



Revised Announcement - 6 March 2017

## WALFORD CREEK PRELIMINARY ECONOMIC ASSESSMENT

**Early start up Copper-Zinc-Cobalt project indicated for Vardy Zone  
2017 drill program focused on significant mine life extension and/or Project scale up**

### Aeon Metals Limited

ABN 91 121 964 725

Level 7, 88 Pitt Street, Sydney,  
NSW 2000, Australia

P.O. Box 8155, Gold Coast MC.  
Qld 9726, Australia

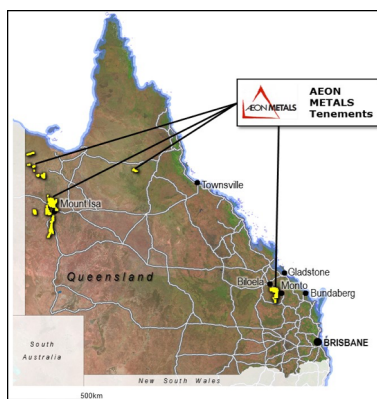
P: +61 7 5574 3830  
F: +61 7 5574 3568

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

#### ASX Code - AML

Shares on Issue: 347m  
Share Price: \$0.21  
Market Capitalisation: \$72.9m  
Cash (31 Dec 2016): \$4m

All mineral resources projects  
located in Queensland:



Preliminary Economic Assessment ("PEA") for development of the high grade Vardy Zone within Aeon 100% owned Walford Creek Project indicates a technically conventional and economically robust project. This PEA is in substance a Scoping Study in terms of Clause 38 of the JORC Code 2012 and the title is intended to make clear that the findings are at this point preliminary estimates only.

#### PEA Parameters – Cautionary Statement

The PEA referred to in this announcement has been undertaken to determine the potential viability of an open pit mine and onsite sulphide floatation and cobalt-rich pyrite leaching processing of the Vardy Zone. It is a preliminary technical and economic study of the potential viability of the Vardy Zone within the global Walford Creek Resource. It is based on low-level technical and economic assessments that are not sufficient to support the estimation of Ore Reserves. Further evaluation work and appropriate studies are required before Aeon will be able to estimate any Ore Reserves or to provide any assurance of an economic development case.

Approximately 71% of the total LOM production target is in the Indicated Resource category with 29% in the Inferred Resource Category. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further infill drilling of the Vardy Resource will result in the determination of Indicated Mineral Resources or that the production target itself will be realised. Additionally, the selected optimised pit shell and practical pit design incorporated an approximately 57° inter-ramp angle as determined by Aeon with further geotechnical assessment required to determine the appropriate angle.

The PEA is based on the material assumptions outlined elsewhere in this announcement. These include assumptions about the availability of funding. While Aeon considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the outcomes indicated by the PEA will be achieved.

To achieve the potential mine development outcomes indicated in the PEA, additional funding will likely be required. Investors should note that there is no certainty that Aeon will be able to raise funding when needed. The Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement and believes that it has a "reasonable basis" to expect it will be able to fund the development of the project, subject to the matters expressed later in this announcement.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the PEA.

## Summary

Aeon Metals Limited (“Aeon” or the “Company”) is pleased to announce results of the Preliminary Economic Assessment (“PEA”) for a proposed open pit mine and onsite processing of the Vardy Zone at the Walford Creek Project (“Project”) located in north west Queensland. The technical and associated financial outcomes of the PEA are highly encouraging notwithstanding that they are necessarily approximations at this point but nevertheless highlight the potential to expedite the development of the Vardy Zone. Aeon will now proceed with a Vardy Zone Bankable Feasibility Study (“BFS”).

The Vardy Zone development is a copper-zinc-cobalt mining project based on a Resource that will allow 6 years of open pit mining of the Vardy Zone at a production rate of 600 ktpa run-of-mine (“ROM”) material. The indicative construction start date contemplated for the Project is Q1-2019 assuming the receipt of all necessary Government approvals. The Project is located in an area subject to the northern wet season which precludes significant construction activity between November and March so that regulatory and funding delays may have an extended effect on the timeline.

Material reporting from the open pit will be processed through a conventional mill and hydrometallurgical plant to produce copper and zinc concentrates, and cobalt hydroxide. Product will be transported by road to Townsville for export to world markets.

The Vardy Zone is open along strike to the north-east and extension drilling is planned to commence in Q2-2017. In addition, drilling to the west and within the current Global Resource will seek to identify additional near surface open pit resources to significantly extend the current projected mine life and/or increase the annual production rate of the Vardy Zone Project.

The PEA was compiled in conjunction with AMEC Foster Wheeler, a global consultancy, engineering and project management company focused on the resources industry. The following table details the study contributors to the PEA report.

Table 1 Party Responsible for the Order of magnitude PEA Report Sections	
Section Title	Contributor
Resource Estimation	H&S Consultants Pty Ltd
Mining	Australian Mine Design and Development (“AMDAD”)
Process Plant	AMEC Foster Wheeler
Tailings Storage Facility	Beca
Off-Site Infrastructure	Aeon
Transportation	Aeon
Environmental, Permitting, Social & Community	Animal Plant Mineral
Operations Plan	Aeon
Project Execution Plan	AMEC Foster Wheeler
Capital Costs	AMEC Foster Wheeler/AMDAD
Operating Costs	AMEC Foster Wheeler/AMDAD
Market Studies	Aeon
Economic Assessment	Aeon
Risk and Opportunities	Aeon/AMEC Foster Wheeler/AMDAD

All consultants/contractors engaged by Aeon in the preparation of the PEA have provided their consent to the data and interpretations contained in this announcement.

