

Aeon Metals Limited and its controlled entities

ABN 91 121 964 725

31 December 2021

Interim Financial Report

Aeon Metals Limited
31 December 2021 Interim Financial Report

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Aeon Metals Limited

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Directors' Report

The Directors of Aeon Metals Limited (the "Company" or "Aeon") and the entities it controlled (together, "the Group") present their report together with the consolidated financial statements for the six months ended 31 December 2021 and the auditors' review report thereon.

Directors

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

Name

Dr Fred Hess
Managing Director

Mr. Paul Harris
Chairperson
Non-Executive Director

Mr. Ivan Wong
Non-Executive Director

Mr Andrew Greville
Non-Executive Director

Review of operations

Overview

The first half of FY2022 was focussed on conducting a geophysical exploration program at Walford Creek, undertaking a limited exploration drilling program at Walford Creek, completing an extensive program of in-fill drilling at Walford Creek and advancing the Pre-Feasibility Study for the Walford Creek Copper-Cobalt Project.

The high resolution geophysical surveys revealed a number of new exciting targets at Walford Creek that have the potential to grow the existing Mineral Resources. The limited exploration conducted based on these results revealed the previously unrecognised potential of the Walford dolomite to host significant copper mineralisation. Step out drilling into the Le Mans zone demonstrated a continuation of PY1 mineralisation.

The in-filling drilling program has provided the necessary sample quantity and representation to allow an extensive metallurgical testwork program to be conducted in order to both confirm and optimise the process flowsheet. By year end, substantial progress was made in both bulk sulphide flotation and pressure leaching performance optimisation.

Aeon raised \$9.5 million (before costs) in a placement to new and existing sophisticated and professional investors in July 2021. The Company also raised a further \$705,000 from existing eligible shareholders on the same terms via a Share Purchase Plan.

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).

Long standing Exploration Manager, Mr Dan Johnson, resigned in August 2021 and was replaced by Mr Pete 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.

In September 2021, Prime Minister, Mr Scott Morrison, made a landmark announcement supporting Commonwealth funding of critical minerals project developments. Aeon sees this as a welcome initiative as it continues to advance its Walford Creek Copper-Cobalt Project towards development.

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In December 2021, Aeon announced the appointment of Bacchus Capital Advisers to provide strategic financial advice on the progression of project debt funding, potential project partners and related major commercial opportunities.

Over the course of the six months, the rising trend in commodity prices continued with particularly strong performances by cobalt, zinc and nickel. This strong commodity price environment augers well for the advancement of the Walford Creek Project.

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*
- 11 Feb 2022 – *Step-out drilling identifies potential Vardy repeat*

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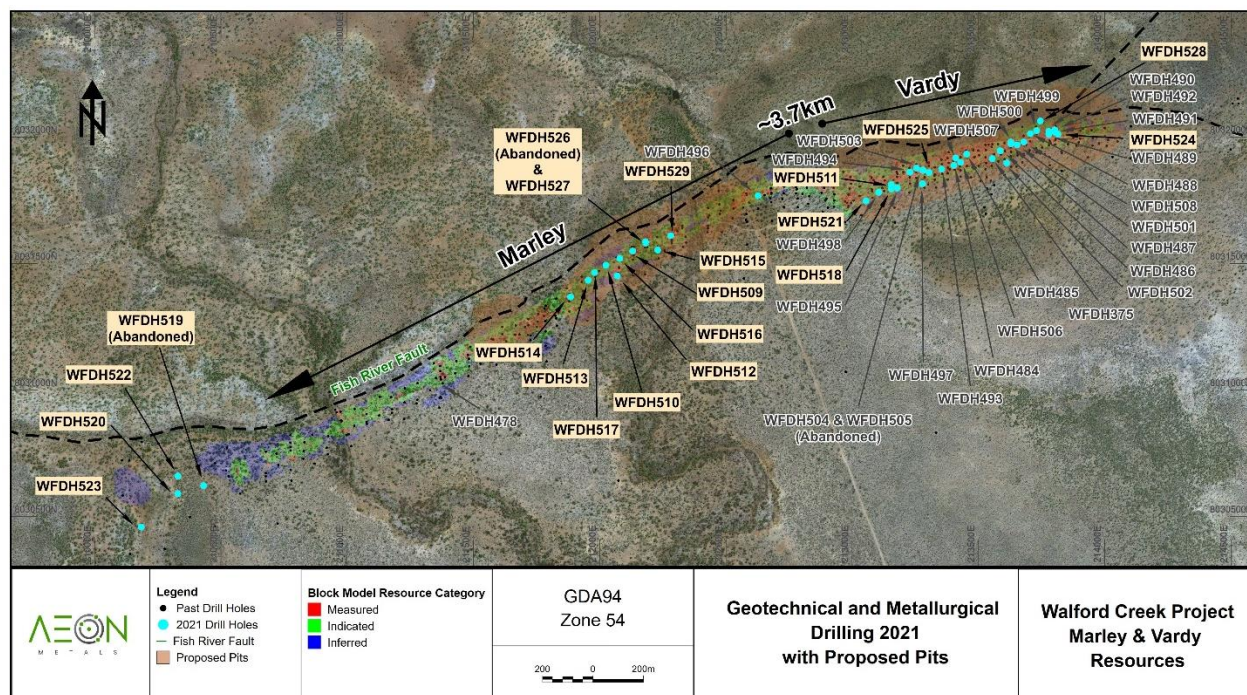


