

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2021

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

Highlights

- Maturity date of OCP Asia loan facility extended by two years to 17 December 2023
- A\$10.2 million new equity raised via placement and SPP
- Pete Moorhouse appointed Exploration Manager and Jeff Botting appointed Project Manager
- In-fill drilling at Vardy zone completed and Marley zone drilling nearing completion
- Assay results pending for the drilling of new exploration target at Vardy Deeps
- Metallurgical optimisation testwork results for bulk sulphide flotation and leaching consistent with Scoping Study outcomes
- Morrison Government announces A\$2 billion funding initiative to support critical minerals project development, expected to benefit Aeon's Walford Creek Copper-Cobalt Project
- Commodity prices in the Walford Creek Project metal portfolio continue strong upwards trend

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

"Aeon raised over A\$10 million during the quarter through a placement to sophisticated and institutional investors and a share purchase plan for existing shareholders. All Aeon directors participated in the capital raising, as did OCP Asia. In addition, OCP Asia continued its strong support with the granting of a two year extension to the maturity of its loan facility, now 17 December 2023."

"The Aeon management team was boosted with the recruitment of Mr Pete Moorhouse and Mr Jeff Botting. We continue to make strong progress towards completing the Pre-Feasibility Study on Walford Creek. The exploration drilling program on site has provided a comprehensive range of samples for metallurgical testwork. The initial flotation and leach optimisation testwork results are broadly consistent with the Scoping Study assumptions. The preliminary design and engineering work to support more detailed capital and operating cost estimates is also progressing well."

"The Morrison Government also recently announced a A\$2 billion funding initiative to support the development of critical minerals. This announcement provides further confidence for Aeon to continue on our current development timetable and serves to reinforce the level of potential funding support available for quality critical minerals projects in Australia."

"Commodity prices continue to exhibit strong growth trends driven by the battery/electrification metal thematic in conjunction with renewed global economic growth optimism following the period of COVID-19 induced uncertainty. While individual commodity price performance is variable, Aeon's Walford Creek Project is endowed with a portfolio of metals that affords greater potential revenue risk diversification than others which often rely predominantly on the fortunes of a single metal."

Walford Creek Exploration Program

A combined total of 4,228 metres was drilled for the quarter. This consisted of 22 finished drill holes for a total of 1,402.6 m using PQ, 2,200.4 m using HQ and 618.3 m using RC. 13 holes were drilled for metallurgical samples at Vardy, and an additional 6 holes at Vardy were drilled as a combined geotechnical study and metallurgical sampling. One hole was completed at Marley for metallurgical sampling, and two holes were completed as a first step to exploring the Vardy deeps prospect. Assay result turnarounds are typically ranging from 8 to 10 weeks. The assay results for the Vardy exploration holes are expected in November.

As noted from the outset, the primary purpose of this drilling campaign is to provide representative samples of all potential metallurgical feed types. Processing of the initial drill samples has already commenced at ALS Burnie and is on-going.

The results of two extensive high resolution magnetic and gravity surveys were announced on 9 August 2021. Interpretation of these results (see Figures 1 and 2) has provided exciting new insights into the potential for further extensions to the already substantial Walford Creek Mineral Resources Estimates. The much higher resolution achieved in the new data has revealed several structural features which were previously poorly defined in the historic, wide-spaced geophysical datasets. The new datasets further refine the geophysical signatures of the Vardy, Marley and Amy zones where strong correlations exist between the known presence of mineralisation and the modelled geophysical response.

New conceptual target areas have been identified 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.

Figure 1: RTP (Reduced to Pole) magnetics survey with location of the drilling and the target zones

