

Aeon Metals Limited
31 December 2016
Interim Financial Report

Aeon Metals Limited

31 December 2016 Interim Financial Report

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Aeon Metals Limited

31 December 2016 Interim Financial Report

Directors' Report

The directors of Aeon Metals Limited (the "Company" or "Aeon") present their report together with the consolidated financial statements for the six months ended 31 December 2016 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 Non-executive Director	Appointed 28 June 2010 Resigned 18 November 2016
Mr. John Leslie Goody Non-Executive Director	Appointed 28 September 2006 Resigned 7 September 2016
Mr. Hamish Collins Managing Director	Appointed 28 March 2012
Mr. Paul Harris Chairperson Non-Executive Director	Appointed 17 December 2014
Mr. Ivan Wong Non-Executive Director	Appointed 1 July 2016
Mr. Stephen Lonergan Non-Executive Director	Appointed 7 September 2016

Review of operations

The 6 month period to 31 December 2016 has seen the Company continue to actively advance the 100% owned Walford Creek Project ("Walford Creek" or the "Project"), a large base metals project located in Northwest Queensland (see Figure 2 below) with a significant JORC Indicated and Inferred Resource.

Aeon also holds an extensive (~2,619km²) exploration tenement portfolio, linked by significant fault architecture, in the world-class Mt Isa mineral province in Northwest Queensland.

The Company has a tenement package in Southeast Queensland with a focus on copper. Although limited work was carried out within this tenement package during the half year period, this tenement package, consisting of Ben Hur, 7B, and Greater Whitewash Projects, are significant projects within a 15km radius of each other.

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Directors' Report (continued)

Review of operations (continued)

Figure 1: Aeon's Tenement Holdings

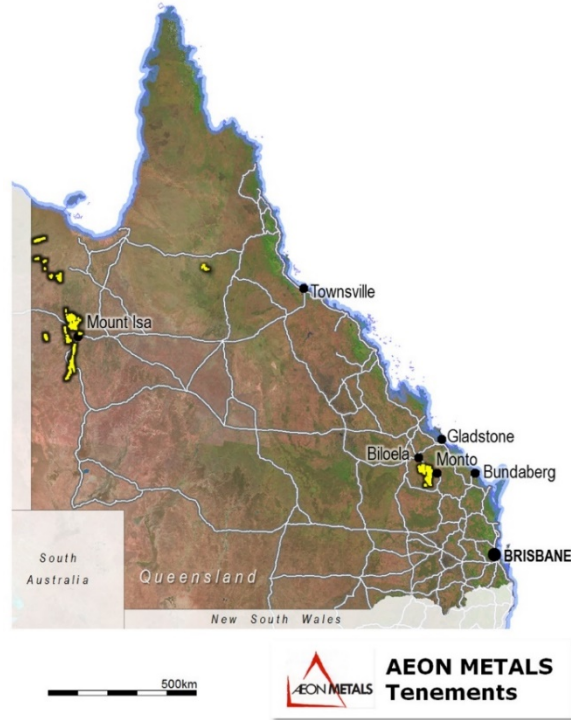
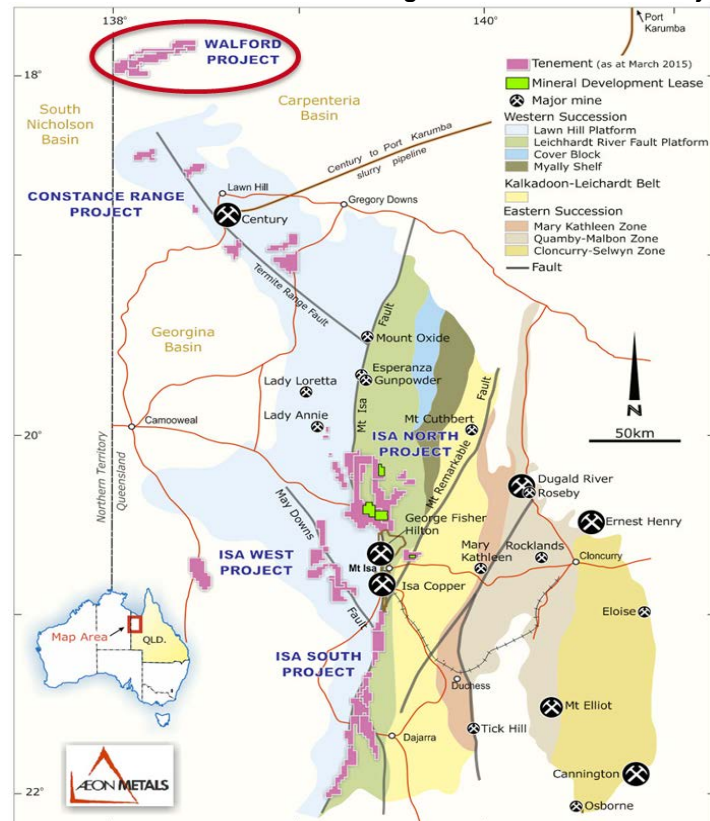