Figure 1: Distribution of the 2021 drilling in relation to the Marley and Vardy deposits

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 were broadly consistent with historic results and continued to demonstrate the exceptional continuity and quality of the Mineral Resources at Vardy and Marley.

The results of two extensive high resolution magnetic and gravity surveys were announced on 9 August 2021. Interpretation of these results (see Figures 2 and 3) has provided exciting new insights into the potential for further extensions to the already substantial Walford Creek resources. The much higher resolution achieved in the new data 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 including:

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.

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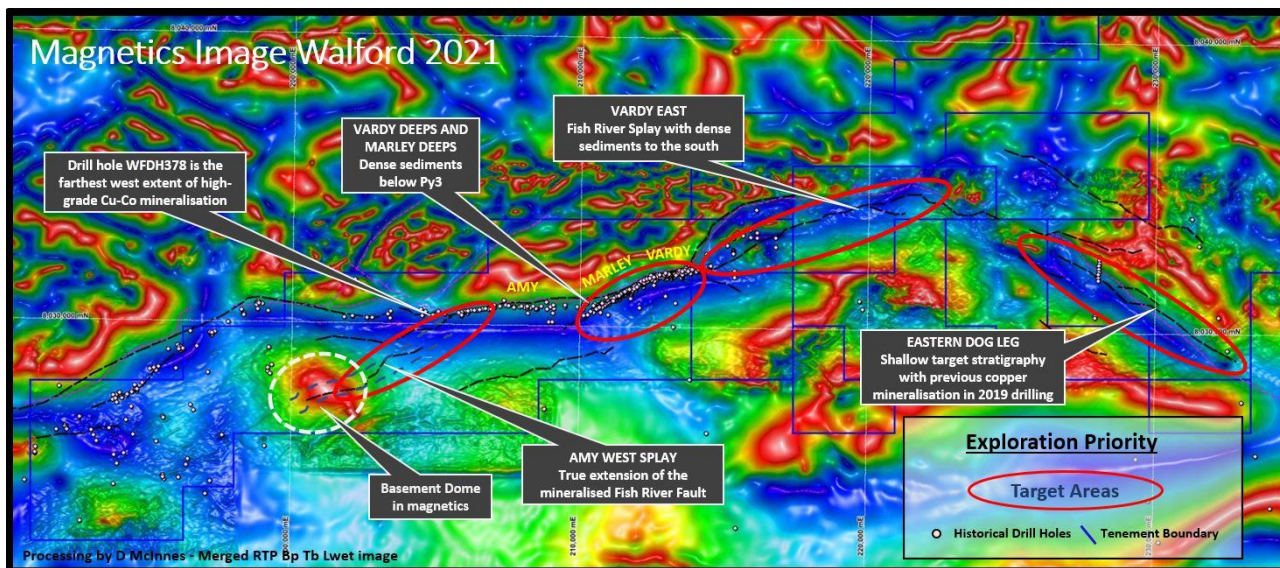


Figure 2: RTP (Reduced to Pole) magnetics survey with location of the drilling and the target zones

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 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 4) that are now interpreted as exciting new prospective horizons within the Walford Dolomite itself.