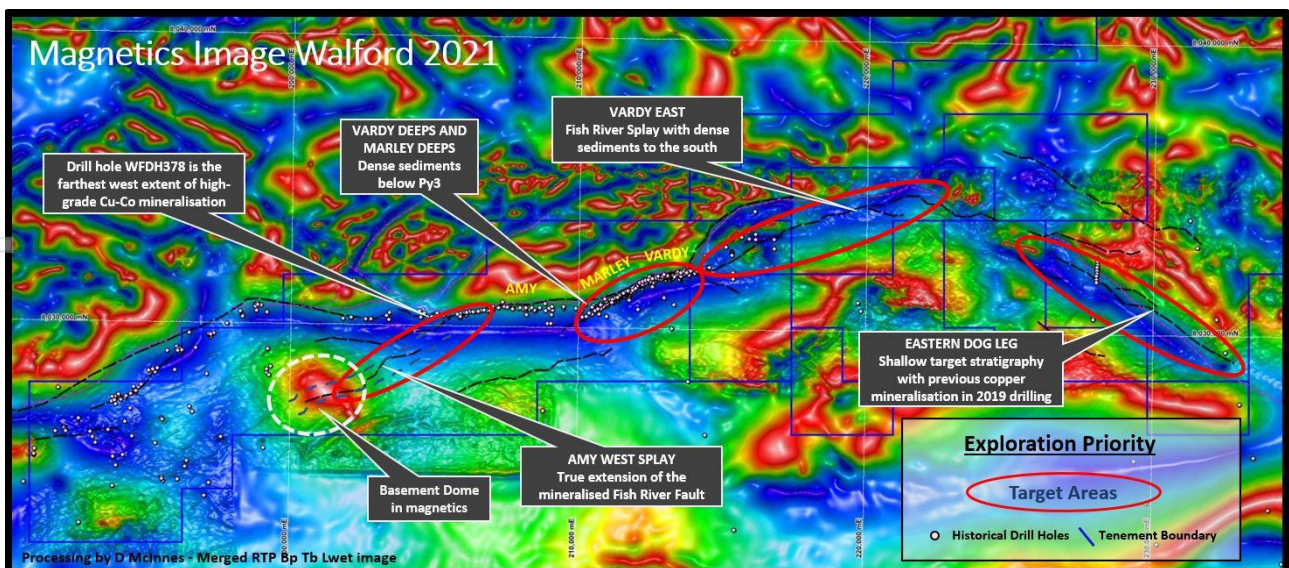
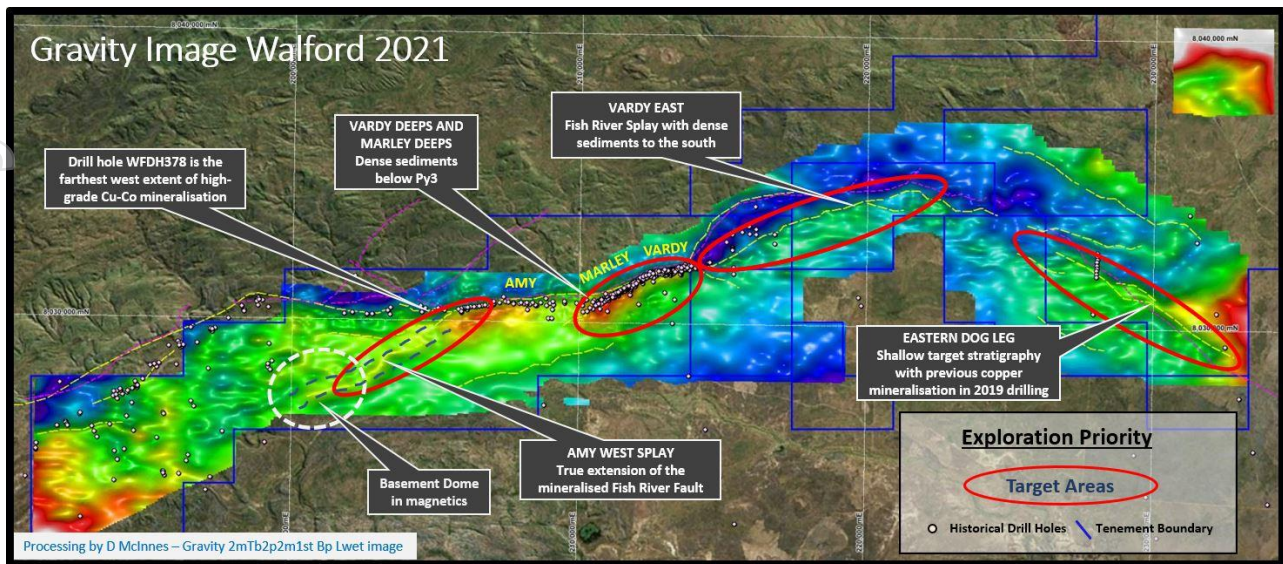


Figure 2: Bouguer gravity survey with location of the drilling and the target zones



The Vardy Deeps target area was drill tested however assay results are pending.