Figure 2: Aeon's Northwest Tenement Holdings and Walford Creek Project Location



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Directors' Report (continued)

Review of operations (continued)

At Walford Creek the 2016 drill program commenced on 5 May 2016 with the principal aim being to obtain further bulk sample for metallurgical work as well as upgrade the confidence of the published JORC Resource stated below in Table 1.

Table 1: Resource Estimates for Walford Creek

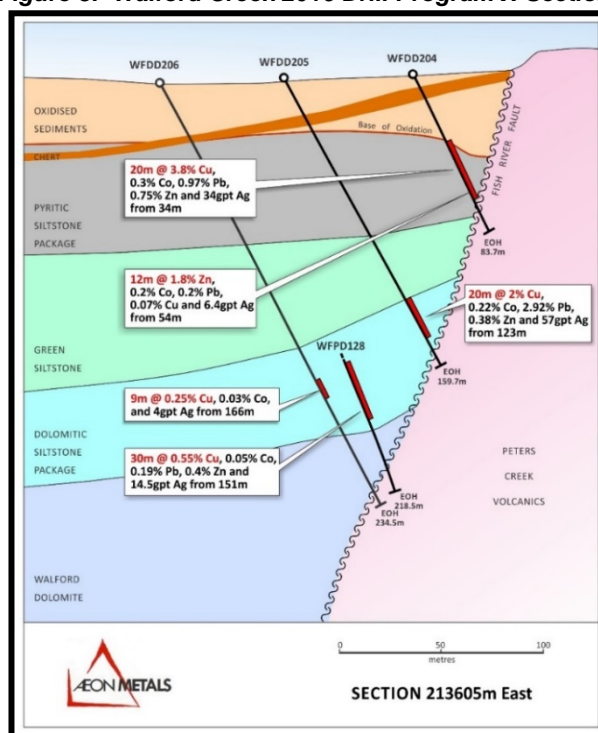
Category	Mt	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)	Co (ppm)
Indicated	16.2	0.46	0.83	1.02	20.1	909
Inferred	57.1	0.39	0.86	0.80	24.5	785
Total	73.3	0.40	0.85	0.85	23.5	813
Category	Mt	Cu (kt)	Pb (kt)	Zn (kt)	Ag (Moz)	Co (kt)
Indicated	16.2	75	135	166	10.5	14.8
Inferred	57.1	221	491	457	44.9	44.8
Total	73.3	296	626	623	55	60

At 0.55% CuEquiv cut-off: See Appendix 1 for Resource Estimate Assumptions

During the half year period, the drill program was successfully completed with a total of 20 diamond holes drilled for 3,451m (274m RC pre-collar and 3,178m DD). It is noted that historical drilling has focused further back from the Fish River Fault with this program drilling closer to the Fault.