Overall, the level of accuracy of the numbers in the PEA is at level of  $\pm 30\%$  but some numbers are more accurate being based, for example, on actual testwork or current actual costs in the market.

## Mineral Resource

The PEA is based on the Vardy Resource, announced to the ASX on 22 December 2016 and summarised in Tables 2 and 3 below:

Table 2 Walford Creek Vardy Resource Statement							
Category	Mt	Cu %	Pb %	Zn %	Ag ppm	Co ppm	Pyrite %
Measured	1.0	1.14	0.84	0.83	25.9	1677	46.0
Indicated	2.2	1.26	0.80	0.93	26.4	1811	42.2
Inferred	3.4	1.28	0.68	0.63	25.0	1518	36.5
<b>Total</b>	<b>6.6</b>	<b>1.25</b>	<b>0.74</b>	<b>0.76</b>	<b>25.6</b>	<b>1640</b>	<b>39.8</b>

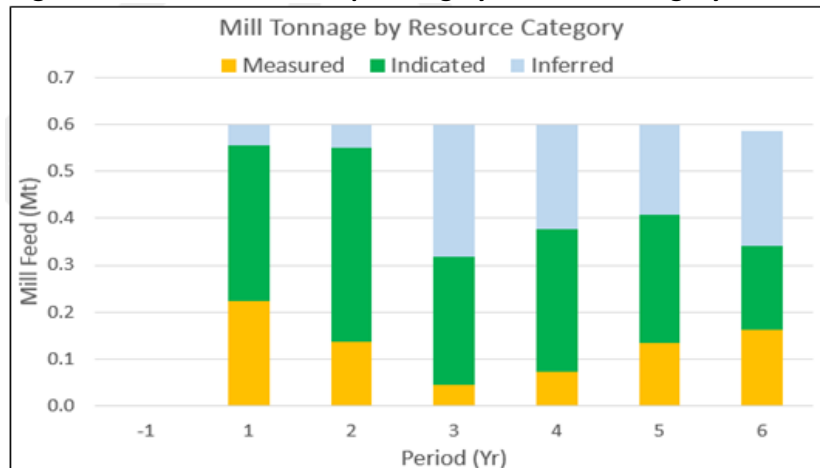
(minor rounding errors)

Table 3 Walford Creek Vardy Resource Statement Contained Metal							
Category	Cu kt	Pb kt	Zn kt	Ag Mozs	Co kt	Py kt	Density t/m <sup>3</sup>
Measured	11	8	8	0.8	1.6	445	3.40
Indicated	28	18	21	1.9	4.0	932	3.42
Inferred	43	23	21	2.7	5.2	1,244	3.33
<b>Total</b>	<b>82</b>	<b>49</b>	<b>50</b>	<b>5.4</b>	<b>10.8</b>	<b>2,621</b>	<b>3.37</b>

(minor rounding errors)

Measured and Indicated Resource categories (aggregating 3.6Mt grading 1.15% copper, 1.06% zinc, 0.18% cobalt and 26g/t silver) make up on average 71% of the mill feed for the LOM schedule.

