

Aeon Metals Limited
31 December 2015
Interim Financial Report

Aeon Metals Limited

31 December 2015 Interim Financial Report

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Aeon Metals Limited

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Directors' Report

The directors of Aeon Metals Limited (the "Company") present their report together with the consolidated financial statements for the six months ended 31 December 2015 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Mr. Thomas Joseph Mann Chairperson Non-executive Director	Appointed 28 June 2010
Mr. Edgar George Newman Non-executive Director	Appointed 31 December 2008
Mr. Hamish Collins Managing Director	Appointed 28 March 2012
Mr. John Leslie Goody Executive Director	Appointed 28 September 2006
Mr. Paul Harris Non-Executive Director	Appointed 17 December 2014

Review of operations

The 6 month period to 31 December 2015 has seen the Company actively advance the 100% owned Walford Creek Project, a large base metals project located in Northwest Queensland (see Figure 1 below) with a significant JORC Indicated and Inferred Resource. The Walford Creek Project has a pathway to project development with the potential for open pit mine development of world class scale.

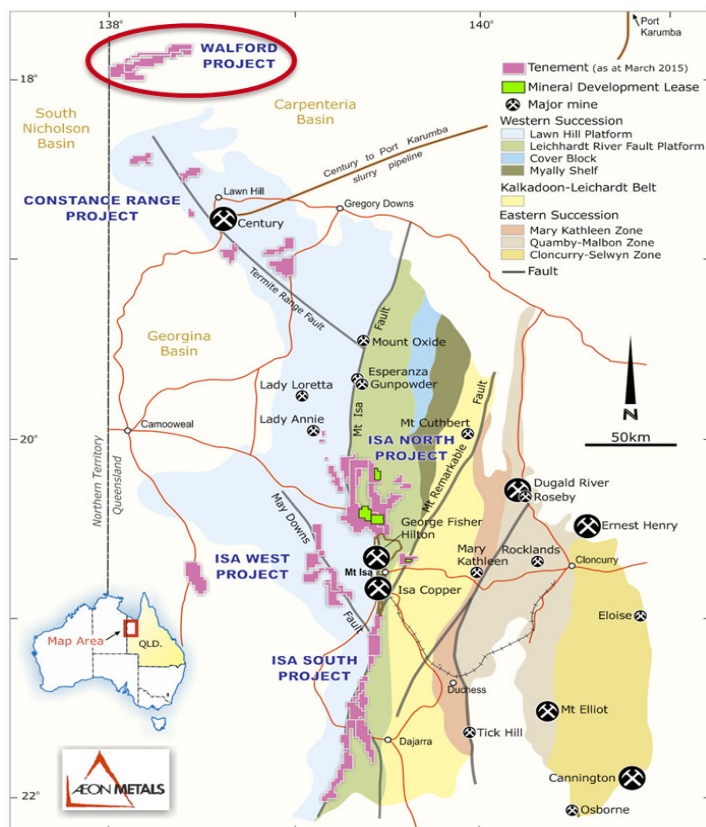
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Directors' Report (continued)

Review of operations (continued)

Figure 1: Aeon's Northwest Tenement Holdings and Walford Creek Project Location



During the half year period, Aeon has been engaged in establishing the key feasibility drivers for the Project (eg product definition and metallurgical processing, conceptual mining and plant design, and indicative logistics and infrastructure studies).

Metallurgical test work for Walford Creek commenced in September 2014 and progress was made in the first half period of 2015 utilising 3 lithological units using core materials stored from the 2012 program. From these tests, information generated indicated that a multi component circuit could be utilised to process the ore. Additionally, drill core samples from the 2014 program were selected for a composite and, using the best test conditions from the previous work, a multi stage flotation separation program was conducted.

This flow sheet test work determined that copper, zinc, lead and pyrite concentrates can be produced in a flotation circuit as shown in the following diagram.