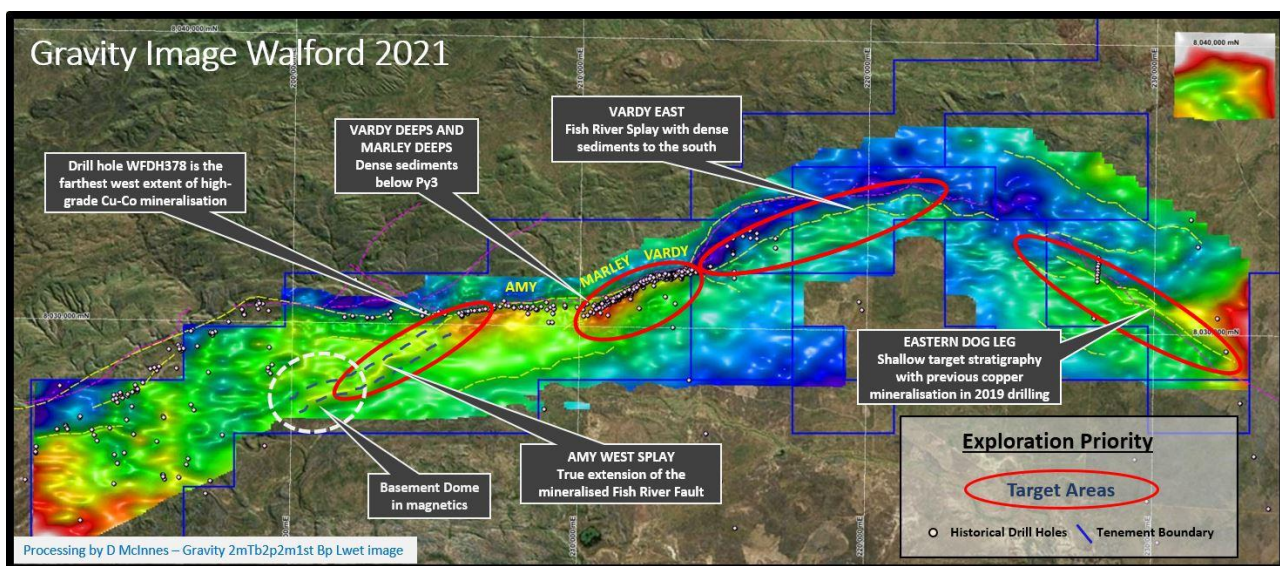


Figure 3: Bouguer gravity survey with location of the drilling and the target zones

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Figure 4: 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 was undertaken at ALS Burnie Laboratory under the direction of Dr Greg Harbort from Geometecon. The hydrometallurgy testwork was 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.
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 was provided in an ASX release dated 23 February 2022, *Pre-Feasibility Study Update*. The basic flowsheet was confirmed using the representative 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 were well advanced.

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On 23 February 2022, Aeon release a detailed update on the progress of the PFS. In summary, all major work streams have progressed well. Completion and release of the PFS, including a maiden Ore Reserve, is expected during April following select-COVID induced delays, largely related to travel restrictions and personnel attendance.

Overall PFS progress to date suggests that the key physical outcomes and cost projections from the Scoping Study will be broadly confirmed. The PFS is confidently expected to confirm the potential for the Walford Creek Project to become a significant producer of high quality battery metals – copper, cobalt, zinc and nickel.

An updated Mineral Resource is currently being finalised and is expected to deliver increases in Measured classification tonnage following CY2021 infill drilling. It is expected that an Ore Reserve will also be reported for the first time for Walford Creek in conjunction with the finalisation of the PFS.

Mine designs are being updated to reflect infill drilling results. Mine schedule optimisation and updated operating cost estimates will follow the Mineral Resource update.

The hydrometallurgical process route adopted for Walford Creek yields much lower emissions compared to pyrometallurgical routes typically required for sulphide ores.

Corporate

Aeon raised \$9.5 million (before costs) in a placement to new and existing sophisticated and professional investors in Jul 2021. The Company also raised a further \$705,000 from existing eligible shareholders on the same terms via a Share Purchase Plan.