It is envisaged that updated Mineral Resources Estimates for the Vardy and Marley zones will be compiled once final assay results are received for the holes completed as part of the in-fill drilling campaign. These updated Mineral Resources Estimates are expected to inform the PFS with results targeted for release in early CY2022.

Walford Creek Metallurgical Program

The results of the initial optimisation testwork for both bulk sulphide flotation and leaching were announced after the end of the quarter on 13 October 2021, "PFS Metallurgical Testwork Update". The majority of the preliminary testwork has been undertaken using two feed composites representing the previously identified major feed types:

- Copper-cobalt rich; and
- Zinc-lead rich.

The copper-cobalt rich composite was sourced predominantly from samples within the Marley Py3 area of the deposit and assayed 1.9% Cu, 0.3% Co, 0.26% Zn, 30 g/t Ag and 25% S. The zinc-lead rich composite was also predominantly sourced from samples within the Marley Py3 area of the deposit and assayed 0.5% Cu, 0.1% Co, 1.5% Zn, 41 g/t Ag and 25% S. These composites represent the assay extremes for the range of all feed types.

Compared to selective flotation, the pilot plant rougher flotation residence time was increased to approximately 90 minutes to accommodate slightly slower kinetics arising from the coarser flotation feed. To maximise performance, a scavenging stage of approximately 120 minutes residence time was incorporated followed by a cleaner stage to upgrade scavenger concentrate. Regrinding of scavenger concentrate to nominally 20 µm resulted in a 5% reduction in mass produced at equivalent recoveries without regrind. The bulk flotation circuit was optimised using potassium amyl xanthate. Copper sulphate was used to activate pyrite. Flotation recoveries achieved were typically in the range:

- Copper 95 to 97%
- Zinc 93 to 95%
- Lead 94 to 96%
- Cobalt 85 to 88%
- Nickel 86 to 89%

- Silver 89 to 91%
- Sulphur 92 to 94%

The most significant outcome of the leaching testwork completed to date is the ability to achieve high payable metal recoveries whilst minimising pyrite oxidation to between 25% and 35%. This has significantly reduced the oxygen and limestone (used for acid neutralisation post leach) requirements and therefore operating costs in this area. The payable metal extractions achieved were typically in the range:

- Copper 95 to 97%
- Zinc 97 to 99%
- Cobalt 80 to 85%
- Nickel 80 to 85%

Opportunities for further increasing cobalt and nickel extraction have been identified and the next round of testwork is set to explore these. The testwork has also achieved a clean separation of the lead and silver. Both metals report overwhelmingly to the leach solids residue. The testwork to explore extraction of these metals is expected to commence in November 2021 once sufficient quantities of autoclave residue are accumulated.

Results obtained to date from the current metallurgical testwork program are consistent with the process inputs adopted in the Walford Creek Scoping Study (June 2021). The firming up of process operating conditions has allowed equipment selection decisions to be made in conjunction with preliminary plant layouts. The more detailed estimation of capital and operating costs is currently underway. The PFS remains on track for completion in Q1 CY2022.

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 pledges A\$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 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 were those whose:

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

- 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.