**Figure 1: LOM Mill Feed Sequencing by Resource Category**

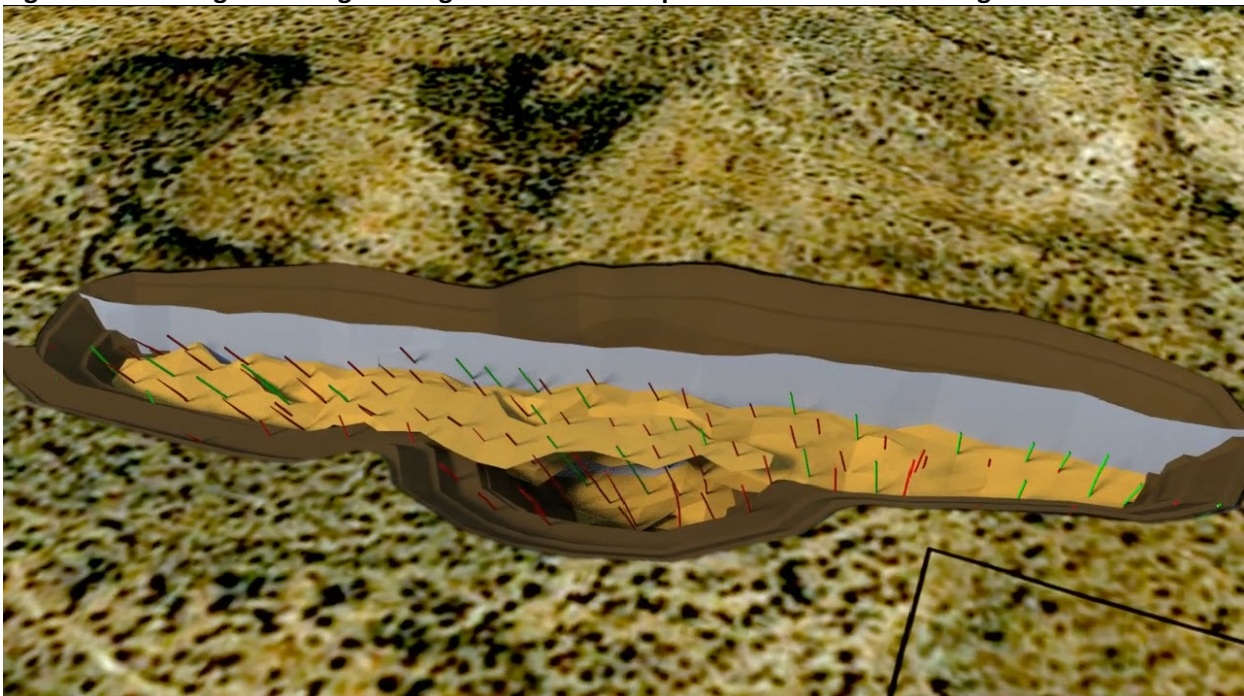


The Project will exploit a current high grade portion of the Global Walford Creek Resource which was announced on 6 March, 2015. The approach to project design has been to focus on low risk open pit and conventional processing with a focus on mining higher grade material in the early years to achieve the optimum return and early payback of construction capital. The conventional nature of the processing plant will enable modular capacity increases in production capacity as and when additional Resources become available. Additional details of the Project design assumptions are in Appendix 3.

## Mining

The mining PEA study has been prepared based on conventional truck and hydraulic excavator operation, with an overall material movement rate of up to approximately 5.0 Mtpa to achieve the required 600 ktpa mill feed rate. The mine plan incorporates an intermediate pit stage located in the pit centre before a pushback to the final pit east and west of the initial stage.

**Figure 2: Pit Design showing existing holes in red and planned holes for 2017 in green**



The LOM schedule was prepared on an annual basis for the designed pit stages. The LOM Schedule is presented in the following table.

Table 4 LOM Schedule									
Period	Strip	Total	Waste	Feed		Grades			
Yr	ratio	Mt	Mt	Mt	Cu %	Pb %	Zn %	Co ppm	Ag g/t
-1	-	4.2	4.2	0.0	0.00	0.00	0.00	0	0
1	6.8	4.7	3.9	0.6	1.73	0.75	0.59	1,805	27
2	8.0	5.4	4.8	0.6	1.11	0.76	1.11	2,092	25
3	4.6	3.4	2.8	0.6	1.14	0.46	1.55	1,848	21
4	6.2	4.3	3.7	0.6	0.94	0.79	0.70	1,779	28
5	2.6	2.2	1.6	0.6	0.92	1.08	1.60	2,118	27
6	6.0	2.6	2.2	0.6	1.04	1.31	0.79	1,397	28
<b>Total</b>	<b>6.4</b>	<b>26.7</b>	<b>23.1</b>	<b>3.6</b>	<b>1.15</b>	<b>0.85</b>	<b>1.06</b>	<b>1,842</b>	<b>26</b>

## Process Engineering

Engineering consultant AMEC Foster Wheeler compiled the PEA including a review of processing options, which has resulted in a plant design based on processing 600 ktpa through conventional sulphide flotation and cobalt rich pyrite leaching circuits. The process plant is designed to process ore at a head grade of 1.73% Cu, 1.60% Zn, 50.89% FeS<sub>2</sub>, and 2118 g/t Co.

The process flowsheet for Walford Creek will include the following facilities:

- Ore delivery to a primary crushing circuit
- Ore storage and reclaim
- Sag and ball mill comminution circuit
- Cobalt pre-flotation circuit
- Copper rougher with concentrate regrind and two stage cleaning flotation circuit
- Zinc rougher with concentrate regrind and three stage cleaning flotation circuit
- Pyrite rougher with two stage cleaning flotation circuit
- Concentrate thickening and filtration
- Cobalt-rich pyrite concentrate regrind, leaching and precipitation circuits.



**Figure 3: Process Facility**



The following table details LOM production of mineral concentrates and contained metal. Over the life of mine, some 171,504 tonnes of copper concentrate, 53,295 tonnes of zinc concentrate and 8,301 tonnes of cobalt hydroxide are produced containing 38,158 tonnes of copper, 28,848 tonnes of zinc and 3,196 tonnes of cobalt metals. In addition, 480,000 ozs of silver is credited from the copper concentrate.

Table 5 Concentrate Production Profile – Six Years							
Commodity	2019	2020	2021	2022	2023	2024	Total
<b>Metal Recovery (%)</b>							
Copper	97.15	95.54	95.65	94.76	94.66	75.27	-
Zinc	57.26	77.52	84.07	64.39	84.64	65.73	-
Cobalt	48.4	48.4	48.4	48.4	48.4	48.4	-
<b>Concentrate</b>							
Copper (t)	40,917	27,823	28,390	25,684	25,789	22,897	<b>171,504</b>
Zinc (t)	4,317	9,338	13,582	5,427	14,492	6,145	<b>53,295</b>
Cobalt (t)	1,362	1,578	1,394	1,342	1,598	1,029	<b>8,301</b>

(minor rounding errors)

Table 6 Contained Metal							
Commodity	2019	2020	2021	2022	2023	2024	Total
Copper (t)	10,102	6,340	6,514	5,356	5,248	4,598	<b>38,158</b>
Zinc (t)	2,013	5,140	7,808	2,712	8,141	3,034	<b>28,848</b>
Cobalt (t)	524	607	537	517	615	396	<b>3,196</b>

(minor rounding errors)

The indicative average concentrate specification for the copper concentrates, which are the key revenue drivers for the Project, is as follows:

Table 7 Indicative Copper Concentrate Specifications							
	Cu	Zn	Pb	Co	Ag	As	FeS <sub>2</sub>
Concentrate Grade	22.25%	0.79%	1.16%	308ppm	360g/t	87ppm	28%

The indicative specification is not yet complete (particularly with respect to F, Cd and HG) and will be subject to further work. To date, the indicative specification does not include any elements at levels which would preclude importation into China or cause material levels of penalties for smelters.