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).

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

The 2021 Annual Report was released on 22 October 2021. The 2021 Annual General Meeting was held on 26 November 2021.

On 7 December 2021, Aeon announced the appointment of Bacchus Capital Advisers (**BCA**) as strategic financial advisers to Aeon Metals. 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 the Walford Creek 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 \$1.17 million for research and development work already completed. This grant was associated with the selection, design and operation of metallurgical processes that seek to produce high grade concentrates consistently and at maximum recovery.

At 31 December 2021, Aeon held \$2.7 million cash and had drawn debt of \$26.3 million.

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Walford Creek Critical Minerals

On 28 September 2021, Prime Minister, Mr Scott Morrison, made a landmark announcement supporting Commonwealth funding of critical minerals project developments. Aeon sees this as a welcome initiative as it continues to advance its Walford Creek Copper-Cobalt Project towards development.

The Commonwealth Government announcement pledged \$2 billion in funding to support new critical minerals project developments. Aeon's Walford Creek Project is ideally placed to be in the vanguard of developments potentially benefiting from this new funding initiative. Cobalt is a critical mineral and the Walford Creek Project has the potential to propel Aeon into the position of being Australia's largest domestic cobalt producer when in production.

Mr Morrison noted that the funding initiative was designed to effectively fill gaps in the financing of critical minerals resources projects, in order to assist with and accelerate their development.

Minister for Trade, Tourism and Investment, Mr Dan Tehan, said, *"The global growth in demand for critical minerals to be used in the production of the latest technologies represents an incredible opportunity for Australia to utilise its natural resources and world-leading mining know how to become a leader in the extraction, processing and supply of critical minerals."*

Aeon is currently in the preliminary stages of progressing funding for the Walford Creek Project. It is expected that this process will be much further advanced by the time the Walford Creek PFS is completed.

This move by the Australian Commonwealth Government was consistent with the actions of the United States Geological Survey (USGS) which recently released a report, "Methodology and Technical Input for the 2021 Review and Revision of the U.S. Critical Minerals List" that adds both zinc and nickel to its Critical Minerals List. It identified commodities with the greatest supply risk as those where:

1. Global production was concentrated in countries that may become unable or unwilling to continue to supply to the U.S.;
2. U.S. consumption was predominately dependent on foreign supplies; and
3. U.S. consumption represented a large expenditure for U.S. manufacturing industries with low profitability but who contributed greatly to the U.S. economy.

Cobalt was already on the USGS Critical Minerals List, sitting in the upper right quadrant of Economic Vulnerability versus Disruption Potential matrix.

