

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2022

Aeon Metals Limited (ASX:AML) (**Aeon** or the **Company**) is pleased to present its activities report for the quarter ending 30 September 2022.

Highlights:

- Continued, successful exploration drilling at Walford Creek further extended known mineralisation along the Fish River Fault (FRF)
- Completion of the CEI grant funded airborne electromagnetic survey (AEM) highlighted extensive near surface structure to south of the FRF
- Completion of CEI grant funded gravity survey at Sugarbag prospect
- Greg Collins commenced as Exploration Manager

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

“Exploration drilling continued to extend the known mineralisation at both Le Mans and Amy west zones along the FRF. The slow turnaround of assay results in conjunction with deeper holes and at times difficult drilling conditions (where some holes had to be abandoned) combined to slow the pace of news flow.

“The recently released results of the high resolution AEM survey build on the 2021 gravity and magnetic survey results provide further evidence of the potential endowment of the Walford creek region. Testing of these newly defined target areas will be a priority for a 2023 drilling campaign.

“The current drilling season is expected to conclude in November when annual monsoonal rains typically restrict heavy equipment access to and around site. An extensive ground-based mapping and sampling program designed to follow-up on the successful geophysical surveys of the past two years will continue once drilling activities cease.

“Funding is again expected to be boosted in the current quarter from the annual refund of R&D work undertaken during the previous financial year, and submission of CEI grant claims.”

2022 Exploration Program

At the Company's flagship Walford Creek project, 24 holes have been completed year to date (including 4 abandoned holes), for 9,153m. At 30 September 2022, 7,308m metres had been drilled at Le Mans for 19 holes and 1,844m at Amy for 5 holes (refer ASX release dated 23 Sep 2022, “*Drilling success at Walford Creek extends mineralisation at Le Mans*”).

Assay results from eight holes at Le Mans and eight holes at Amy west are pending. The Company anticipates results from a number of these holes will be available in the coming weeks.

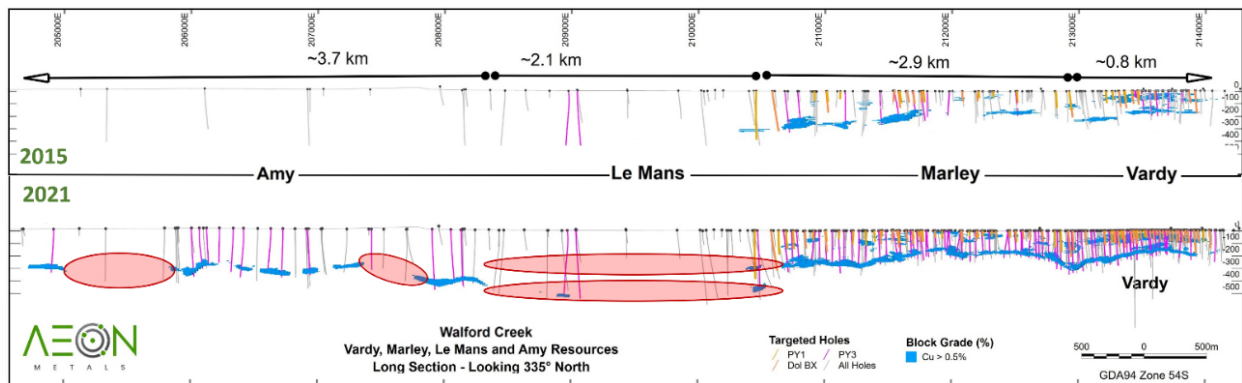


Figure 1: Gaps in existing mineral resources due to lack of drilling

The density of drilling undertaken at Le Mans and Amy west is anticipated to be sufficient to update the existing Mineral Resource Estimate, with completion expected Q1 2023.

The Le Mans drill section density has improved from variable spacing between 150 – 400m, to an average of 150m. Drilling confirmed continuity of the PY1 and PY3 mineralisation from Marley through Le Mans. Drilling at Le Mans began at the western edge of the Marley deposit, infilling more than 1.2km along strike to the west. This has delivered improved confidence in the along strike continuity and grade of the PY1 and PY3 mineralisation at Le Mans.

At Amy west, visual identification of the targeted PY3 lodes (assays pending) indicate further continuity (refer Figure 2).



