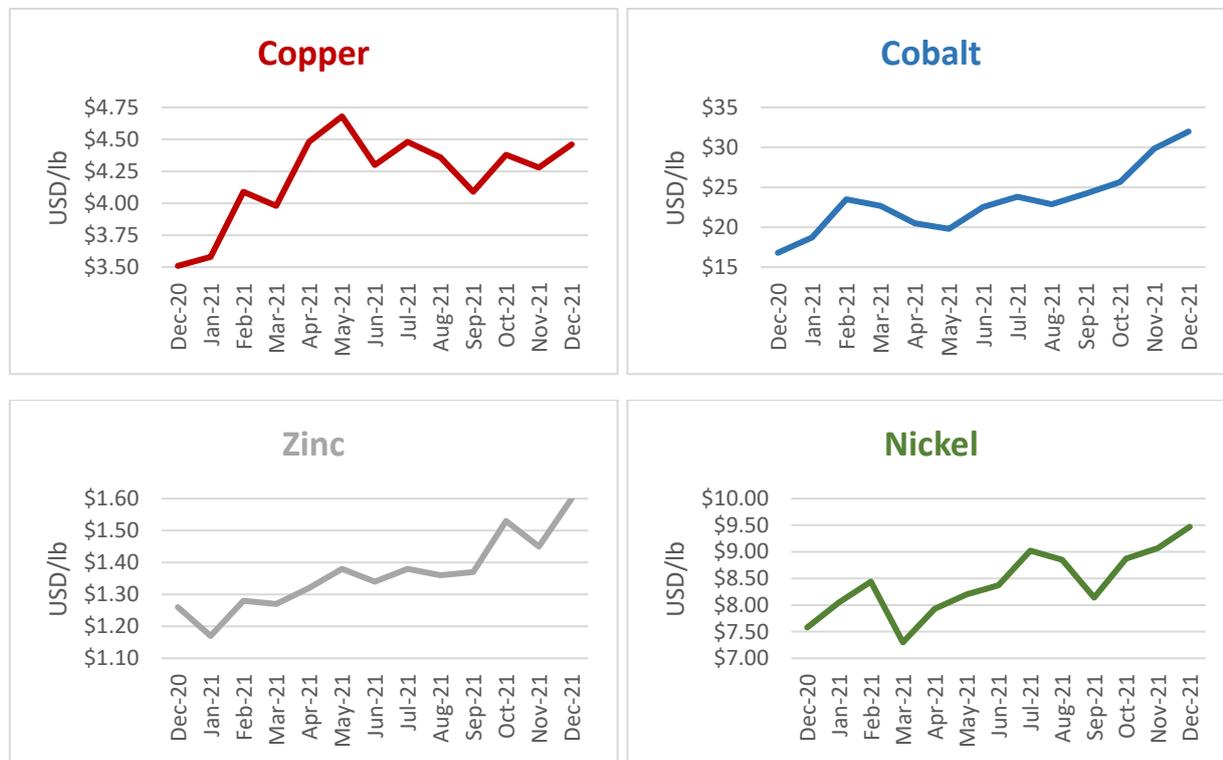
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Project. Realistically, this potentially enormous increase in demand can only be satisfied by a corresponding substantial increase in supply which will largely be driven by new project developments. To ensure that these project developments occur in a timely fashion, commodity prices need to sustain levels that can incentivise investment in new production. The Walford Creek Project is ideally positioned with its potential copper, cobalt, zinc and nickel metal products all capable of participating strongly in this new wave of demand.

Figures 3(a-d): Commodity price trends in 2021



ASX Additional Information

ASX listing rule 5.3.1: Exploration and evaluation expenditure during the quarter was A\$4.0 million. Details of exploration activity during the December 2021 quarter are set out in this report and are mostly associated with costs relating to the Walford Creek Project.

ASX listing rule 5.3.2: There were no substantive mining production or development activities during the quarter.

ASX listing rule 5.3.5: Appendix 5B, Section 6.1 – description of payments: During the December 2021 quarter, Aeon paid directors fees of A\$191,000.

Appendix 5B

The Company’s Appendix 5B cash report has also been released today.

This ASX release has been authorised by the Aeon Board:

For more information, please contact:

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ABOUT AEON METALS

Aeon Metals Limited (**Aeon**) is an Australian based mineral exploration and development company listed on the Australian Securities Exchange (ASX: AML). Aeon holds a 100% ownership interest in the Walford Creek Copper-Cobalt Project (**Walford Creek Project**) located in north-west Queensland, approximately 340km to the north north-west of Mount Isa.

A Pre-Feasibility Study on the Walford Creek Project is targeted for completion in Q1 2022.

Aeon's vision: making a difference – creating sustainable value by delivering key metals driving the low carbon future.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

AEON METALS LIMITED

ABN

91 121 964 725

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(371)	(904)
(e) administration and corporate costs	(361)	(1,052)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,169	1,169
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	438	(786)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(9)	(18)
(d) exploration & evaluation (if capitalised)	(4,026)	(6,639)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(4,035)	(6,657)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,205
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(198)	(567)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(198)	9,638

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,570	580
4.2 Net cash from / (used in) operating activities (item 1.9 above)	438	(786)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4,035)	(6,657)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(198)	9,638

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,775	2,775

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,717	6,507
5.2	Call deposits	58	63
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,775	6,570

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	191
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

The amounts above relate to directors' fees.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities ⁽ⁱ⁾	26,253	26,253
7.2	Credit standby arrangements ⁽ⁱⁱ⁾	30	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	30	-
7.5	Unused financing facilities available at quarter end		30
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>⁽ⁱ⁾ The company has a limited recourse loan with OCP Asia Group ("OCP") amounting to \$26,253,000 which is fully drawn, the interest rate is 12.00%, is calculated quarterly and capitalised to the loan. The loan is secured over the assets of Aeon Walford Creek Limited. The loan matures on 17 December 2023.</p> <p>⁽ⁱⁱ⁾ The company maintains an ANZ Credit Card Facility totalling \$30,000, with a rate of 17.74%PA on purchases not paid for within the relevant period. This facility is split across six separate cards, and the full \$30,000 is undrawn.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	438
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(4,026)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(3,588)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,775
8.5	Unused finance facilities available at quarter end (item 7.5)	30
8.6	Total available funding (item 8.4 + item 8.5)	2,805
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.78
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: No, it is expected that costs will reduce once the current drilling campaign is concluded.	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Yes. As well as the expected reduction in costs noted above, the entity will need to raise additional cash to fund the PFS for the Walford Creek Project. The entity is in talks with several parties about potential short and/or long-term funding, details of these discussions are confidential at present.	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, see answers 1 and 2, we also note the continued support of our major shareholder and lender, O L Master Ltd (OCP).

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 January 2022.....

Authorised by:By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.