

# QUARTERLY ACTIVITIES REPORT

## FOR THE PERIOD ENDING 30 JUNE 2021

Aeon Metals Limited (ASX:AML) (**Aeon** or the **Company**) is pleased to present its activities report for the quarter ending 30 June 2021.

### Highlights

- Adoption of new flowsheet consisting of bulk sulphide flotation and pressure oxidative leaching followed by sequential production of high value metal end products for 100%-owned Walford Creek Copper-Cobalt Project in north-west Queensland (**Walford Creek Project**)<sup>1</sup>
- Revised Scoping Study for Walford Creek Project demonstrating substantial improvement in forecast economics driven by adoption of the new flowsheet<sup>5</sup>
- Commencement of metallurgical testwork program focussed on optimising the new flowsheet<sup>4</sup>
- Study timetable indicating targeted completion of revised Pre-Feasibility Study (**PFS**) in Q1 CY2022<sup>5</sup>
- Updated Mineral Resource Estimates (**MRE**) for Walford Creek Project resulting in an increase in Vardy and Marley zone copper, cobalt and zinc contained metal of around 9%, a lead metal increase of 21% and a silver metal increase of 12%<sup>2</sup>
- Commencement of CY2021 exploration program at Walford Creek Project focussed on expansion of the MRE, particularly relatively sparsely drilled 5.7km Amy zone adjacent to Fish River Fault<sup>3</sup>
- Appointment of Dr Fred Hess as permanent Managing Director and CEO of Aeon

<sup>1</sup> ASX release: *Walford Creek Pre-Feasibility Study Update and Next Steps*, 15 April 2021

<sup>2</sup> ASX release: *Walford Creek Resource Update*, 19 April 2021; Aeon confirms that it is not aware of any new information or data that materially affects the information included in that release. All material assumptions and technical parameters underpinning the estimates in that ASX release continue to apply and have not materially changed.

<sup>3</sup> ASX release: *Walford Creek 2021 Exploration Commences*, 27 May 2021

<sup>4</sup> ASX release: *Metallurgical Testwork Program*, 3 June 2021

<sup>5</sup> ASX release: *Walford Creek Revised Scoping Study Results*, 30 June 2021; Aeon confirms that it is not aware of any new information or data that materially affects the information included in that release. All material assumptions and technical parameters underpinning the estimates in that ASX release continue to apply and have not materially changed.

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

*"The adoption of the revised flowsheet in April has been pivotal to the renewed optimism and growing confidence in our Company's future, culminating in the recent release of a revised Scoping Study that charts a credible pathway towards project development. I am excited by what has been achieved in such a short space of time and it has motivated me to actively pursue the realisation of what is set to be a major new copper-cobalt project. These are the key drivers of my decision to continue in the role of Managing Director and CEO on a permanent basis.*

*"We appear to have set a challenging timeline for completion of the Pre-Feasibility Study – however it necessitates further explanation. While we announced the projected economics for the new flowsheet*

under the overarching heading of a revised Scoping Study, as noted at the time our underlying geological, mining and metallurgical knowledge is far more advanced than this implies.

“Similarly, while we are embarking on a substantial 2021 exploration program at site, our existing MRE already contains over 44Mt with more than 80% in Measured and Indicated (**M&I**) classifications. With over 95% M&I in the Vardy and Marley zones that contain 38Mt, we are ready to undertake detailed mine optimisation and design in the current study phase. Our extensive history of metallurgical testwork exploring various flotation and leaching pathways is an advanced platform that also allows us to focus on optimisation, versus investigation, for many of the key flowsheet elements.

“The revised Scoping Study projected economics were based on what we believe to be a conservative set of assumptions. Moreover, there is latent potential for these forecast outcomes to benefit substantially from the many opportunities that are being pursued in the PFS currently. Key drivers of this potential upside include the current exploration program, the metallurgical testwork focussed on optimisation, an increase in the solar PV content of the total electricity demand, and a re-examination of the underground mining method.

“I expect to provide ongoing updates of our exploration and metallurgical testwork progress over coming months, as well as our progress on evaluating the many project improvement opportunities that we have identified.”