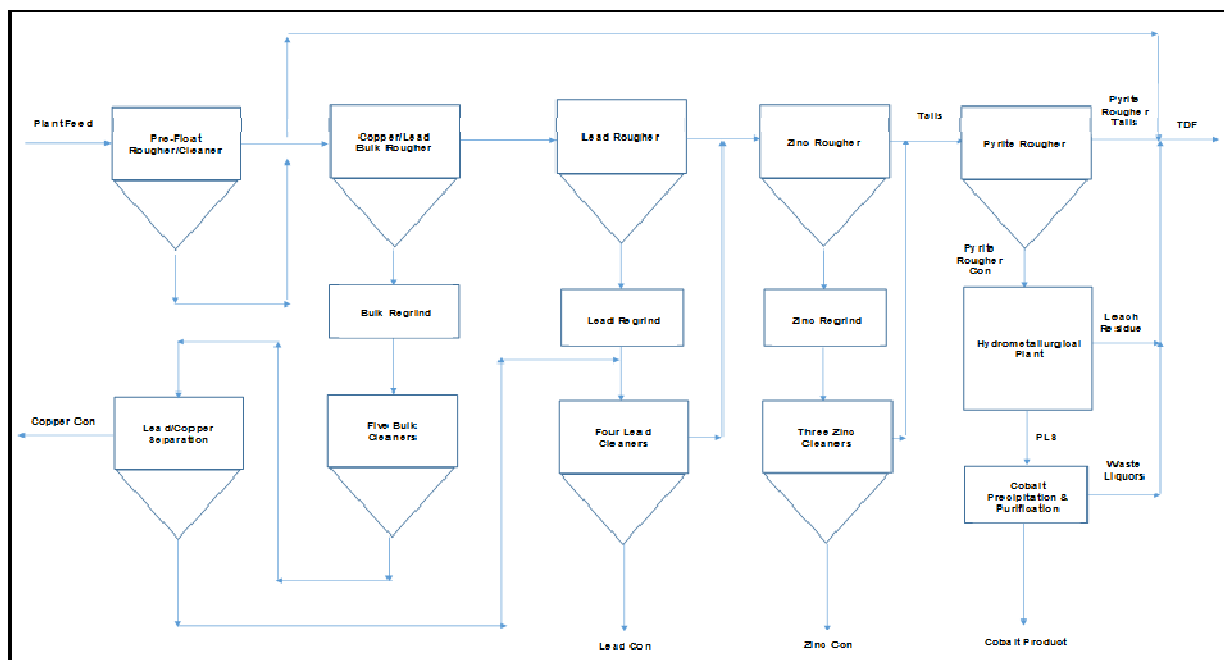
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Directors' Report (continued)

Review of operations (continued)

Figure 2: Walford Creek Multi-component Flow sheet



During the half year period, extensive metallurgical test work continued with the aim to determine the process parameters required for a bulk metal concentrate that could be used in testing hydrometallurgical recovery of copper, zinc and cobalt.

The bulk concentrate flow sheet is an alternate option to the multistage flow sheet reported previously. The multistage flow sheet required a hydrometallurgical recovery circuit to recover the cobalt and silver from the flotation tailings of the base metal concentrates. Consideration with the bulk concentrate work was to determine if the economics of recovery could be improved by producing a bulk concentrate of all the metals including cobalt and silver, which would then be recovered in a hydrometallurgical circuit producing metal products.

The test program achieved a bulk concentrate reducing the feed mass by 75% with recovery of base metals +80% (Cu 83%, Zn 89%). Recovery of cobalt and silver to this concentrate has been low and further regrinding for liberation is required.

A basic flow sheet for the bulk concentrate circuit is shown below where ore is ground to 53 microns, pre-float, then complete sequential copper and zinc roughers. The copper and zinc rougher concentrates were combined, and then floated in one stage of cleaning.

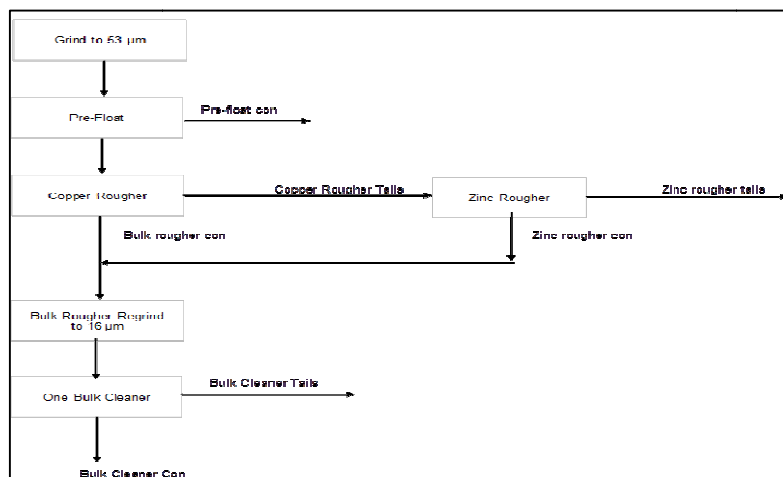
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Directors' Report (continued)

Review of operations (continued)

Figure 3: Walford Creek Indicative Bulk Concentrate Flow sheet



The infrastructure in the gulf region of Northwest Queensland is undergoing change with the Century Mine closed in November 2015 and conversely the focus by government to upgrade the road system. The Company has therefore continued to review a number of possible options which could be cost effective for a Walford Creek mining, processing, and logistics project. Additionally, the owner of Century (MMG Limited) is seeking an Expression of Interest ("EOI") in relation to future business based around the Century mine mineral assets, processing facilities and supporting infrastructure. Century assets available include, amongst others:

- Significant zinc tailings resource;
- Processing plant (crush/grind/float) with 7.1Mtpa capacity;
- Water bore fields;
- 304km underground concentrate slurry pipeline to port;
- Ship loading and port facility at Karumba; and
- Grid power.