## Infrastructure, Transport and Logistics

Water would be utilised from surface and groundwater sources in order to provide the required 1,200 ML of water per annum for the Project. Surface water would be sourced from a pump station installed on the Nicholson River approximately 6 km from the Project. The overall water demand would also be supplemented by water extracted from sub artesian bores close to the Project.

A number of options for the supply of power to the Project were considered. Options include extending the power line running from Mount Isa to the Century mine, solar power, and the option to install diesel generation which would equate to a higher power tariff but no upfront capital cost. The diesel generation option is utilised in the PEA based on valuation methodology.

Karumba and Townsville were considered as potential port options for export shipment of concentrate. Although Townsville is a greater distance from the Project, there is an existing facility that could handle the Project's product and therefore, at this stage of the studies, Townsville has been selected as the preferred port shipment of Aeon's product. This will be further assessed in the next phase of work.

## Capital Expenditure

The PEA estimates the capital cost to first production of \$97.4 million including \$6.6 million of contingency. The scope of the total estimate covers the capital costs for mining development, process plant, surface infrastructure, Tailings Storage Facility and associated facilities to support operation of mining activity in Q1-2019.

The capital costs are presented as of the Q4-2016 to an estimated accuracy level of  $\pm 30\%$ .

Table 8 Capital Cost Summary	
Item	Cost (A\$M)
Site Infrastructure	3.6
Mine Capital	15.1
Processing	42.3
Tailings Storage Facility	5.9
<b>Subtotal</b>	<b>66.9</b>
Accuracy & Growth Allowances	8.5
EPCM	5.2
Owners Costs	7.6
Capital Spares	1.5
Contingency	6.6
Commissioning	1.1
<b>Total Capital Cost</b>	<b>97.4</b>

## Operating Expenditure

The PEA estimates operating cost of \$97/tonne of ROM production. All costs in the estimation of the production target and the associated financial information were estimated to a scoping study level of accuracy.

A breakdown of operating cost estimates for the proposed Vardy Zone development is as follows:



Table 9 Average Project Operating Costs (Years 1-6)	
Item	Cost (A\$/t)
Mining	26.50
Processing	45.40
Water	0.09
Tailings	0.15
Concentrate Trucking	8.64
Port	0.79
Site Administration	7.62
Insurances	0.41
Royalties	7.12
<b>Total</b>	<b>96.70</b>

It is estimated that in excess of \$25 million would be paid in Queensland royalties over the life of the Project.

### Projected Revenue and Commodity Price Assumptions

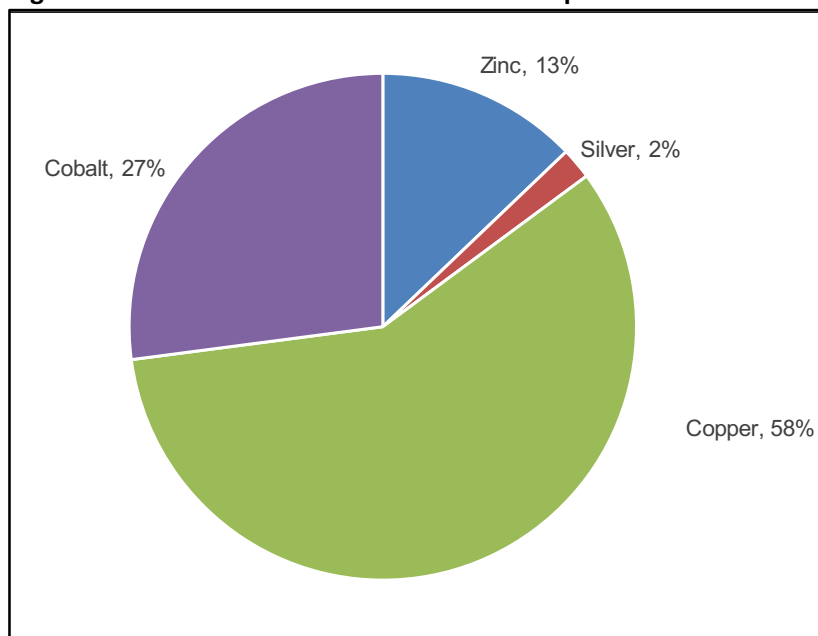
The PEA estimates mine life revenue from copper, zinc, silver and cobalt at \$579 million. Estimated life of mine net cash flow is currently \$84 million (including capital) with average EDITDA of ~\$39 million per year. Based on the PEA assumptions, in particular the estimated mining grade and recoveries, a 600ktpa throughout plant results in LOM production of 38kt copper, 29kt zinc and 3kt cobalt metals in concentrate.

Revenue and cash flow forecasts have been derived from a combination of broker and industry analyst forecasts for copper, zinc, silver and cobalt price as well as the exchange rate from 2019.

Table 10 Economic and Commodity Price Assumptions	
Item	Value
Exchange Rate (US\$ : A\$)	0.725
<b>Commodity Prices</b>	
Copper (US\$/lb)	3.30
Zinc (US\$/lb)	1.25
Lead (US\$/lb)	0.86
Silver (US\$/oz)	20.00
Cobalt (US\$/lb)	20.41

Over the 6 years of production, copper concentrate revenue represents approximately 58% of total revenue. Cobalt concentrate revenue represents the next largest proportion at 27% followed by zinc representing 13% of revenue. Silver credits account for the remaining 2% of revenue.

