

1 March 2024

HALF YEARLY FINANCIAL REPORT

Lunnon Metals Limited (**ASX:LM8**) is pleased to enclose its Half Yearly Financial Report, which includes financial results for the half year period ending 31 December 2023.

This release has been authorised by the Board of Directors.

Hayden Bartrop
CFO & Company Secretary
Phone: +61 8 6424 8848
Email: info@lunnonmetals.com.au



LUNNON METALS

INTERIM FINANCIAL REPORT

For the six months ended
31 December 2023



CORPORATE DIRECTORY

ABN: 82 600 008 848

Board of Directors

Mr. Liam Twigger	<i>Non-Executive Chair</i>
Mr. Edmund Ainscough	<i>Managing Director & Chief Executive Officer</i>
Mr. Ian Junk	<i>Non-Executive Director</i>
Mr. Ashley McDonald	<i>Non-Executive Director</i>
Ms. Deborah Lord	<i>Non-Executive Director</i>

Company Secretary

Mr Hayden Bartrop

Registered Office and Principal Place of Business

Street: Suite 10, Level 3
33 Richardson Street
West Perth, WA 6005
Postal: PO Box 470
West Perth, WA 6872
Telephone: +61 8 6424 8848
Email: info@lunnonmetals.com.au
Website: <https://lunnonmetals.com.au/>

Share Registry

Automic Pty Ltd
Level 5
191 St Georges Terrace
Perth WA 6000

Auditors

Armada Audit and Assurance Pty Ltd
18 Sangiorgio Court
Osborne Park, WA 6017

Securities Exchange

Australian Securities Exchange
Website: www.asx.com.au
ASX Code: LM8

CONTENTS

OPERATIONS REVIEW	2
KAMBALDA NICKEL PROJECT	2
Overview of KNP Drilling Program	3
FOSTER / BAKER (FBA) PROJECT DISCOVERY PROGRAM	3
Mineral Resource Updates	3
East Trough	3
Baker and Foster Preliminary Feasibility Study (PFS)	4
Foster Historical Core Program (HCP)	4
SILVER LAKE / FISHER (SLF) PROJECT DISCOVERY PROGRAM	5
Silver Lake Hanging Wall Exploration Target – now renamed 25H Deposit	5
Long South Gap	6
Fisher	9
Corporate and Financial	9
OPERATIONAL AND FINANCIAL STRATEGY	9
MINERAL RESOURCES AND ORE RESERVES	10
Mineral Resources	10
Ore Reserves	10
Competent Person's Statement and Compliance	11
Disclaimer	12
DIRECTOR'S REPORT	13
Corporate and Significant Changes in Affairs	14
Events Occurring after the Reporting Date	14
Auditor's Independence Declaration	14
AUDITOR'S INDEPENDENCE DECLARATION	15
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16
CONDENSED STATEMENT OF FINANCIAL POSITION	17
CONDENSED STATEMENT OF CHANGES IN EQUITY	18
CONDENSED STATEMENT OF CASH FLOWS	19
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	20
Contingent liabilities	25
DIRECTOR'S DECLARATION	26
INDEPENDENT AUDITOR'S REPORT	27

OPERATIONS REVIEW

KAMBALDA NICKEL PROJECT

The Kambalda Nickel Project (**KNP**) (shown in **Figure 1**) features approximately 47km² of tenements in the Kambalda Nickel District. KNP is located approximately 570km east of Perth and 50-70km south-southeast of Kalgoorlie, in the Eastern Goldfields of Western Australia. KNP comprises two project areas, Foster and Baker (**FBA**) (19 contiguous mining leases) and Silver Lake and Fisher (**SLF**) (20 contiguous mining leases).

The world-renowned Kambalda Nickel District has produced in excess of 1.6 million tonnes of nickel metal (from the Kambalda and Widgiemooltha belts) since its discovery in 1966 by WMC Resources Ltd (**WMC**). In addition, over 15Moz of gold in total has been mined, making the Kambalda/St Ives district a globally significant gold camp in its own right.