MMG will consider investment or partnership proposals in relation to all or part of the assets and infrastructure.

This presents an opportunity for the Company to formally review Walford Creek and Century project synergies including a material expansion of the resource base.

Figure 4: Northwest Queensland road/port infrastructure and Walford Creek location



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Directors' Report (continued)

Review of operations (continued)

“Other” Northwest Queensland Tenements

A map showing Aeon's interest in various exploration permits in Northwest Queensland is provided in Figure 1.

This tenement package, is extensive (covering some 3,400km²) and located in the world-class Mt Isa minerals province in North West Queensland. It includes contiguous land holdings (~170km) along the Mt Isa Fault, bordering north and south of Glencore Xstrata's Mount Isa Mines.

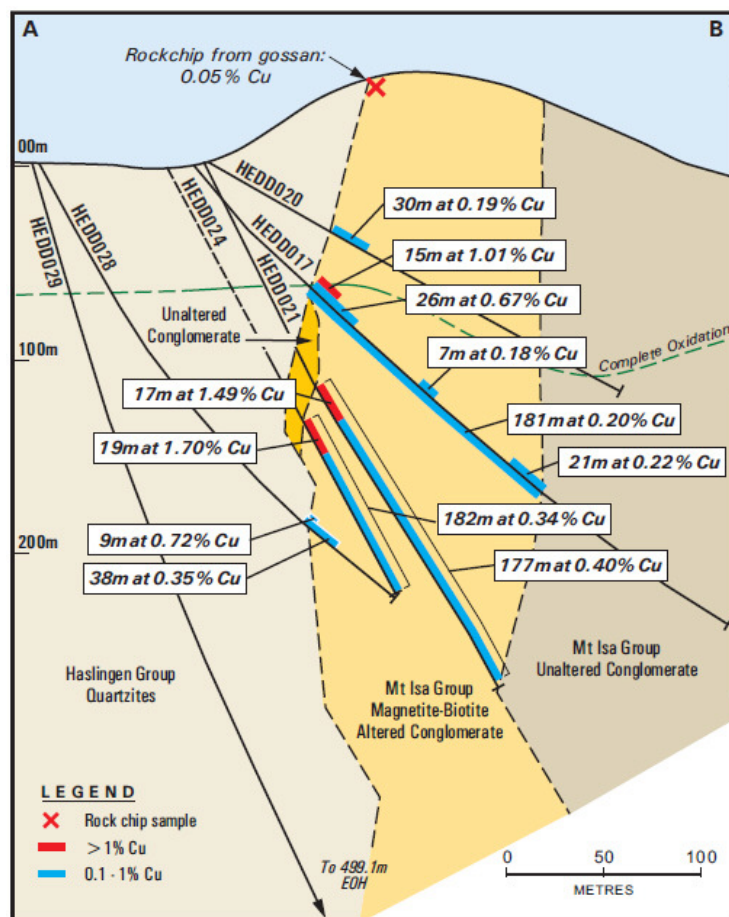
Discussions have been ongoing with third parties in regard to the involvement on these tenements in order to unlock the potential of the combined tenement package.

Hero Prospect

The Hero prospect is located 30km north of the township of Mount Isa on the main highway and is the most advanced of any of the Isa Projects with copper mineralisation hosted in the dolomitic Hero Conglomerate, a basal unit of the Isa Group sediments. High grade mineralisation is associated with magnetite-biotite alteration overprinted by a late copper phase. Broad lower grade copper mineralisation is also associated with a silica-dolomite alteration phase including low temperature silica flooding and veining along the hanging wall of the Hero Fault.

A significant number of drill holes have been drilled in the past 6 years into the northern area which encountered some good intersections as shown in Figure 5 below.

Figure 5: Cross section showing significant intersections at the northern end of the Hero Prospect



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Directors' Report (continued)

Review of operations (continued)

During the half year period, 3 RC holes (534m) were completed along strike at Hero Prospect. Assay results from these 3 holes substantiate encouraging previous exploration drilling along the Hero trend. Variably gossanous conglomerate outcrop over one kilometre in strike along the eastern side of the north south trending Hero Fault, an interpreted splay fault off the Isa Fault and ~30km due north of the Glencore Mount Isa Copper-Lead-Zinc mines.

The RC drilling undertaken confirms the broad zones of low grade copper present at the Hero Prospect. Although the three holes did not intersect any high grade copper as seen previously at the northern end of the Prospect tested in 2009 and 2010, the wide intercepts of mineralisation including 106m at 0.17% copper from 20m down hole indicate that hydrothermal fluids altered and mineralised the conglomerate unit over a significant strike length.