Assay results for this program were received and announced during the period with these assay results confirming the shallow continuity of a high-grade sulphide component of the Resource close to the Fault containing excellent grades of copper, zinc and cobalt. This continuity is shown in the following 3 cross-sections which show WFDD200, WR26 and WFDD204, on approximately 50m sections:

Figure 3: Walford Creek 2016 Drill Program X-Sections



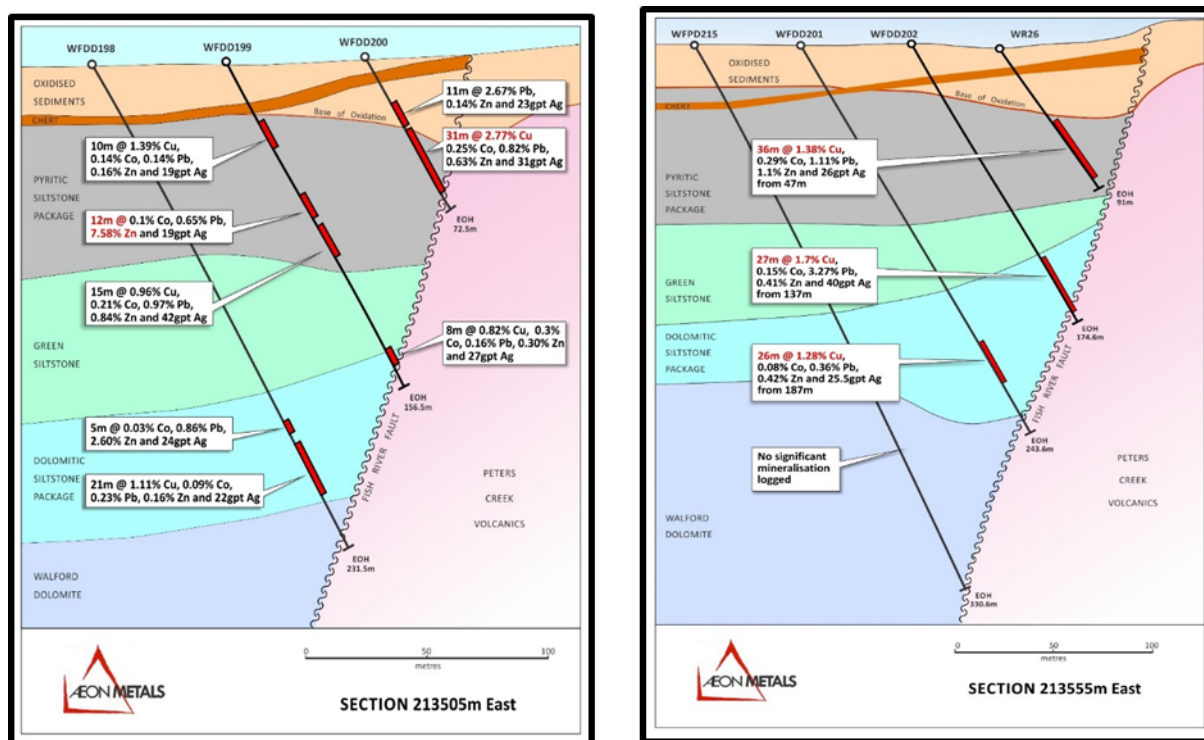
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Directors' Report (continued)

Review of operations (continued)

Figure 3: Walford Creek 2016 Drill Program X-Sections (con'd)



As a consequence of the May/June 2016 drill program, the geological model was updated by geological consultant H&S Consultants Pty Ltd ("H&S"), and on 25 October 2016, the Company announced a Mineral Resource Estimate (reported in accordance with the 2012 JORC Code and Guidelines) for a zone of Walford Creek (the "Vardy Zone").

A follow up 8 hole drill program (586m) was subsequently undertaken when a drill rig was remobilised to site on 17 September 2016 and the program completed in October 2016. This drill program was undertaken within the Vardy Zone block model with all assays results received and announced during the period. As a consequence, on 22 December 2016 the Company announced an updated and increased Mineral Resource Estimate (reported in accordance with the 2012 JORC Code and Guidelines) for the Vardy Zone. The updated Vardy Zone high-grade Resource estimate contains significant copper and cobalt with lower grades of lead, zinc and silver. This Vardy Zone Resource shown below is calculated on all drilling completed over this 1km of strike and includes both the May/June 2016 drilling program results (20 holes for 3,451m) and the September/October 2016 program results (8 holes for 578.5 metres).