**Figure 4: Life of Mine Concentrate Revenue Split**



The concentrate off-take remains uncommitted, allowing maximum market flexibility.

The table below shows other copper, cobalt and zinc prices that could have been used and their impact on the life of mine revenue:

Table 11 Revenue Sensitivity to Metal Price					
Revenue (A\$M)	-15%	-10%	0%	+10%	+15%
Copper	524.2	542.6	579.4	616.2	634.6
Cobalt	555.6	563.5	579.4	595.3	603.2
Zinc	565.4	570.1	579.4	588.7	593.4

If cobalt returns to long term (10yr) average of US\$35,626/t revenues are reduced to \$546 million.

## Indicative Timeline to Production

Subject to funding and necessary Government approvals, production of copper (with silver credits), zinc and cobalt concentrates, could commence in Q1-2019 with an initial mine life of 6 years. The PEA contemplates the commencement of construction in Q1-2018.

The following is an indicative timeline for Vardy Zone development:

Project Implementation	2017				2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Environmental Approvals/Permitting										
Vardy Infill & Extension Drilling										
Bankable Feasibility Study										
Detailed Design										
Site Preparation and Pre Strip										
Construction										
Commissioning										
First Production										

## Funding

The Directors are currently confident that funding can be obtained for the Project if Bankable Feasibility Study results are consistent with the estimates in this PEA.

The reasons for this belief are as follows:

- The Project will only proceed on the basis of a positive Bankable Feasibility Study and will be subject to the necessary Government approvals being received. The critical approvals will include the grant of Mining Leases and an Environmental Authority on acceptable terms and there is no reason to believe at this time that the conditions in these approvals will be other than conventional.
- The financial metrics of the project are attractive which will support some debt funding and the equity portion will, in the Directors view, be offered in a market which traditionally has strong interest in robust, lower capital copper projects, especially those with some exposure to longer life/increased annual output.
- The financing for this Project will necessarily occur after the Company's current debt facility with the OCP Asia Group is restructured/repaid and current work on those arrangements is cognisant of the need to have a capital structure which will readily accommodate debt and equity issues to fund the Project.

This belief has been formed on the basis of the actual resource funding experience of the Directors. In particular, Mr. Collins has had some 7 years of experience on the lending side of mining finance with major mining financiers the Commonwealth Bank, NM Rothschild and BNP Paribas. Mr. Harris has had 25 years' experience in investment banking at Bankers Trust, Merrill Lynch and Citibank including a large portion as head of capital markets divisions. Mr. Lonergan has had some 25 years on the borrowing side of resources finance in several ASX listed companies. Further, the Directors' belief has been supported by advice from a corporate advisor to the Company and the Company has a demonstrated record of being able to obtain debt and equity funding. The Directors are of the view that it is premature to initiate funding discussions with possible lenders solely on the basis of the PEA. Substantive funding discussions will necessarily follow the completion of a Bankable Feasibility Study.