Southeast Queensland Tenements

The Group controls 7 EPMs: 14628, 15920 (surrender lodged), 15921, 15922 (surrender lodged), 17001, 17002 and 17060 all of which are held 100% by the Company. In 2012 the Company entered into an earn-in and joint venture with Rio Tinto Exploration Pty Ltd ("RTX") on EPM 17060. After completing its Phase 1 Commitment to sole fund an exploration program and any associated expenditure to a minimum of AU\$200,000, RTX gave notice during the half yearly period not to extend Phase 2 Period (Earn In).

Although disappointing, the exploration work completed and associated data collected by RTX over this tenement has enabled a better understanding of the geological conditions along strike to the south of Aeon's Greater Whitewash, John Hill and Kiwi Carpet Projects.

Impairment of exploration and evaluation of assets

During the six months ended 31 December 2015 the Group recognised an impairment loss of \$939 thousand relating to exploration and evaluation assets.

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Directors' Report (continued)

Review of operations (continued)

TENEMENT HOLDINGS AS AT 31/12/15

TENEMENT HOLDER	TENEMENT I.D.	LOCATION	INTEREST HELD
Aeon Metals Limited	EPM 14628	Northwest of Monto, Qld	100%
Aeon Metals Limited	EPM 15920	Northwest of Monto, Qld	Surrender lodged
Aeon Metals Limited	EPM 15921	Northwest of Monto, Qld	100%
Aeon Metals Limited	EPM 15922	Northwest of Monto, Qld	Surrender lodged
Aeon Metals Limited	EPM 17001	Northwest of Monto, Qld	100%
Aeon Metals Limited	EPM 17002	Northwest of Monto, Qld	100%
Aeon Metals Limited	EPM 17060	West of Monto, Qld	100%
Aeon Metals Limited	MDL 462	Northwest of Monto, Qld	100%
Aussie NQ Resources Pty Ltd	EPM 18359	South of Georgetown, Qld	100%
SLW Queensland Pty Ltd	EPM 14627	Southwest of Monto, Qld	60%
SLW Queensland Pty Ltd	EPM 19029	West of Monto, Qld	60%
Aeon Walford Creek Limited	EPM 11897	Mount Isa West, Qld	80%
Aeon Walford Creek Limited	EPM 11898	Mount Isa West, Qld	80%
Red Metal Limited	EPM 12653	Mount Isa South, Qld	
Summit Resources (Aust) Pty Ltd	EPM 13412	Mount Isa South, Qld	20%
Summit Resources (Aust) Pty Ltd	EPM 13413	Mount Isa South, Qld	20%
Summit Resources (Aust) Pty Ltd	EPM 13682	Mount Isa South, Qld	20%
Aeon Walford Creek Limited	EPM 14040	Mount Isa South, Qld	80%
Aeon Walford Creek Limited	EPM 14220	Walford Creek, Qld	100%
Aeon Walford Creek Limited	EPM 14233	Mount Isa South, Qld	72%
Aeon Walford Creek Limited	EPM 14694	Mount Isa North, Qld	80%
Aeon Walford Creek Limited	EPM 14712	Constance Range, Qld	80%
Aeon Walford Creek Limited	EPM 14713	Constance Range, Qld	80%
Aeon Walford Creek Limited	EPM 14821	Mount Isa South, Qld	80%
Aeon Walford Creek Limited	EPM 14854	Walford Creek, Qld	100%
Aeon Walford Creek Limited	EPM 14935	Constance Range, Qld	80%
Aeon Walford Creek Limited	EPM 15156	Mount Isa South, Qld	80%
Aeon Walford Creek Limited	EPM 15186	Constance Range, Qld	80%
Aeon Walford Creek Limited	EPM15212	Mount Isa West, Qld	80%
Mount Isa Mines Limited	EPM15911	Mount Isa South, Qld	100% *
Aeon Walford Creek Limited	EPM 16921	Mount Isa North, Qld	20%
Mount Isa Mines Limited	EPM 17297	Mount Isa South, Qld	100% *
Aeon Walford Creek Limited	EPM 17300	Mount Isa North, Qld	100%
Summit Resources (Aust) Pty Ltd	EPM 17511	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	EPM 17513	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	EPM 17514	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	EPM 17519	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	MDL 509	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	MDL 510	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	MDL 511	Mount Isa North, Qld	20%
Summit Resources (Aust) Pty Ltd	MDL 513	Mount Isa North, Qld	20%
Aeon Walford Creek Limited	EPM 18395	Mount Isa West, Qld	100%
Aeon Walford Creek Limited	EPM 18552	Walford Creek, Qld	100%
Aeon Walford Creek Limited	EPM 18769	Mount Isa West, Qld	100%
Aeon Walford Creek Limited	EPM 25989	Mount Isa West, Qld	100%

*100% JV AWC earned 100%, transfer of title pending

Aeon Metals Limited

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Directors' Report (continued) Corporate

During the six months to 31 December, the Company announced a pro rata, non-renounceable entitlement issue of 43,479,431 shares at an issue price of 7.5 cents per share on the basis of 1 New Share for each 7 shares held by shareholders on 10 July 2015. On 4 August the rights issue was closed raising \$3.26m before costs. The issue was fully underwritten by Pitt Capital Partners Ltd, a wholly owned subsidiary of Washington H Soul Pattinson Ltd and sub underwritten by OCP Asia (Hong Kong) Limited.