This updated Vardy Zone Mineral Resource as announced on 22 December 2016 is as follows:

Category	Mt	Cu %	Co %	Pb %	Zn %	Ag gt
Measured	1.0	1.14	0.17	0.84	0.83	25.9
Indicated	2.2	1.26	0.18	0.80	0.93	26.4
Inferred	3.4	1.28	0.15	0.68	0.63	25.0
Total	6.6	1.25	0.16	0.74	0.76	25.6

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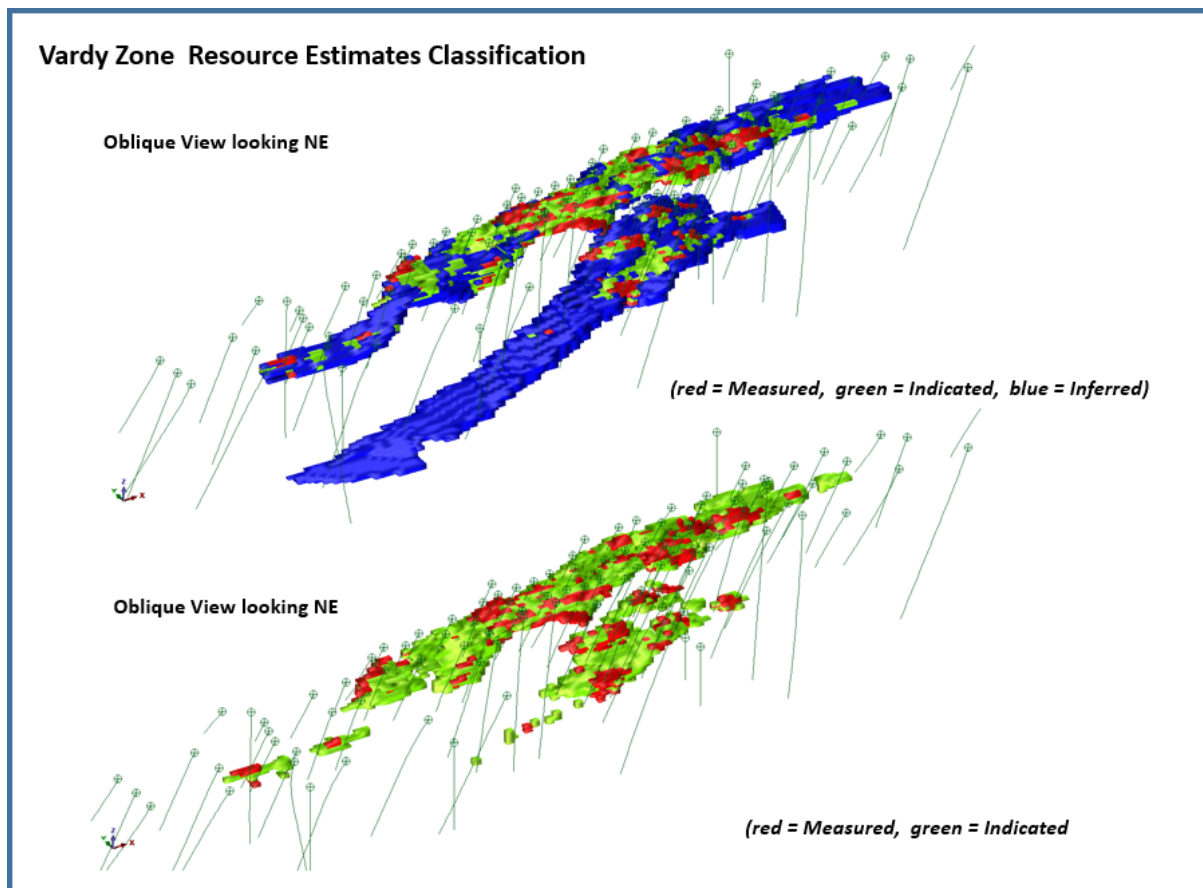
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Directors' Report (continued)

Review of operations (continued)

The following figures illustrate the location of the mineral deposits up against the Fish River Fault and the distribution of the copper grades within the Resource blocks.