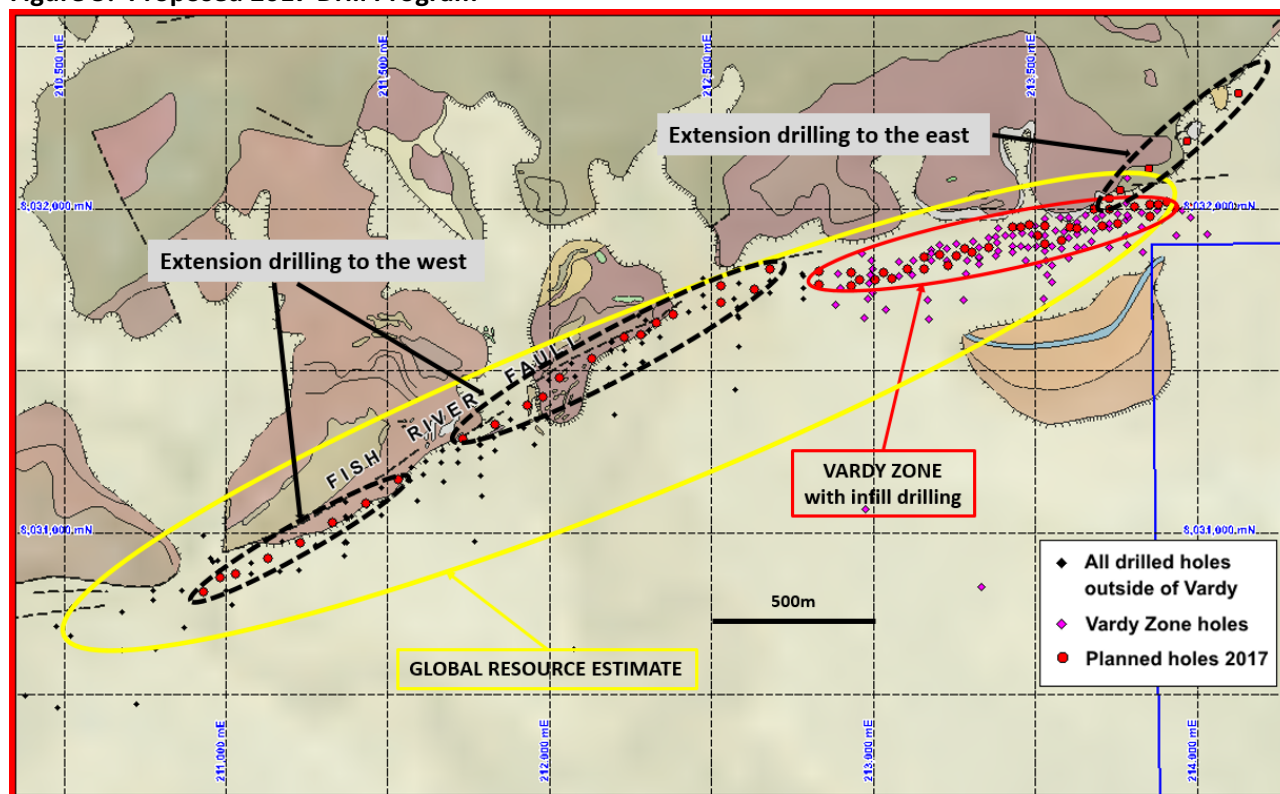
## Opportunity Assessment

### Mine Life Extension and/or Project Scale Up

The successful 2016 drilling, which was focused on the eastern portion of the Walford Global Resource, now referred to as the Vardy Zone, identified high value shallow mineralisation. This highlighted the opportunity of other high grade near surface copper/cobalt mineralisation immediately adjacent to the Fish River Fault along strike. Additional high-grade copper and cobalt close to surface offers significant mine life extension of the 600 ktpa Project outlined in the PEA and/or the ability to scale up the Project's production rate.

The 2017 drill program to be conducted in Q2/Q3, is to be focused on mine life extension and/or Project scale up over 3 areas, being, infill at Vardy, extension exploration drilling to the north east, and targeting of high grade zones within the current Global Resource west of the Vardy Zone.

**Figure 5: Proposed 2017 Drill Program**



### **Large Scale Pyrite Roasting Option**

When work commenced on this PEA the focus was the Global Walford Resource and detailed technical work was undertaken to assess roasting with production of sulphur dioxide/acid and production of cobalt from the resulting calcined material. Studies indicate that this process would have to be pursued at a site where a use for the sulphur dioxide/acid was readily available and/or easily transportable. Currently there is no such site but as part of the PEA we have modelled the site at Mount Isa as that will encompass more proximate alternatives which may arise. This opportunity would require a 2.5 Mtpa ROM open pit project and the trucking of pyrite concentrate to Mount Isa for roasting. This could enable recovery of an average 1,300 tonnes of cobalt metal per year from the pyrite concentrate. This estimate has been generated based on pit optimisation and metallurgical testwork undertaken when the initial focus on the PEA was on assessing the roasting option for the Global Walford Resource as mentioned above. Under this scenario, a concentrator could be built/ upgraded at Walford Creek to produce copper, zinc and pyrite concentrates. There would also be the potential to produce lead concentrate depending on ultimate grades reporting from the open pit. It should be emphasised that this option will not be available for detailed scoping assessment unless and until an economic use for sulphur dioxide/acid can be identified.

### **Next Steps**

Following the robust PEA results, Aeon will now proceed with a Vardy Zone Bankable Feasibility Study (a Definitive Feasibility Study in terms of the JORC Code 2012) as outlined in the *"Timeline to Production"* section above.

The 2017 drill campaign will commence in the second quarter incorporating the Vardy Zone in-fill program as well as the near surface, along strike Vardy Zone extension drilling as outlined in the *"Opportunities"* section above.

For more information, please contact:

Hamish Collins  
**Managing Director**  
info@aeonmetals.com.au  
www.aeonmetals.com.au

## APPENDIX 1 - COMPETENT PERSONS STATEMENT

The data in this report that relates to Mineral Resource Estimates for the Walford Creek Deposit including the Vardy zone 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 presentation of the Mineral Resources in the form and context in which they appear.

The information in this report that relates to Aeon Metals Limited's exploration results is based on information compiled by 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 presentation of the exploration results in the form and context in which they appear.



## APPENDIX 2 – FORWARD LOOKING STATEMENTS

This announcement includes forward-looking statements that are only predictions and are subject to risks, uncertainties and assumptions, which are outside the control of Aeon Metals Limited.

Actual values, results, interpretations or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements in the announcement as they speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, Aeon Metals Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward-looking statement is based.

This announcement has been prepared by Aeon Metals Limited. The document contains background information about Aeon Metals Limited and is current at the date of this announcement. The announcement is in summary form and does not purport to be all-inclusive or complete.

Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement.

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## APPENDIX 3 – PROJECT DESIGN CRITERIA