On 1 July 2015 Aeon announced a fully underwritten Rights Issue (as outlined above) and a refinancing of its debt facility with funds managed by OCP Asia. The Company also secured an additional \$4.85m of debt to advance the Walford Creek Project

Consistent with that announcement,

- (a) the Company completed a 1 for 7 Rights Issue on 4 August 2015 raising some \$3.26 million before costs. This Rights Issue was sub underwritten by OL Master Limited a company associated with OCP Asia which subscribed for and was allotted 26,788,507 Aeon shares pursuant to its sub underwriting commitment;
- (b) the Company borrowed \$22,830,000 under a new note facility provided through OCP Asia ("New Facility") to repay the 2014 Facility with accrued interest and transaction costs ("Tranche 1 Notes). The New Facility's terms and conditions differ from the 2014 Facility in that interest will capitalise on a quarterly basis and the repayment date is extended by 6 months to 17 December 2017. In addition there is a mechanism whereby in the event of early repayment, the noteholder will be assured of an amount which will give the noteholder an internal rate of return of 12% up to the early repayment date. The New Facility is secured over Aeon Walford Creek Limited's ("AWCL") assets and Aeon's shares in AWCL in a manner identical to the 2014 Facility and there is no other recourse to Aeon in respect of the moneys outstanding; and
- (c) the Company issued 52,174,894 warrants to OL Master Limited ("New Warrants") on the same terms and conditions as the warrants already issued to funds managed by OCP Asia ("2014 Warrants") except that the exercise price is 9.35 cents per warrant and the warrants will expire on 17 December 2017. The 2014 Warrants remain on issue.

The new note facility and warrants issued have been recognised for accounting purposes based on their fair value at the date of the new facility which was \$14,724 thousand and \$1,764 thousand respectively, the fair value of the new facility and warrants was determined by reference to the fair value of the 2014 facility of \$16,488 thousand at the date of renegotiation. The new facility incurs interest at 12% p.a however the face value has been discounted using an effective interest rate of 35% to determine the fair value for accounting purposes.

Under the New Facility the Company became entitled to draw an additional \$4.85 million through the issue of notes ("Tranche 2 Notes") for further work at the Walford Creek Project, upon Aeon Shareholders:

- (a) providing approval pursuant to Section 611(7) of the Corporations Act in respect of the 2014 Warrants and the New Warrants to allow the relevant warrant holders to increase their voting power in the Company to more than 20% through the exercise of these warrants ("Section 611 Approval"). The cash received on Tranche 2 notes of \$4,850 thousand has been allocated between the Tranche 2 warrants issued and the Tranche 2 liability. The notes issued on Tranche 2 incur interest at 12% p.a however the amounts have been allocated as \$3,286 thousand to the loan and \$1,564 thousand to the warrants on the basis of an effective interest rate on the facility of 35%; and
- (b) approving the issue of an additional 20,825,106 new warrants pursuant to ASX Listing Rule 7.1 to bring the total number of new warrants issued to 73,000,000.

These approvals were granted by shareholders at a General Meeting on 29 October 2015.

Aeon Metals Limited

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Directors' Report (continued) Corporate (continued)

Financial Position

The net assets of the Group at 31 December 2015 were \$33,152 thousand (30 June 2015: \$28,648 thousand) including cash of \$7,825 thousand (30 June 2015: \$1,810 thousand).

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

On 13 January 2016, Mr Ed Newman retired from the Board due to health issues. The Company has benefited significantly from Mr. Newman's contribution over the last 7 years, particularly from his extensive knowledge and experience in project development and metallurgical processing.

Additionally, given the Company's focus on costs Mr John Goody, currently Executive Director, Exploration, has decided to become a non-executive Director on 1 March 2016.

Future Developments, Prospects and Business Strategies

The Company's priority is to advance the Walford Creek Project towards the development of a world class base metals mine as well as continue to explore on priority exploration tenements.

Aeon's near term strategy at Walford Creek includes establishing mining and metallurgical parameters combined with infrastructure requirements. A consultant project manager has been hired to assist compile all options as part of a Walford Preliminary Economic Assessment.

The Board continues to review the exploration strategy for all the Company's prospects.