Figure 4: Vardy Zone resource classification. Views are towards the NNE.



The new Resource opens the possibility of an initial mining development focused on the Vardy Resource which would benefit significantly from the high grade and shallowness of the mineralisation.

This high-grade mineralisation close to the Fish River Fault has also highlighted the potential for further high grade zones of near surface Cu-Co-Zn zones elsewhere along the Fish River Fault corridor as shown in the figure below.

In particular, it has highlighted the potential within the 4.5km strike of the global Resource west of the Vardy Zone, where drilling was broadly spaced and generally not focused close to the Fault. Additionally, the Vardy Zone is open directly along strike to the north east where significant mineralisation was intersected in the final two holes of the 2016 program, WFDD222 and 223. Those holes intersected mineralisation deeper than expected and have led to a reassessment of the geology at this eastern end of the Vardy Zone. It now appears that the Fish River Fault is either offset by a fault or simply splays to the north east.

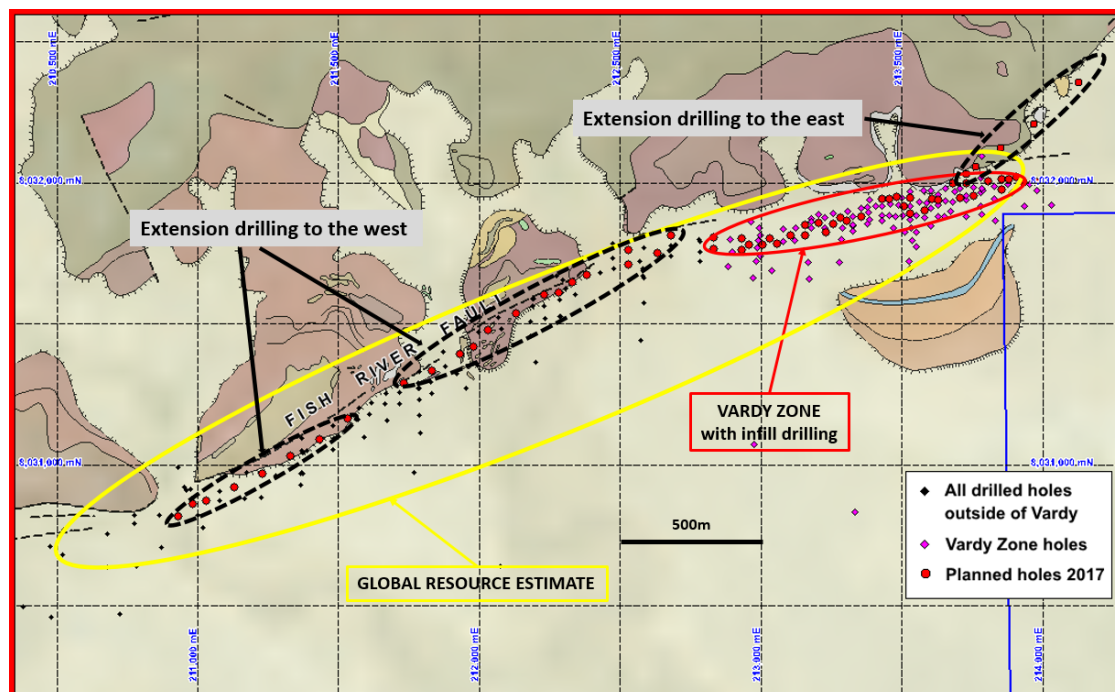
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Directors' Report (continued)

Review of operations (continued)

Figure 5: Proposed 2017 Drill Program



Due to the success in defining the high grade Vardy Zone, during the half yearly period Aeon realigned the Preliminary Economic Assessment (“PEA”) on the Vardy Zone. Work on the PEA continued during the period with a focus on an initial mining development of the Vardy Zone to produce copper and zinc concentrates as well as a cobalt product.