Criteria	Commentary																								
<b>Mineral Resource Estimate</b>	<p>The Mineral Resource estimate declared on 22 December 2016 has been used as a basis for the production target. This estimate was prepared by a Competent Person in accordance with the JORC Code 2012.</p> <p>The production target is 3.6Mt of ore @ 1.15% Cu, 0.85% Pb, 1.06 Zn, 1,842 ppm Co and 26g/t Ag.</p>																								
<b>Site Visit</b>	<p>Mr Simon Tear, the Competent Person for Geological Data and Exploration Results as part of this study has been on a site visit.</p> <p>Dr Greg Harbort from AMEC has also been on a site visit as part of metallurgical evaluation and overall PEA study preparation.</p>																								
<b>Study Status</b>	<p>The production target and financial information in this release are based on a PEA. The PEA study referred to in this announcement is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised.</p>																								
<b>Capital Costs</b>	<p>The following table provides a summary of the pre-production capital as estimated for the PEA.</p> <table data-bbox="699 1308 1128 1805"> <tr> <th>Item</th><th>A\$M</th></tr> <tr> <td>Site Infrastructure</td><td>3.6</td></tr> <tr> <td>Mine Capital</td><td>15.1</td></tr> <tr> <td>Processing</td><td>42.3</td></tr> <tr> <td>Tailings</td><td>5.9</td></tr> <tr> <td>Accuracy &amp; Growth</td><td>8.5</td></tr> <tr> <td>EPCM</td><td>5.2</td></tr> <tr> <td>Owner's Cost</td><td>7.6</td></tr> <tr> <td>Capital Spares</td><td>1.5</td></tr> <tr> <td>Contingency</td><td>6.6</td></tr> <tr> <td>Commissioning</td><td>1.1</td></tr> <tr> <td><b>Total</b></td><td><b>97.4</b></td></tr> </table> <p>The capital costs are presented as of the Q4-2016 to an estimated accuracy level of <math>\pm 30\%</math>. The final scope of the project requires further definition and additional study to ensure the value of the project is optimised and that a Bankable Feasibility Study estimate can be stated.</p>	Item	A\$M	Site Infrastructure	3.6	Mine Capital	15.1	Processing	42.3	Tailings	5.9	Accuracy & Growth	8.5	EPCM	5.2	Owner's Cost	7.6	Capital Spares	1.5	Contingency	6.6	Commissioning	1.1	<b>Total</b>	<b>97.4</b>
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Estimation Margin of Error	It is not possible to ascribe a single margin of error assessment over the numbers in the PEA. As referred to above, capital costs have an estimated accuracy level of ±30%. Operating cost estimates are believed at this point to have an accuracy of ±20% and revenue to have an accuracy of ±15%.																																
Cut-off parameters	A cut-off of Cu 0.5% was applied to the JORC Resource.																																
Mining factors or assumptions	<p>The mining PEA study has been prepared based on a conventional truck and hydraulic excavator operation, with an overall material movement rate of up to approximately 5.0 Mtpa, to achieve the required 600 ktpa mill feed rate. The main mining fleet would comprise 110 t to 220 t excavators loading 90 t dump trucks.</p> <p>10m benches have been allowed for in the waste zone and 5m benches in the mineralised zone in order to minimise ore loss and dilution.</p> <p>A minimum mining block size of 7.5m by 10m by 2.5m has been assumed in the Resource block model for the PEA study. Mining recovery of 95% and mining dilution of 5% has been used to calculate the relevant Resources.</p> <p>The selected optimised pit shell and practical pit design incorporated approximately a 57° inter-ramp angle as determined by Aeon with further geotechnical assessment required to determine the appropriate angle.</p> <p>The percentage of Measured, Indicated and Inferred Resource that relate the production schedule is given in the table below:</p> <table><tr><th>Year</th><th>Measured</th><th>Indicated</th><th>Inferred</th></tr><tr><td>1</td><td>38%</td><td>55%</td><td>7%</td></tr><tr><td>2</td><td>23%</td><td>69%</td><td>8%</td></tr><tr><td>3</td><td>7%</td><td>46%</td><td>47%</td></tr><tr><td>4</td><td>12%</td><td>51%</td><td>37%</td></tr><tr><td>5</td><td>23%</td><td>45%</td><td>32%</td></tr><tr><td>6</td><td>28%</td><td>30%</td><td>42%</td></tr><tr><td>Total</td><td>22%</td><td>49%</td><td>29%</td></tr></table>	Year	Measured	Indicated	Inferred	1	38%	55%	7%	2	23%	69%	8%	3	7%	46%	47%	4	12%	51%	37%	5	23%	45%	32%	6	28%	30%	42%	Total	22%	49%	29%
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Metallurgical factors or assumptions	<p>Engineering consultant AMEC Foster Wheeler compiled the PEA study including a review of processing options, which has resulted in a plant design based on processing 600 ktpa through conventional sulphide floatation and cobalt rich pyrite leaching circuits. The process plant is designed to process ore at a head grade of 1.73% Cu, 1.60% Zn, 50.89% FeS2, and 2,118 g/t Co.</p> <p>The process recovery assumptions are based on testwork performed by a number of specialist consultants and laboratories to support the recovery assumptions for copper, zinc and cobalt detailed in the following table:</p>																																