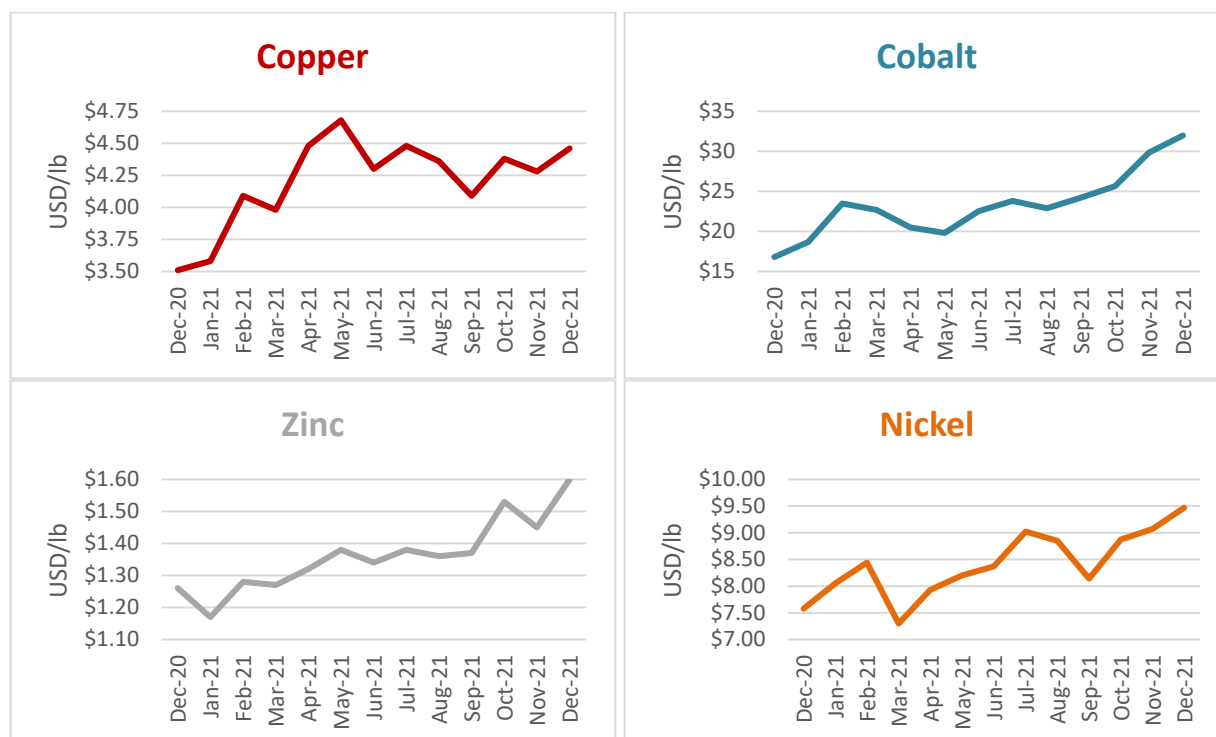
Aeon's Walford Creek Project has the potential to become Australia's largest producer of cobalt metal when in operation and this underpins the strategic importance of its development. This also provides insight into the important role that marketing of the cobalt off-take from Walford Creek will play in its future project financing and development.

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Commodity Price Trends

Figures 5a to 5d highlight the consistent upwards trend in metal prices for the proposed Walford Creek products over the course of CY2021. 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 planned products from the Walford Creek 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 5(a-d): Commodity price trends in 2021

Financial Position

The net assets of the Group at 31 December 2021 were \$66.5 million (30 June 2021: \$58.6 million) including cash of \$2.7 million (30 June 2021: \$0.5 million).

Significant Changes in State of Affairs

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

After Balance Date Events

There have been no significant subsequent events to note.

Future Developments, Prospects and Business Strategies

The Company's priority is to advance Walford Creek towards the development of a world class base metals mine as well as continue to explore on priority exploration tenements. In order to do this Aeon's near-term strategy at Walford Creek includes completing a PFS. A PFS sets the Project parameters (plant throughput, product outputs, operating and capital costs, etc) enabling a decision to advance towards a final Feasibility Study and project development.

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Environmental Issues

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

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

Auditor's independence declaration

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

Rounding off

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

Signed in accordance with a resolution of the directors:



Fred Hess
Managing Director

Dated at Sydney on 3 March 2022.

COMPETENT PERSON STATEMENTS

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

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

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

As lead auditor for the review of Aeon Metals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Gareth Few
Partner

BDO Audit Pty Ltd

Sydney, 3 March 2022

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Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 Dec 2021 \$'000	30 June 2021 \$'000
Assets			
Cash and cash equivalents		2,722	527
Trade and other receivables		334	183
Other investments		53	53
Prepayments		40	89
Total current assets		3,149	852
Property, plant, and equipment		252	270
Other assets		36	46
Exploration and evaluation assets	6	90,699	84,180
Total non-current assets		90,987	84,496
Total assets		94,136	85,348
Liabilities			
Trade and other payables		1,063	1,702
Employee benefits		242	262
Provisions		50	50
Loans and borrowings	7	-	24,758
Total current liabilities		1,355	26,772
Loans and borrowings	7	26,278	-
Total non-current liabilities		26,278	-
Total liabilities		27,633	26,772
Net assets		66,503	58,576
Equity			
Share capital	8	118,280	108,465
Reserves		3,560	3,453
Accumulated losses		(55,313)	(53,318)
Total equity attributable to owners of the Company		66,527	58,600
Non-controlling interests		(24)	(24)
Total equity		66,503	58,576