During the half year period, AMEC Foster Wheeler, a global consultancy, engineering and project management company focused on the resources industry, were engaged to assist compile the PEA as well as advance the metallurgical parameters of the Project.

Australian Mine Design and Development (“AMDAD”) were also engaged to assist with the mining component of the PEA.

“Other” Northwest Queensland Tenements

A map showing Aeon's interest in various exploration permits in Northwest Queensland is provided in Figure 2.

This tenement package, is extensive (covering some 2,400km²) 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.

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Directors' Report (continued)

Review of operations (continued)

Southeast Queensland Tenements

The Group controls 5 EPMs: 14628, 15921, 17001, 17002 & 17060 and 1 MDL 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 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.

TENEMENT HOLDINGS AS AT 31/12/16

TENEMENT HOLDER	TENEMENT I.D.	LOCATION	INTEREST HELD
Aeon Metals Limited	EPM 14628	Northwest of Monto, Qld	100%
Aeon Metals Limited	EPM 15921	Northwest of Monto, Qld	100%
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 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%
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%
Mount Isa Mines Limited	EPM 15911	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% **
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%

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

** Registration pending

Aeon Metals Limited

31 December 2016 Interim Financial Report

Directors' Report (continued)

Review of operations (continued)

Financial Position

The net assets of the Group at 31 December 2016 were \$31,760 thousand (30 June 2016: \$32,535 thousand) including cash of \$3,942 thousand (30 June 2016: \$6,629 thousand).

The Directors have prepared cash flow projections for the coming 12 months which include the Group refinancing/repaying its limited recourse debt to the OCP Asia Group, and raising additional cash funding (refer Note 2).

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs.

After Balance Date Events

On 15 February 2017, the Company announced the results of a Preliminary Economic Assessment (PEA) for a proposed open pit mine and onsite processing of the Vardy Zone. The technical and associated financial outcomes of the PEA are highly encouraging and highlight the potential to expedite the development of the Vardy Zone.

Aeon will now proceed with a Vardy Zone Bankable Feasibility Study ("BFS").

Future Developments, Prospects and Business Strategies

The Company's priority is to advance the Vardy Project towards the development and to pursue other opportunities to exploit the Global Walford Creek Resource as well as continue to explore on priority exploration tenements.

Aeon's near term strategy at Walford Creek includes advancing the Vardy Project towards a BFS as well as extension drilling within the Global Walford Creek Resource. 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 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.

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 24 and forms part of the directors' report for the six months ended 31 December 2016.

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Directors' Report (continued)

Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Hamish Collins
Managing Director

Dated at Sydney this 8th day of March 2017.

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.

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 Directors' Report (continued)

APPENDIX 1: 2015 RESOURCE ESTIMATE ASSUMPTIONS & COPPER EQUIVALENTS

Element	Recovery	Price (US\$)	Price Units	Grade	Grade Units	Value per Tonne	Value per Grade Unit	Equivalents
Cu	0.90	\$3.52	Pounds	0.1	%	\$ 6.98	69.84	0.90
Pb	0.75	\$1.00	Pounds	0.1	%	\$1.65	16.53	0.24
Zn	0.75	\$ 0.95	Pounds	0.1	%	\$1.57	15.71	0.22
Ag	0.75	\$34.00	Ounce	0.1	ppm	\$0.08	0.82	0.0117
Co	0.75	\$ 10.00	Pounds	0.1	%	\$16.53	165.35	2.37
Co	0.75	\$ 10.00	Pounds		ppm			0.000237

The above assumptions were used to generate the copper equivalent equation below:
 $(Cu \text{ Equiv} = (0.9 * Cu_{pc}) + (0.24 * Pb_{pc}) + (0.22 * Zn_{pc}) + (0.012 * Ag_{ppm}) + (0.000237 * Co_{ppm}))$

It is the Company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.