Figure 2: Drill core from WFDH548 showing massive to breccia replacement sulphide mineralisation at Amy West

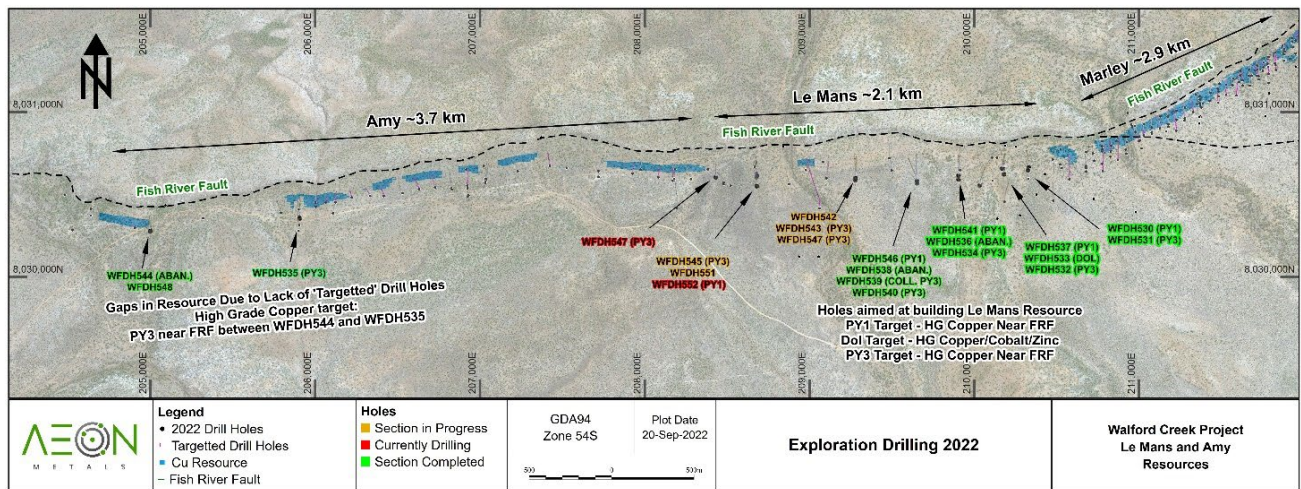


Figure 3: Location of holes drilled up to 20th September 2022

In 2021 Aeon conducted high resolution magnetic and gravity surveys at Walford Creek which identified distinct geophysical signatures associated with the known mineralisation adjacent to the FRF. Several new target areas exhibiting similar geophysical signatures were highlighted (refer ASX release dated 9 August 2021, “*New Drill Targets at Walford Creek*”). This dataset significantly enhanced Aeon’s understanding of the geology and thus prospectivity of the wider Walford Creek region.

The Walford Creek mineralisation is hosted within stacked pyritic shales identified as the PY1 and PY3 units which are good conductors of electrical current. Electro-Magnetics (**EM**) is an excellent tool for identifying electrical conductors up to several hundred metres below surface. In 1998 the CSIRO collected wide-spaced AEM limited to the Marley-Vardy trend. This data identified a broadly flat-lying, strong conductor that clearly delineates the pyritic shales of the PY1 unit, even at depth.

The analysis of the recent AEM survey results has identified a previously unrecognised 14 km long, highly conductive structure that has many features in common with the known mineralisation that abuts the Fish River Fault trend (refer Figure 4). Historically, high conductivity has proven to be a common proxy for sulphide mineralisation at Walford Creek. Importantly, recognition of this structure is new, with no groundwork completed by any previous explorers in the area.

Additionally, several conductive and highly prospective ‘linking structures’ were identified from the survey, further enhancing prospectivity.