Environmental Issues

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. Details of the Group's performance in relation to environmental regulation are as follows:

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 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.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for the six months ended 31 December 2015.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Aeon Metals Limited
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Directors' Report (continued)

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 15th day of March 2016.

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.

Aeon Metals Limited

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Condensed consolidated interim statement of financial position

As at 31 December 2015

In thousands of AUD

	Note	31 Dec 2015	30 Jun 2015
Assets			
Cash and cash equivalents		7,825	1,812
Trade and other receivables		50	91
Other investments		45	49
Prepayments		23	48
Total current assets		7,943	2,000
Property, plant and equipment		142	157
Other assets		49	44
Exploration and evaluation assets	10	47,303	43,295
Total non-current assets		47,494	43,496
Total assets		55,437	45,496
Liabilities			
Trade and other payables		98	462
Employee benefits		128	109
Provisions		50	50
Total current liabilities		276	621
Loans and borrowings	6	22,009	16,227
Total non-current liabilities		22,009	16,227
Total liabilities		22,285	16,848
Net assets		33,152	28,648
Equity			
Share capital	7	48,379	45,332
Reserves		8,790	5,523
Accumulated losses		(24,026)	(22,217)
Total equity attributable to owners of the Company		33,143	28,638
Non-controlling interests		9	10
Total equity		33,152	28,648

The condensed notes on pages 17 to 21 are an integral part of these condensed consolidated interim financial statements.

Aeon Metals Limited

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Condensed consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2015

In thousands of AUD

	Note	31 Dec 2015	31 Dec 2014
Administrative expenses		(586)	(531)
Impairment loss		(939)	(37)
Other expenses		(336)	(732)
Results from operating activities		(1,861)	(1,300)
Finance income		51	64
Finance costs		-	(2)
Net finance income/(costs)		51	62
Profit/(loss) before income tax		(1,810)	(1,238)
Income tax expense		-	-
Profit/(loss) for the period		(1,810)	(1,238)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		(1,810)	(1,238)
Profit/(loss) attributable to:			
Owners of the Company		(1,809)	(1,232)
Non-controlling interests		(1)	(6)
Profit/(loss) for the period		(1,810)	(1,238)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(1,809)	(1,232)
Non-controlling interests		(1)	(6)
Total comprehensive income/(loss) for the period		(1,810)	(1,238)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents per share)	8	(0.53) cents	(0.41) cents
Diluted earnings/(loss) per share (cents per share)	8	(0.53) cents	(0.41) cents

The condensed notes on pages 17 to 21 are an integral part of these condensed consolidated interim financial statements.

Aeon Metals Limited

Condensed consolidated interim statement of changes in equity

For the six months ended 31 December 2015

	Note	Attributable to owners of the Company				Non-Controlling interests	Total equity
		Share capital	Equity Compensation reserve	Retained earnings	Total		
<i>in thousands of AUD</i>							
Balance at 1 July 2014, as previously reported		43,411	5,734	(13,637)	35,508	24	35,532
Total comprehensive income/(loss) for the period							
Profit/(loss) for the period		-	-	(1,232)	(1,232)	(6)	(1,238)
Total comprehensive income/(loss) for the period		-	-	(1,232)	(1,232)	(6)	(1,238)
Transactions with owners of the Company, recognised directly in equity							
<i>Contributions by and distributions to owners of the company</i>							
Issue of ordinary shares		2,128	-	-	2,128	-	2,128
Capital raising costs		(260)	-	-	(260)	-	(260)
Issue of share options		-	357	-	357	-	357
Exercise of Options		53	(8)	-	45	-	45
Rights surrendered	7	-	(130)	130	-	-	-
Expiry of options	7	-	(348)	348	-	-	-
Total contributions by and distributions to owners of the company		1,921	(129)	478	2,270	-	2,270
Balance at 31 December 2014		45,332	5,605	(14,391)	36,546	18	36,564
Balance at 1 July 2015, as previously reported		45,332	5,523	(22,217)	28,638	10	28,648
Total comprehensive income/(loss) for the period							
Profit/(loss) for the period		-	-	(1,809)	(1,809)	(1)	(1,810)
Total comprehensive income/(loss) for the period		-	-	(1,809)	(1,809)	(1)	(1,810)
Transactions with owners of the Company, recognised directly in equity							
<i>Contributions by and distributions to owners of the company</i>							
Issue of ordinary shares	7	3,260	-	-	3,260	-	3,260
Capital raising costs	7	(213)	-	-	(213)	-	(213)
Issue of warrants	7	-	3,267	-	3,267	-	3,267
Total contributions by and distributions to owners of the company		3,047	3,267	-	6,314	-	6,314
Balance at 31 December 2015		48,379	8,790	(24,026)	33,143	9	33,152

The condensed notes on pages 17 to 21 are an integral part of these condensed consolidated interim financial statements.