Aeon Metals Limited

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Condensed consolidated interim statement of financial position

As at 31 December 2016

In thousands of AUD

	Note	31 Dec 2016	30 Jun 2016
Assets			
Cash and cash equivalents		3,942	6,629
Trade and other receivables		74	146
Other investments		51	50
Prepayments		24	49
Total current assets		4,091	6,874
Property, plant and equipment		131	144
Other assets		36	36
Exploration and evaluation assets	9	55,265	50,113
Total non-current assets		55,432	50,293
Total assets		59,523	57,167
Liabilities			
Trade and other payables		168	921
Employee benefits		135	50
Provisions		50	103
Loans and borrowings		27,410	-
Total current liabilities		27,763	1,074
Loans and borrowings		-	23,558
Total non-current liabilities		-	23,558
Total liabilities		27,763	24,632
Net assets		31,760	32,535
Equity			
Share capital		48,379	48,379
Reserves		8,856	8,830
Accumulated losses		(25,482)	(24,682)
Total equity attributable to owners of the Company		31,753	32,527
Non-controlling interests		7	8
Total equity		31,760	32,535

The condensed notes on pages 17 to 20 are an integral part of these condensed consolidated interim financial statements.

Aeon Metals Limited

31 December 2016 Interim Financial Report

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

For the six months ended 31 December 2016

In thousands of AUD

	Note	31 Dec 2016	31 Dec 2015
Administrative expenses		(462)	(586)
Impairment loss		-	(939)
Other expenses		(401)	(336)
Results from operating activities		(863)	(1,861)
Finance income		62	51
Finance costs		-	-
Net finance income		62	51
Loss before income tax		(801)	(1,810)
Income tax expense		-	-
Loss for the period		(801)	(1,810)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(801)	(1,810)
Loss attributable to:			
Owners of the Company		(800)	(1,809)
Non-controlling interests		(1)	(1)
Loss for the period		(801)	(1,810)
Total comprehensive Loss attributable to:			
Owners of the Company		(800)	(1,809)
Non-controlling interests		(1)	(1)
Total comprehensive Loss for the period		(801)	(1,810)
Loss per share			
Basic loss per share (cents per share)	7	(0.24) cents	(0.53) cents
Diluted loss per share (cents per share)	7	(0.24) cents	(0.53) cents

The condensed notes on pages 17 to 20 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 2016

	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 2015, as previously reported		45,332	5,523	(22,217)	28,638	10	28,648
Total comprehensive loss for the period							
Loss for the period		-	-	(1,809)	(1,809)	(1)	(1,810)
Total comprehensive 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		3,260	-	-	3,260	-	3,260
Capital raising costs		(213)	-	-	(213)	-	(213)
Issue of warrants		-	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
Balance at 1 July 2016, as previously reported		48,379	8,830	(24,682)	32,527	8	32,535
Total comprehensive loss for the period							
Loss for the period		-	-	(800)	(800)	(1)	(801)
Total comprehensive loss for the period		-	-	(800)	(800)	(1)	(801)
Transactions with owners of the Company, recognised directly in equity							
<i>Contributions by and distributions to owners of the company</i>							
Issue of options	6	-	26	-	26	-	26
Total contributions by and distributions to owners of the company		-	26	-	26	-	26
Balance at 31 December 2016		48,379	8,856	(25,482)	31,753	7	31,760

The condensed notes on pages 17 to 20 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 2016

In thousands of AUD

<i>Note</i>	31 Dec 2016	31 Dec 2015
Cash flows from operating activities		
Cash paid to suppliers and employees	(739)	(951)
Cash used in operations	(739)	(951)
Interest received	62	51
Net cash used in operating activities	(677)	(900)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2)	(4)
Payments for exploration activities	(2,008)	(920)
Net cash used in from investing activities	(2,010)	(924)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	3,260
Proceeds from refinancing (net of refinancing costs)	-	4,790
Payment of capital raising costs	-	(213)
Net cash from financing activities	-	7,837
Net increase (decrease) in cash and cash equivalents	(2,687)	6,013
Cash and cash equivalents at 1 July	6,629	1,812
Cash and cash equivalents at 31 December	3,942	7,825

The condensed notes on pages 17 to 20 are an integral part of these consolidated interim financial statements.