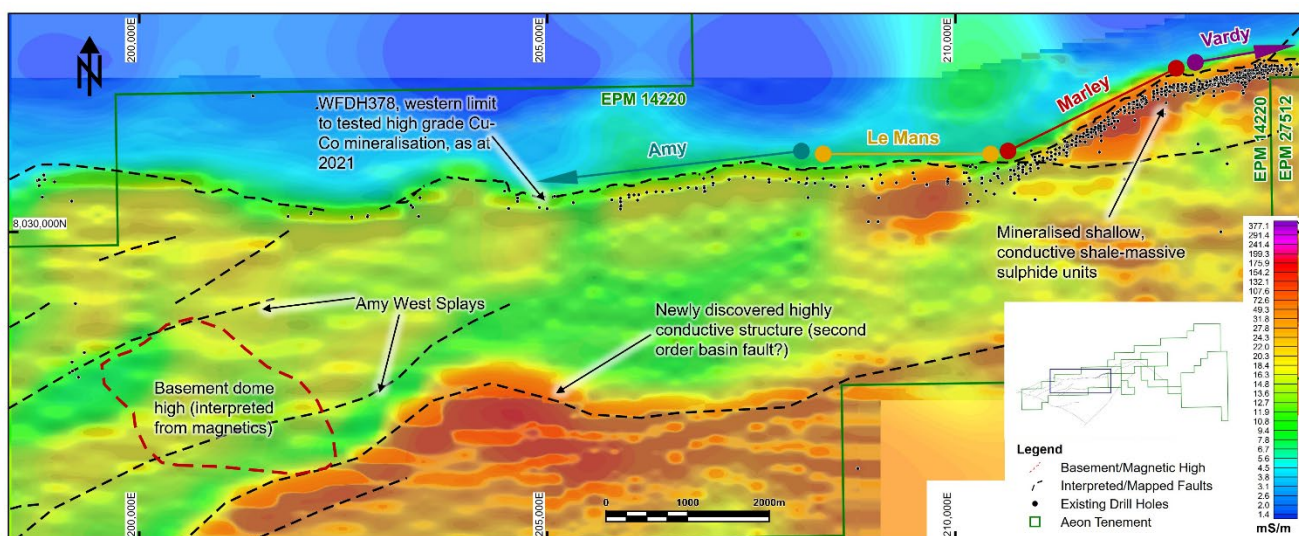


Figure 4: Conductivity over the main Walford Creek mineralised zone

Corporate

In August, Greg Collins replaced Peter Moorhouse in the role of Exploration Manager. Mr Collins is an experienced geologist with over 30 years in exploration and mine geology roles.

At quarter end, Aeon held A\$2.1 million cash and had drawn debt of A\$29.3 million.

ASX Additional Information

ASX listing rule 5.3.1: Exploration and evaluation expenditure during the quarter was A\$3.2 million. Details of exploration activity during the September 2022 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 September 2022 quarter, Aeon paid directors fees of A\$255,000.

Appendix 5B

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

This ASX release has been authorised by the Aeon Board:

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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.

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

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")

30 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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		(258)	(258)
(e) administration and corporate costs		(460)	(460)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(718)	(718)

2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) tenements		-	-
(c) property, plant and equipment		(38)	(38)
(d) exploration & evaluation (if capitalised)		(3,203)	(3,203)
(e) investments		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(3,241)	(3,241)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,092	4,092
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	(121)	(121)
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	3,971	3,971

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,054	2,054
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(718)	(718)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,241)	(3,241)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,971	3,971

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,066	2,066

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	2,013	2,000
5.2	Call deposits	53	54
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)	2,066	2,054

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	255
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p>The amounts above relate to directors' fees.</p>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities ⁽ⁱ⁾	29,268	29,268
7.2	Credit standby arrangements ⁽ⁱⁱ⁾	30	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	29,298	29,268
7.5	Unused financing facilities available at quarter end		30
7.6	<p>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> <p>⁽ⁱ⁾ The company has a limited recourse loan with OCP Asia Group ("OCP") amounting to \$29,268,000 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)	(718)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,203)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(3,921)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,066
8.5	Unused finance facilities available at quarter end (item 7.5)	30
8.6	Total available funding (item 8.4 + item 8.5)	2,096
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.53
	<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	<p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: No, it is expected that costs will reduce once the current drilling campaign is concluded in November.</p>	

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. The entity has submitted a substantial claim for a refund of the previous financial year's R&D expenditure which is expected to be processed imminently. As well as the expected reduction in costs noted above, the entity will need to raise additional cash to fund further exploration in 2023. The entity is in talks with several parties about potential short and/or long-term funding, details of these discussions are confidential at present.

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 October 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.