## Safety

The Company commenced site activities at Walford Creek in May. There have been no minor or lost time injuries within the Company in the quarter.

## Revised Scoping Study

The key results of the revised Scoping Study (June 2021) were:

- Conventional open pit and underground mining of existing Vardy, Marley and Amy deposits delivering an initial operating life of approximately 14 years.
- 3Mtpa comminution and flotation plant feeding a 1.5Mtpa pressure oxidative leach plant yielding high grade, high payability products for copper, cobalt, zinc, silver and nickel.
- Total contained production of 243kt copper, 33kt cobalt, 278kt zinc, 26Moz silver and 15kt nickel. Total copper equivalent (**CuEq**) production of 590kt and average annual CuEq output at nameplate of approximately 50kt per annum (see ASX release dated 30 June 2021, Walford Creek Revised Scoping Study Results, for full details on calculation methodology for CuEq volumes).
- Forecast LOM net revenue split of 38% copper, 32% cobalt, 16% zinc, 10% silver and 4% nickel (LOM price assumptions of US\$4.54/lb Cu, US\$20.42/lb Co and 0.75 A\$/US\$).
- Average All-In-Sustaining-Cost (AISC) of US\$2.0 - 2.2/lb CuEq.
- Forecast pre-production capex estimate of A\$996 million (including 20% contingency); delivers highly globally competitive upfront capital intensity of approx. US\$15,000/t annual CuEq output.
- Ungeared, real, post-tax NPV8% of A\$375M to A\$805M.
- Post-tax internal rate of return (IRR) of 13% to 18% and project payback within 4 to 5 years.
- Projected life-of-mine project net free cashflow of A\$1,200M to A\$1,925M.
- Over 30% of total electricity generation of 54MW to be derived from renewable solar energy.

Key improvement initiatives set to be progressed during the PFS include:

- Improved flotation metal recoveries and pressure oxidation (**POX**) metal extractions.

- Recovery of lead which is not currently included in the revenue stream.
- Updated MRE arising from the current exploration program.
- Modified, more efficient caving 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.

### Updated Mineral Resource Estimates for Vardy and Marley Zones

An update to the MRE was completed in 2021 using density weighting of the composite samples with the dynamic interpolation Ordinary Kriging technique. The Amy Inferred MRE remains the same.

The key outcomes from this were:

- Total Vardy and Marley MRE extends for over 3.6km of strike.
- **Copper mineralisation:** 19.6Mt @ 1.08% Cu, 0.15% Co, 31g/t Ag, 1.03% Pb, 0.73% Zn and 0.07% Ni.
- **Cobalt peripheral mineralisation:** 19Mt @ 0.24% Cu, 0.09% Co, 21g/t Ag, 0.96% Pb, 1.07% Zn and 0.04% Ni.
- The new MRE increased in tonnage from the December 2019 MRE by 6% with an increase in copper and cobalt grades of 4%, the lead grade increased by 21%, the zinc grade by 3% and the silver grade by 6%.
- This resulted in an increase in copper, cobalt and zinc contained metal of around 9%, a lead metal increase of 21% and a silver metal increase of 12%.
- Over 95% of the total Vardy and Marley Mineral Resources is now in the Measured & Indicated classification (36.7Mt).

### Walford Creek Exploration Program

The CY2021 exploration program involves both significant drilling and geophysical survey work (ground based and aerial). 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, and drill testing of an AEM target.
- 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 revised MRE.

Both the airborne magnetic and ground-based gravity surveys were completed in June. The analysis of the results is currently underway and Aeon expects to report findings in due course. As at the end of June, five (5) of the 11 PQ holes planned for Vardy and Marley had been completed.

## Walford Creek Metallurgical Program

The bulk sulphide flotation and pressure oxidative leach flowsheet is designed to substantially improve payable metal recovery into higher quality, higher payability products that will minimise downstream treatment charges and deleterious element penalties.