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

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Other income		-	2
Administrative expenses		(1,202)	(1,090)
Other expenses		(794)	(1,413)
Results from operating activities		(1,996)	(2,501)
Finance income		1	4
Finance costs		-	-
Net finance income		1	4
Profit/(loss) before income tax		(1,995)	(2,497)
Income tax expense		-	-
Profit/(loss) for the period		(1,995)	(2,497)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit/(loss) for the period		(1,995)	(2,497)
Profit/(loss) attributable to:			
Owners of the Company		(1,995)	(2,497)
Non-controlling interests		-	-
Profit/(loss) for the period		(1,995)	(2,497)
Total comprehensive Profit/(loss) attributable to:			
Owners of the Company		(1,995)	(2,497)
Non-controlling interests		-	-
Total comprehensive Profit/(loss) for the period		(1,995)	(2,497)
Profit/(loss) per share			
Basic profit/(loss) per share (cents per share)	9	(0.24)	(0.36)
Diluted profit/(loss) per share (cents per share)	9	(0.24)	(0.36)

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

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Consolidated Statement of Changes in Equity

For the six months ended 31 December 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 2020, as previously reported		108,465	2,531	(47,939)	63,057	(22)	63,035
Total comprehensive loss for the period							
Loss for the period		-	-	(2,497)	(2,497)	-	(2,497)
Total comprehensive loss for the period		-	-	(2,497)	(2,497)	-	(2,497)
Transactions with owners of the Company, recognised directly in equity							
<i>Contributions by and distributions to owners of the company</i>							
Issue of options	8	-	915	-	915	-	915
Lapse of options	8	-	(818)	818	-	-	-
Total contributions by and distributions to owners of the company		-	97	818	915	-	915
Balance at 31 December 2020		108,465	2,628	(49,618)	61,475	(22)	61,453
Balance at 1 July 2021, as previously reported		108,465	3,453	(53,318)	58,600	(24)	58,576
Total comprehensive loss for the period							
Loss for the period		-	-	(1,995)	(1,995)	-	(1,995)
Total comprehensive loss for the period		-	-	(1,995)	(1,995)	-	(1,995)
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the company							
Issue of options	8	-	107	-	107	-	107
Issue of shares for cash	8	10,205	-	-	10,205	-	10,205
Issue of shares for services	8	177	-	-	177	-	177
Capital raising costs	8	(567)	-	-	(567)	-	(567)
Total contributions by and distributions to owners of the company		9,815	107	-	9,922	-	9,922
Balance at 31 December 2021		118,280	3,560	(55,313)	66,527	(24)	66,503

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

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Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities			
Other income		-	50
Cash paid to suppliers and employees		(1,962)	(1,345)
Cash used in operations		(1,962)	(1,295)
Interest received		1	4
Net cash used in operating activities		(1,961)	(1,291)
Cash flows from investing activities			
Acquisition of property, plant, and equipment		(13)	(2)
Payments for exploration and evaluation activities (net of grants received)		(5,469)	(1,092)
Net cash used in from investing activities		(5,482)	(1,094)
Cash flows from financing activities			
Proceeds from the issue of share capital	8	9,836	-
Payment of capital raising costs	8	(198)	-
Proceeds from borrowings		-	3,000
Net cash from financing activities		9,638	3,000
Net increase in cash and cash equivalents		2,195	615
Cash and cash equivalents at 1 July		527	2,425
Cash and cash equivalents at 31 December		2,722	3,040

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

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Notes to the consolidated interim financial statements

1. Corporate Information

The financial statements of Aeon Metals Limited ('Company' or 'Aeon') and its controlled entities ('the Group') for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 3 March 2022.

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

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

The Registered Office of the Company is Level 5, 126 Phillip Street, Sydney NSW 2000.

2. Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report of the Company as at 30 June 2021 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Basis of Preparation

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

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

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

New standards and interpretations adopted

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

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

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Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)

Going concern

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

During the interim period ended 31 December 2021, the Group incurred a net loss before tax of \$2.0 million (2020: \$2.5 million) and had a net cash outflow from operating and investing activities of \$7.4 million (2020: \$2.4 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.

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.

During the period, 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).

The Company understands it will require further funding to continue its progress as planned. The Directors believe that additional funding arrangements will be successful.