Aeon Metals Limited

Condensed consolidated interim statement of cash flows

For the six months ended 31 December 2015

In thousands of AUD

Note	31 Dec 2015	31 Dec 2014
Cash flows from operating activities		
Cash receipts from service fees	-	-
Cash paid to suppliers and employees	(951)	(1,067)
Cash used in operations	(951)	(1,067)
Interest received	51	64
Net cash from/(used in) operating activities	(900)	(1,003)
Cash flows from investing activities		
Receipt of government grants	-	443
Acquisition of property, plant and equipment	(4)	(15)
Payments for exploration activities	(920)	(3,161)
Net cash from/(used in) from investing activities	(924)	(2,733)
Cash flows from financing activities		
Proceeds from the issue of share capital	3,260	2,173
Proceeds from refinancing (net of refinancing costs)	4,790	-
Payment of capital raising costs	(213)	(260)
Net cash from/(used in) financing activities	7,837	1,913
Net increase (decrease) in cash and cash equivalents	6,014	(1,823)
Cash and cash equivalents at 1 July	1,812	5,241
Cash and cash equivalents at 31 December	7,825	3,418

The condensed notes on pages 17 to 21 are an integral part of these consolidated interim financial statements.

Aeon Metals Limited

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Notes to the condensed consolidated interim financial statements

1. Reporting entity

Aeon Metals Limited (the “Company”) is a company domiciled in Australia. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in prospect and tenement exploration for a range of minerals including copper and molybdenum.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Level 7, 88 Pitt Street, Sydney NSW 2000 or at <http://www.aeonmetals.com.au>.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2015. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 March 2016.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Going concern

The condensed interim 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 2015, the Group incurred a net loss before tax of \$1,810 thousand and net cash outflow from operating and investing activities was \$1,824 thousand. As at 31 December 2015, the Group had net assets of \$33,152 thousand including cash of \$7,825 thousand.

The Directors have prepared cash flow projections for the coming 12 months that support the ability of the Group to continue as a going concern. These cashflow projections include significant exploration and evaluation expenditure and assume the Group maintains expenditure in line with the level of funding available.

Aeon Metals Limited

31 December 2015 Interim Financial Report

Notes to the condensed consolidated interim financial statements

2. Basis of preparation (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 2015.

3. Significant 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 2015.

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 2015.

5. Operating segments

The Group's only operation is exploration 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. Loans and borrowings

The company refinanced its debt facility during July 2015. On 23 July 2015 the Company issued 2,283 limited recourse notes as Tranche 1 to OL Master Limited with a face value of \$22.83 million ("New Facility"). These funds were used to repay the principal and accrued interest owing under the existing limited recourse notes held by Centar SP3 Limited and OL Master Limited ("2014 Facility"). The New Facility is secured over Aeon Walford Creek Limited's ("AWCL") assets and the Company's AWCL shares in a manner identical to the 2014 Facility.

The New Facility's terms and conditions differ from the 2014 Facility in that interest will now capitalise on a quarterly basis, the repayment date has been extended by six months to 17 December 2017 and there is a mechanism whereby in the event of early repayment, OL Master Limited will be assured of an amount which will give it an internal rate of return of 12% up to the early repayment date. In addition 52,175 thousand warrants were issued as part of Tranche 1 to OL Master Limited as part of the terms of the refinancing. The new note facility and warrants issued have been recognised for accounting purposes based on their fair value at the date of the new facility, which was \$14,724 thousand and \$1,733 thousand respectively, the fair value of the New Facility and warrants was determined by reference to the fair value of the 2014 Facility of \$16,488 at the date of renegotiations. The New Facility incurs interest at 12% p.a however the face value has been discounted using an effective interest rate of 35% to determine the fair value for accounting purposes.

Aeon Metals Limited

31 December 2015 Interim Financial Report

Notes to the condensed consolidated interim financial statements

Loans and borrowings (continued)

The Company issued 485 additional limited recourse notes to OL Master Limited as Tranche 2 of the New Facility on 30 October 2015 to raise \$4.85 million for further work at the Walford Creek Project. In addition 20,825 thousand warrants were issued to OL Master Limited as part of Tranche 2 of the New Facility. The cash received on issue of the notes of \$4,850 thousand has been allocated between the Tranche 2 warrants issued and the Tranche 2 liability. The notes issued in Tranche 2 incur interest at 12% p.a however the amounts have been allocated as \$3,286 thousand to the loan and \$1,534 to the warrants on the basis of an effective interest rate on the facility of 35%.

In thousands of AUD

Non-current liabilities

Limited recourse notes

31 Dec 2015	30 Jun 2015
22,009	16,227

Terms and conditions of outstanding loans are as follows.