The flowsheet can be separated into four broad process stages:

- Comminution and flotation to produce a bulk sulphide concentrate and tailings.
- Bulk sulphide concentrate leaching to produce a high tenor pregnant leach solution (**PLS**) and an autoclave leach residue.
- Sequential extraction of metals (copper, zinc, cobalt, nickel) from the PLS to produce high quality end-products and an impurities residue containing mainly iron and arsenic.
- Extraction of silver by cyanide leaching of the autoclave leach residue followed by elution, electrowinning and smelting to produce silver doré bars.

From the extensive suite of testwork results to date on Walford Creek ore, pressure oxidative leaching in an autoclave was demonstrated to yield the highest extractions of valuable metals into the PLS.

For the proposed pressure oxidative leach conditions, the lead and silver would remain predominantly in the solid leach residues and will largely not be leached into solution. Importantly, the metal concentrations in the PLS are significantly higher than alternative leaching processes, such as bacterial and atmospheric leaching. This increases the number of process options for subsequent selective extraction of metals from solution, significantly decreases reagents costs, and facilitates the production of higher quality metal end-products.

## Corporate

On 25<sup>th</sup> June 2021, Dr. Fred Hess was appointed Managing Director and CEO of Aeon.

Subsequent to the end of the quarter, Aeon raised \$9.5 million (before costs) in a placement to new and existing sophisticated and professional investors. The Company is also offering existing eligible shareholders the opportunity to apply for shares at the same issue price as the Placement (\$0.058 per share) via a Share Purchase Plan.

Subsequent to the end of the quarter, Aeon has reached an in-principle agreement with Aeon's major shareholder and lender, OCP, to extend the maturity date on its existing loan facility to 17 December 2023.

## ASX Additional Information

ASX listing rule 5.3.1: Exploration and evaluation expenditure during the quarter was A\$961k. Details of exploration activity during the June 2021 quarter are set out in this report and are mostly associated with costs relating to its 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 June 2021 quarter, Aeon paid directors fees of \$82k to non-executive directors, \$100k to the Managing Director during the period.

## Appendix 5B

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

**This ASX release has been authorised for and on behalf of the Aeon Board by:**

Dr Fred Hess, Managing Director and CEO

For more information, please contact:

**Investors**

Dr Fred Hess  
**Managing Director & CEO**

[info@aeonmetals.com.au](mailto:info@aeonmetals.com.au)  
[www.aeonmetals.com.au](http://www.aeonmetals.com.au)

**Media**

Michael Vaughan  
**Fivemark Partners**

+61 422 602 720

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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 Polymetallic Project (**Walford Creek Project**) located in north-west Queensland, approximately 340km to the north north-west of Mount Isa.

Aeon completed a Scoping Study in June 2021 on the development of a 3.0Mtpa open pit and underground mining operation at the Walford Creek Project producing approximately 243kt copper and 33kt cobalt (plus zinc, silver and nickel) for sale to global metal markets. A Pre-Feasibility Study is targeted for completion in Q1 CY2022.

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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")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(260)	(880)
	(e) administration and corporate costs	(425)	(1,562)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	1,408
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(685)</b>	<b>(1,028)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(4)
	(d) exploration & evaluation (if capitalised)	(961)	(3,864)
	(e) investments	-	-
	(f) other non-current assets	-	-

## 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 (12 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(961)</b>	<b>(3,868)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	3,000
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>3,000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,226	2,476
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(685)	(1,028)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(961)	(3,868)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	3,000



## 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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>580</b>	<b>580</b>

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	317	174
5.2	Call deposits	263	2,052
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>580</b>	<b>2,226</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

182

-

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.

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

**7. Financing facilities**

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	30	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	<b>30</b>	-

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.

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 five separate cards, and the full \$30,000 is undrawn.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(685)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(961)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,646)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	580
8.5 Unused finance facilities available at quarter end (Item 7.5)	30
8.6 Total available funding (Item 8.4 + Item 8.5)	610
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>0.37</b>

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.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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: Yes

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 announced on 19 July 2021, the company has raised \$9.5m via a two tranche placement. The first tranche of \$5m is expected to complete on 26 July 2021. The second tranche will be completed following receipt of shareholder approval which will be sought in due course. A SPP that could raise up to \$3m was also announced on 19 July 2021.

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 answer 2.

**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: .....19 July 2021.....

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.