Should the Group be unable to execute the forecast strategy it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

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Notes to the consolidated interim financial statements

2. Summary of Significant Accounting Policies (continued)

Judgements and estimates

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

3. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2021 unless amended due to the adoption of new accounting standards effective for the period.

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2021.

5. Operating segments

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

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

6. Exploration and evaluation of assets

	Dec-21	Jun-21
	\$'000	\$'000
Balance at 1 July	84,180	79,953
Additions, including capitalised interest	7,688	6,729
R&D claim received	(1,169)	(1,358)
Impairment losses	-	(1,144)
Balance at 31 December/30 June	90,699	84,180

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Included in additions is an amount of \$1,520,000 (2021: \$2,714,000) relating to capitalised interest and fees, this represented 100% of interest and fees.

Aeon Metals Limited

31 December 2021 Interim Financial Report

Notes to the consolidated interim financial statements

7. Loans and Borrowings

	Dec-21 \$'000	Jun-21 \$'000
Current liabilities		
Limited recourse notes	-	24,758
	-	24,758
Non-current liabilities		
Limited recourse notes	26,278	-
	26,278	-

During the period, the maturity date of the loans was extended from 17 December 2021 to 17 December 2023. In consideration of the maturity date extension, there is an additional fee equivalent to 2% of the total facility, which will be capitalised over the remaining term of the loan. There were no other changes to loans and borrowings during the period.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

				31 December 2021		30 June 2021	
	Currency	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 2023	26,278	26,278	24,758	24,758
Total interesting- bearing liabilities				26,278	26,278	24,758	24,758

8. Capital and reserves

Share capital

		31 December 2021		30 June 2021	
	In thousands of shares	No. of Ordinary shares	\$'000	No. of Ordinary shares	\$'000
In issue at 1 July		691,670	108,465	677,570	108,465
Shares issued for cash		175,948	10,205	-	-
Issued for services		3,791	177	-	-
Incentive shares issued for services		8,500	-	14,100	-
Share issue costs		-	(567)	-	-
In issue at 31 December/30 June		879,909	118,280	691,670	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.

Aeon Metals Limited

31 December 2021 Interim Financial Report

Notes to the consolidated interim financial statements

8. Capital and reserves (continued)

Reserves

Equity compensation reserve

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

Incentive shares

8,500,000 incentive shares were issued during the period, none expired, and none were exercised.

The 8,500,000 incentive shares were provided through a limited recourse loan, the loan is interest free and is for a 3-year term. The exercise price of the shares is 5.8 cents and vest in two tranches, the first 3,500,000 shares vest upon announcement of a PFS in the first half of 2022 and the second 5,000,000 shares vest upon announcement of a DFS in the second half of 2022. The fair value of these shares was calculated using the Black Scholes Model was \$303,000, with \$107,000 being expensed in the half year.

The total number of incentive shares on issue at 31 December 2021 is 43.1 million (30 June 2021: 34.6 million), these have been funded by limited recourse loans.

9. Earnings/(loss) per share

	Dec-21	Dec-20
	\$'000	\$'000
<i>Basic earnings/(loss) per share has been calculated using:</i>		
Net loss for the period attributable to owners of the Company	(1,995)	(2,497)
Weighted average number of ordinary shares	822,221	688,433
<i>Diluted earnings/(loss) per share has been calculated using:</i>		
Net loss for the period attributable to owners of the Company	(1,995)	(2,497)
Weighted average number of ordinary shares – basic	822,221	688,433
Effect of share options on issue	-	-
Weighted average number of ordinary shares - diluted	822,221	688,433

10. Related parties

Arrangements with related parties, involving only key management personnel compensation, continued to be in place. For details on these arrangements, refer to Note 26 of the 30 June 2021 Annual Financial Report.

11. Subsequent events

There have been no significant subsequent events to note.

Aeon Metals Limited

31 December 2021 Interim Financial Report

Directors' Declaration

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

1. the consolidated interim financial statements and notes set out on pages 17 to 25, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the six-month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Fred Hess
Managing Director

Dated at Sydney this 3 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aeon Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Aeon Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

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



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit Pty Ltd

A stylized, handwritten signature of the BDO firm, appearing as 'BDO' in a cursive script.

A handwritten signature in cursive script that reads 'Gareth Few'.

Gareth Few
Director

Sydney, 3 March 2022