In thousands of AUD

	Currency	Interest rate	Year of Maturity	31 Dec 2015		30 Jun 2015	
				Face Value	Carrying Value	Face Value	Carrying Value
Initial recourse notes	AUD	12.00%	July 2017	-	-	20,000	16,227
New recourse notes	AUD	12.00%	Dec 2017	27,680	22,009	-	-
Total Interest bearing liabilities				27,680	22,009	20,000	16,227

The amortised cost of the initial 2,000 limited recourse notes with a face value of \$10,000 per note which incur interest of 12% p.a were calculated for accounting purposes using a discounted cashflow based on an effective interest rate of 33% as at 30 June 2015. The notes were secured over the assets of Aeon Walford Creek Limited.

The amortised cost of the new 2,768 limited recourse notes with a face value of \$10,000 per note which incur interest of 12% p.a were calculated for accounting purposes using a discounted cashflow based on an effective interest rate of 35%. The notes are secured over the assets at Aeon Walford Creek Limited.

7. Capital and reserves

Issue of ordinary shares

The Company issued 43,479 thousand shares on 10 July 2015 at an issue price of 7.5 cents per share as part of its non renounceable rights issue. This raised approximately \$3,260 thousand before issue costs.

All issued shares are fully paid.

Capital raising costs included in share capital attributable to the issue of shares during the half year was \$213 thousand.

Issues of warrants

The Company issued 52,175 thousand warrants to OL Master Limited exercisable at 9.35 cents. These warrants expire on 17 December 2017 and represented the first tranche of warrants issued in conjunction with the new financing facility. An amount of \$1,733 thousand of the proceeds from the refinancing was allocated to the warrants, refer Note 6.

Aeon Metals Limited

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Notes to the condensed consolidated interim financial statements

Capital and reserves (continued)

The Company issued a second tranche of 20,825 thousand warrants exercisable at 9.35 cents on 30 October 2015 in conjunction with the drawdown of Tranche 2 of the finance facility. The warrants expire on 17 December 2017. An amount of \$1,534 thousand of the proceeds from the refinancing was allocated to the warrants, refer Note 6.

Equity compensation reserve

The equity compensation reserve records the fair value of options, warrants and performance rights issued.

On 3 July 2014, 4 million 5 year performance rights issued to Hamish Collins on 24 August 2012 were surrendered. The fair value of the performance rights of \$130 thousand was transferred from the Equity Compensation Reserve to Accumulated Losses during the prior period.

On 9 November 2014, 13 million options issued on 9 November 2014 as part of consideration for 25% shareholding in SLW Queensland Pty Ltd lapsed and the fair value of the options of \$348 thousand was transferred to accumulated losses during the prior period.

8. Earnings/(loss) per share

In thousands of AUD

Basic earnings /(loss) per share has been calculated using:

Net profit/(loss) for the period attributable to owners of the Company *(in thousands of AUD)*

Weighted average number of ordinary shares
(in thousands of shares)

31 Dec 2015	31 Dec 2014
(1,809)	(1,232)
340,441	300,512

Diluted earning/(loss) per share has been calculated using:

Net profit/(loss) for the period attributable to owners of the Company *(in thousands of AUD)*

Weighted average number of ordinary shares – basic
Effect of share options on issue

Weighted average number of ordinary shares - diluted
(in thousands of shares)

31 Dec 2015	31 Dec 2014
(1,809)	(1,232)
340,441	300,512
-	-
340,441	300,512

At 31 December 2015, 137,251 thousand options and warrants (31 December 2014: 64,251 thousand) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

9. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2015 annual financial report.

10. Exploration and evaluation of assets

During the six months ended 31 December 2015 the Group recognised an impairment loss of \$939 thousand relating to exploration and evaluation assets (2014: an impairment loss of \$37 thousand was recognised). Additions to exploration and evaluation assets during the period relate to expenditures incurred on exploration and evaluation and capitalised interest in relation to the loans and borrowings.

Aeon Metals Limited

31 December 2015 Interim Financial Report

Notes to the condensed consolidated interim financial statements

Exploration and evaluation of assets (continued)

	Capitalised Exploration Expenditure
<i>In thousands of AUD</i>	
Balance at 1 July 2015	43,295
Additions	4,947
Impairment losses	(939)
Balance at 31 December 2015	47,303

11. Subsequent events

In the interval between the end of the half year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Aeon Metals Limited

Directors' declaration

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

1. the condensed consolidated financial statements and notes set out on pages 13 to 21, 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 2015 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:



Hamish Collins
Managing Director

Dated at Sydney this 15th day of March 2016

Independent auditor's review report to the members of Aeon Metals Limited

We have reviewed the accompanying interim financial report of Aeon Metals Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2015, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated statement interim of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim 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 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Aeon Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Aeon Metals Limited is not 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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Adam Twemlow
Partner

Gold Coast

15 March 2016

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Aeon Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



Adam Twemlow
Partner

Gold Coast

15 March 2016