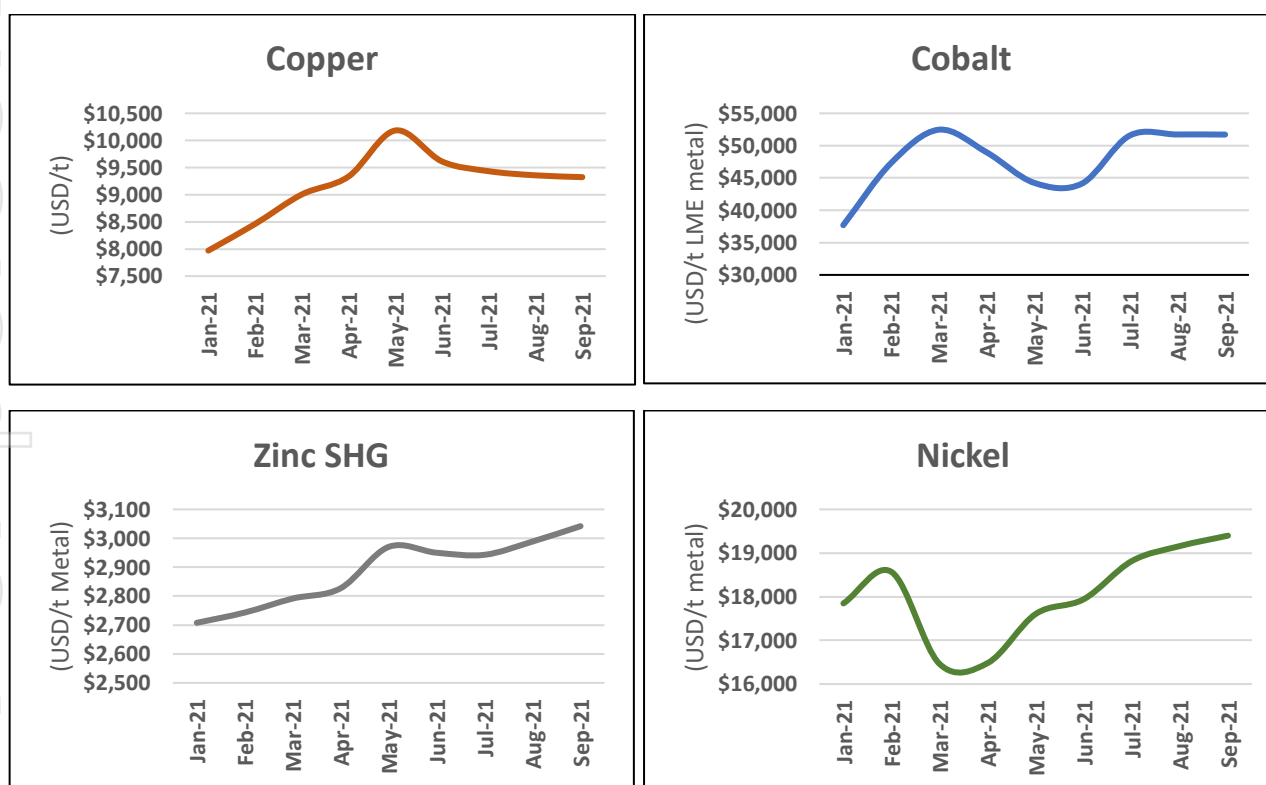
Aeon's Walford Creek Project has the potential to become Australia's largest producer of cobalt metal when in operation and this underpins the strategic importance of its development. This also provides insight into the important role that marketing of the cobalt off-take from Walford Creek will play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

Commodity Price Trends

Since the start of 2021 there has been an underlying improvement in the economic outlook of the metals planned to be produced at the Walford Creek Project. Most notable is copper; up 17% year-to-date (YTD), and cobalt, up 37% YTD. Together these metals are expected to account for over 70% of projected revenue at Walford Creek (see ASX release dated 30 June 2021, *Walford Creek Revised Scoping Study Results*). Zinc, up 12% YTD, and nickel, up 9% YTD, have also shown strong uptrends.

These encouraging commodity price increases in the Walford Creek metal portfolio underline the emerging battery/electrification metal investment thematic that will underpin a low carbon future. The growing consensus to adopt carbon neutral objectives for 2050 further underscore the potential further growth in both demand and prices. The Walford Creek Copper-Cobalt Project timetable to achieve commercial production in 2025 is well positioned to propel Aeon to be a major beneficiary of these broader demand dynamics.

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



Corporate

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).

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

Long standing Exploration Manager, Mr Dan Johnson, resigned in August 2021 and has been 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.

The 2021 Annual Report was released on 22 October 2021. The 2021 Annual General Meeting is scheduled to be held on 26 November 2021.