	Recovery(%)	2019	2020	2021	2022	2023	2024
	Copper	97.15	95.54	95.65	94.76	94.66	75.17
	Zinc	57.26	77.52	84.02	64.39	84.69	65.73
	Cobalt	48.4	48.4	48.4	48.4	48.4	48.4
	<p>The copper concentrate is expected to vary from 20.1% Cu to 24.7% Cu. Arsenic values in copper concentrate will at times be elevated and may attract minor penalties. Zinc and lead values in copper concentrate will at times be elevated, but an effective concentrate blending strategy will reduce them to below penalty levels. No other deleterious elements are expected in the copper concentrate.</p> <p>The zinc concentrate is expected to vary from 46.6% Zn to 57.5% Zn. Arsenic and lead values in zinc concentrate will at times be elevated and may attract minor penalties. No other deleterious elements are expected in the zinc concentrate.</p> <p>The cobalt leach circuit is designed to produce a mixed cobalt hydroxide precipitate with a concentration of around 38.5%.</p>						
<b>Environmental</b>	<p>To date, Aeon has been undertaking preliminary environmental baseline work that will form part of its EA application submission required to obtain an EA and Mining Lease for the Project. The Mining Lease application will be managed by the Department of Natural Resources and Mines and the EA application is administered through the Department of Environmental and Heritage Protection. The Commonwealth Department of Environment will manage potential Matters of National Environmental Significance related to the Project.</p> <p>The expected timeframe for the EA and Mining Lease process is around one year.</p> <p>After the completion of baseline field studies in 2015 and 2016 dry and wet seasons, Aeon does not believe there are any environmental issues that cannot be addressed.</p>						
<b>Infrastructure</b>	<p>For the PEA study, it is assumed that water would be utilised from surface and groundwater sources in order to provide the required 1,200 ML of water per annum for the Project. Surface water would be sourced from a pump station installed on the Nicholson River some 6 km from the Project. The overall water demand would also be supplemented by water extracted from sub artesian bores close to the Project.</p> <p>Aeon is assuming diesel power generation to support the power requirements for the Project.</p> <p>Aeon has selected Townsville for its port shipment option. Containerised concentrate would be trucked from Walford Creek to Townsville for loading into ships for worldwide export.</p>						

<b>Costs</b>	<p>All costs in the estimation of the production target and the associated financial information were estimated to a PEA level of accuracy (<math>\pm 30\%</math>).</p> <p>The table below details the average operating costs per tonne of mill feed over the life of mine.</p> <table border="1" data-bbox="683 392 1145 846"> <thead> <tr> <th>Item</th><th>Cost (A\$/t)</th></tr> </thead> <tbody> <tr> <td>Mining</td><td>26.5</td></tr> <tr> <td>Processing</td><td>45.4</td></tr> <tr> <td>Water</td><td>0.09</td></tr> <tr> <td>Tailings</td><td>0.15</td></tr> <tr> <td>Concentrate Trucking</td><td>8.64</td></tr> <tr> <td>Port</td><td>0.79</td></tr> <tr> <td>Site Administration</td><td>7.62</td></tr> <tr> <td>Insurances</td><td>0.41</td></tr> <tr> <td>Royalties</td><td>7.12</td></tr> <tr> <td><b>Total</b></td><td><b>96.70</b></td></tr> </tbody> </table> <p>Process Plant capital and operating costs supplied by AMEC and were based on a combination of first principle build up and current pricing for similar projects.</p> <p>Mining costs were based on two proposals received from mining contractors. Aeon had provided the contractors with mining schedules and detailed pit stage plans in order for them to provide their mining operating cost estimates.</p> <p>Aeon's truck transportation and port cost estimate is based on a proposal received from an existing port operator.</p> <p>Diesel power costs are based on a proposal received from an energy provider for which would supply and maintain the diesel generators.</p>	Item	Cost (A\$/t)	Mining	26.5	Processing	45.4	Water	0.09	Tailings	0.15	Concentrate Trucking	8.64	Port	0.79	Site Administration	7.62	Insurances	0.41	Royalties	7.12	<b>Total</b>	<b>96.70</b>
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<b>Market assessment</b>	<p>The copper and zinc concentrate markets are mature markets with the key drivers. Based on the industry research outlined in “Revenue Factors” Aeon has formed the opinion that future copper demand will outweigh supply supporting prices during the proposed production period for the Project.</p>						
<b>Economic</b>	<p>A preliminary project cashflow model has been developed as part of the PEA study.</p> <p>The model is based on a 600 ktpa open pit mining operation commencing at the start of 2019 with on-site processing resulting in a current mine production life of 6 years.</p> <p>Contained metal produced over the life of mine is detailed in the table below.</p> <table border="1"> <tr> <td>Copper (t)</td><td>38,158</td></tr> <tr> <td>Zinc (t)</td><td>28,848</td></tr> <tr> <td>Cobalt (t)</td><td>3,196</td></tr> </table> <p>Total initial capital for the project is estimated at A\$97.4M. There is a further sustaining capital of A\$4.2M for the tailings facility.</p> <p>A discount rate of 8% has been assumed for the model.</p>	Copper (t)	38,158	Zinc (t)	28,848	Cobalt (t)	3,196
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<b>Social</b>	<p>The Project is situated on Bowthorn Station which has a perpetual leasehold exempt from Native Title issues. The Traditional Owners of the Project area are the Ganagalidda-Garawa and Waanyi Peoples who have cultural heritage ties to the area. To date no cultural heritage issues have been identified.</p>						
<b>Other</b>	<p>To date there are no material legal or marketing agreements in place. The tenements are in good standing and no expectation that this will change.</p>						
<b>Classification</b>	<p>Resources were classified in accordance with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). The classification of Mineral Resources was completed based on the geological complexity, estimation performance, number of drill samples, drill hole spacing and sample distribution. The Competent Person is satisfied that the result appropriately reflects his view of the deposit.</p> <p>The Vardy Resource has utilised a total of 107 holes for 16,500+ metres and 13,143 assays in the delineation of the resource estimates (including peripheral holes). Drillhole spacing for the Vardy Zone comprises a core section of 25 m spaced drilling extending to 50 m along strike and 30-60m down dip. Interpretation of mineral wireframes is based on a combination of elevated copper grades at a nominal 0.5% Cu cut off, stratigraphic</p>						



	position/lithological host, depth of oxidation and proximity to the Fish River Fault.
<b>Audit or Reviews</b>	The mining, processing and infrastructure components of the PEA were independently reviewed by Aeon specialist consultants. No material issues were identified by the reviewers.