Aeon Metals Limited

31 December 2016 Interim Financial Report

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 2016 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 2016 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 2016. 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 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 6 March 2017.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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 2016, the Group incurred a net loss before tax of \$801 thousand and net cash outflow from operating and investing activities was \$2,687 thousand. As at 31 December 2016, the Group had net assets of \$31,760 thousand including cash of \$3,942 thousand.

The borrowings of the Group from the OCP Asia Group (which is also the Company's largest shareholder) are due to mature on 17 December 2017 and have been classified as a current liability resulting in a net current liability position at 31 December 2016 of \$23,672 thousand. The borrowings are secured by a charge over the Group's subsidiary, Aeon Walford Creek Limited. The assets of the subsidiary at 31 December 2016 total \$39,687 thousand and relate solely to capitalised exploration and evaluation expenditure assets. The lender does not have any recourse to the Company. The Directors are in negotiations with the financier regarding the repayment/refinancing of the facility and do not consider the repayment/refinancing of the facility will have an adverse impact on the Group's ability to continue as a going concern.

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 ongoing exploration and evaluation expenditure and assumes the following:

- The Group maintains expenditure in line with the level of funding available; and
- The loan facility will be renegotiated with respect to repayment/refinancing.

Aeon Metals Limited

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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 2016.

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 2016.

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 2016.

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. Capital and reserves

Equity compensation reserve

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

Share based payments

200 thousand ordinary shares were purchased from a former employee at \$0.18 per share as an incentive payment to a current employee of the Company. The fair value of these shares was \$26 thousand as at 6 December 2016, which was funded by a limited recourse loan from the Company.

Aeon Metals Limited

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7. Earnings/(loss) per share

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

	31 Dec 2016	31 Dec 2015
Net loss for the period attributable to owners of the Company (in thousands of AUD)	(800)	(1,809)
Weighted average number of ordinary shares (in thousands of shares)	340,833	340,441

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

	31 Dec 2016	31 Dec 2015
Net loss for the period attributable to owners of the Company (in thousands of AUD)	(800)	(1,809)
Weighted average number of ordinary shares – basic	340,833	340,441
Effect of share options on issue	-	-
Weighted average number of ordinary shares - diluted (in thousands of shares)	340,833	340,441

At 31 December 2016, 137,251 thousand options and warrants (31 December 2015: 137,251 thousand) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

8. Related parties

Arrangements with related parties, involving only key management personnel compensation, continued to be in place other than in respect of Mr. Edgar Newman who was not a Director during the relevant period. For details on these arrangements, refer to Note 27 of the 30 June 2016 Annual Financial Report.

9. Exploration and evaluation of assets

Additions to exploration and evaluation assets during the period relate to expenditures incurred on exploration and evaluation and includes capitalised interest in relation to the loans and borrowings totalling \$3,852 thousand.

	Capitalised Exploration Expenditure
Balance at 1 July 2016	50,113
Additions, including capitalised interest	5,152
Impairment losses	-
Balance at 31 December 2016	55,265

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

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10. Subsequent events

On 15 February 2017, the Company announced the results of the PEA for a proposed open pit mine and onsite processing of the Vardy Zone. The technical and associated financial outcomes of the PEA are highly encouraging and highlight the potential to expedite the development of the Vardy Zone. Aeon will now proceed with a Vardy Zone Bankable Feasibility Study.

Aeon Metals Limited

Directors' declaration

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

1. the condensed consolidated interim financial statements and notes set out on pages 13 to 20, 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 2016 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:

A handwritten signature in black ink, appearing to read 'H. Collins', is written over a light blue rectangular background.

Hamish Collins
Managing Director

Dated at Sydney this 8th day of March 2017.

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 2016, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 10 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.

Responsibility of the Directors 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 for the review of the interim financial report

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 2016 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 2016 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



Stephen Board

Partner

Brisbane

8 March 2017

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 2016 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



Stephen Board
Partner

Brisbane

8 March 2017