ASX Additional Information

ASX listing rule 5.3.1: Exploration and evaluation expenditure during the quarter was A\$2.6m. Details of exploration activity during the September 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 September 2021 quarter, Aeon paid directors fees of A\$82,000 to non-executive directors and A\$107,000 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

Fred Hess
Managing Director & CEO

info@aeonmetals.com.au
www.aeonmetals.com.au

Media

Michael Vaughan
Fivemark Partners
+61 422 602 720

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 1 - TENEMENT HOLDINGS AS AT 30 SEPTEMBER 2021

TENEMENT HOLDER	TENEMENT I.D.	LOCATION	INTEREST HELD
Aeon Monto Exploration Pty Ltd	EPM 14628	Northwest of Monto, Qld	100%
Aeon Monto Exploration Pty Ltd	EPM 15921	Northwest of Monto, Qld	100%
Aeon Monto Exploration Pty Ltd	EPM 17001	Northwest of Monto, Qld	100%
Aeon Monto Exploration Pty Ltd	EPM 17002	Northwest of Monto, Qld	100%
Aeon Monto Exploration Pty Ltd	EPM 17060	West of Monto, Qld	100%
Aeon Monto Exploration Pty Ltd	EPM 27604	Northwest of Monto, Qld	100%
Aussie NQ Resources Pty Ltd	EPM 18359	South of Georgetown, Qld	100%
SLW Queensland Pty Ltd	EPM 19029	West of Monto, Qld	100%
Aeon Walford Creek Limited	EPM 11898	Mount Isa West	80%
Aeon Walford Creek Limited	EPM 13412	Mount Isa South	80%
Aeon Walford Creek Limited	EPM 13413	Mount Isa South	80%
Aeon Walford Creek Limited	EPM 13682	Mount Isa South	80%
Aeon Walford Creek Limited	EPM 14220	Walford Creek	100%
Aeon Walford Creek Limited	EPM 14233	Mount Isa South	72%
Aeon Walford Creek Limited	EPM 14694	Mount Isa North	80%
Aeon Walford Creek Limited	EPM 14712	Constance Range	80%
Aeon Walford Creek Limited	EPM 14821	Mount Isa South	80%
Aeon Walford Creek Limited	EPM 14854	Walford Creek	100%
Aeon Walford Creek Limited	EPM 14935	Constance Range	80%
Aeon Walford Creek Limited	EPM 15156	Mount Isa South	80%
Aeon Walford Creek Limited	EPM 15911	Mount Isa South	100%
Aeon Walford Exploration Pty Ltd	EPM 27535	Constance Range	100%
Aeon Walford Creek Limited	EPM 27311	Walford Creek	100%
Aeon Walford Creek Limited	EPM 27312	Walford Creek	100%
Aeon Isa Exploration Pty Ltd	EPM 27435	Mount Isa West	100%
Aeon Isa Exploration Pty Ltd	EPM 27436	Mount Isa West	100%
Aeon Isa Exploration Pty Ltd	EPM 27743	Mount Isa West	100%
Aeon Isa Exploration Pty Ltd	EPM 27744	Mount Isa West	100%
Aeon Isa Exploration Pty Ltd	EPM 27745	Mount Isa West	100%
Aeon Walford Creek Limited	EPM 18552	Walford Creek	100%
Aeon Walford Creek Limited	EPM 18769	Mount Isa West	100%
Aeon Walford Creek Limited	EPM 26906	Walford Creek	100%
Aeon Walford Creek Limited	EPM 27512	Walford Creek	100%
Footprint Resources Pty Ltd	EPM 26316	Walford Creek	Farm In

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 2021

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	(533)	(533)
	(e) administration and corporate costs	(691)	(691)
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	(1,224)	(1,224)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(9)	(9)
	(d) exploration & evaluation (if capitalised)	(2,613)	(2,613)
	(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 (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	(2,622)	(2,622)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,205	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	(369)	(369)
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	9,836	9,836

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	580	580
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,224)	(1,224)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,622)	(2,622)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,836	9,836

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	6,570	6,570

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	6,507	317
5.2	Call deposits	63	263
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)	6,570	580

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	189
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.</i> <i>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⁾	25,504	25,504
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.		
<div><p>⁽ⁱ⁾ The company has a limited recourse loan with OCP Asia Group (“OCP”) amounting to \$25,504,000 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 currently matures on 17 December 2023 (extended from 17 December 2021).</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></div>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,224)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,613)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,837)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,570
8.5 Unused finance facilities available at quarter end (item 7.5)	30
8.6 Total available funding (item 8.4 + item 8.5)	6,600
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.72
<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:29 October 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.