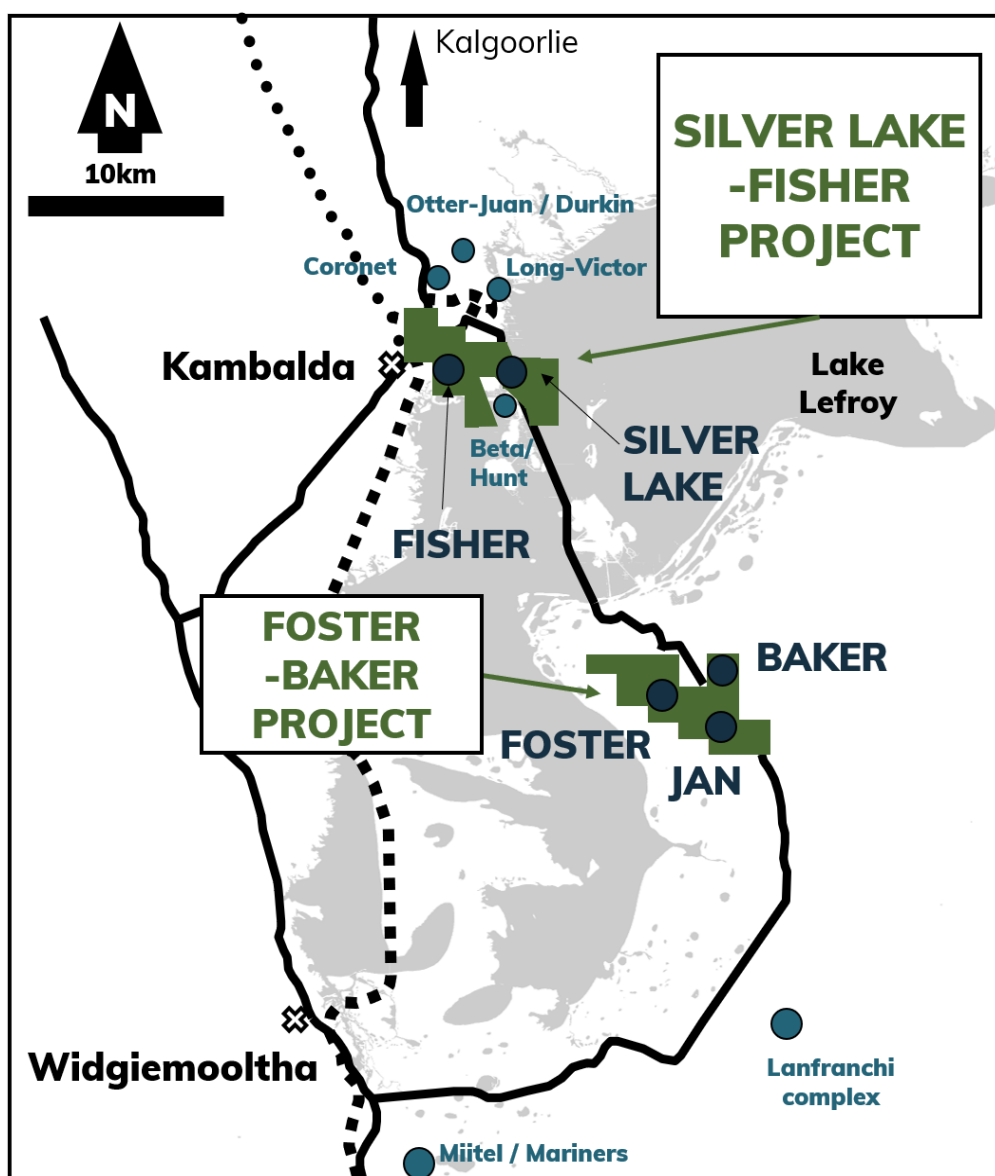


Figure 1: Regional Location of the Kambalda Nickel Project and other nearby nickel deposits

Overview of KNP Drilling Program

In the six month period ending 31 December 2023 (**Half Year Period**), Lunnon Metals Limited (**Company** or **Lunnon Metals**) drilled approximately 18,400 metres, comprising approximately 12,000 metres of diamond drilling (**DD**) in 30 holes and 6,400 metres of Reverse Circulation (**RC**) in 50 drill holes.

At the FBA, exploration focussed in the immediate Baker area, predominantly within the Baker MRE, infill drilling the up-dip portions of the Indicated Resource with RC and DD. This program was designed to both validate the current Baker Mineral Resource estimate (**MRE**) and by extension, de-risk the development and production profile during the start-up and early life of any potential future mining operation. Other DD holes were completed at Foster South (metallurgy and extensional holes), the gap between Foster South and the main Foster mine, and the Cooee Gap prospect.

At SLF, drilling was completed at the Long South Gap with the wedge from the original parent hole completed in difficult drilling conditions.

In addition to the surface drill program at FBA and SLF, the Historical Core Program (**HCP**) recorded over 7,300 metres of reprocessed core from 90 WMC vintage DD holes. Areas the subject of the HCP included:

- within the FBA, Foster N60C;
- within the SLF, the Fisher mine, the KD208/210 trend in the Long South Gap prospect area, and Ken South to the north of the Fisher mine.

FOSTER / BAKER (FBA) PROJECT DISCOVERY PROGRAM

Mineral Resource Updates

During the Half Year Period, the Company reported updates to the FBA MRE as follows¹:

- an update to the 85H MRE to include reported metallurgical DD holes; and
- an initial MRE for East Trough, adjacent to the Baker deposit.

MREs expected to be completed in the coming period include:

- an update to the MRE for Foster South, although as previously reported, limited change is expected;
- the outcome of the MRE exercise for the Foster 40, 50 and 60 surfaces nickel surfaces; and
- an update to the Baker MRE, targeting a first-time Measured Resource for Baker.

East Trough

A first-time, initial JORC Code (2012) nickel MRE for the East Trough deposit was lodged with the ASX on 18 December 2023.

Table 1: MRE for the East Trough Nickel Deposit reported on 18 December 2023.

East Trough	tonnes	Ni %	Cu%	Co%	Pd g/t	Pt g/t	As ppm	Ni metal
Inferred	108,000	2.7	0.20	0.06	0.43	0.22	<10	3,000
Total	108,000	2.7	0.20	0.06	0.43	0.22	<10	3,000

Note: tonnes have been rounded to 3 significant figures, grade to 2 significant figures and nickel metal has been rounded to the nearest 100t.

¹ Refer to ASX Announcements dated 18 December 2023

Key implications of this initial East Trough MRE include:

- Potentially economic mineralisation in close proximity to Baker;
- Nickel sulphide mineralisation remains open down plunge beyond 500 metres from surface; and
- Complementary production source for a future Baker underground mine.

The grade of this initial MRE, its proximity to Baker and down-plunge potential makes East Trough a compelling opportunity that has the potential to enhance Baker's economics.

Baker and Foster Preliminary Feasibility Study

Work continued on the combined Baker and Foster Preliminary Feasibility Study (**PFS**) which involves economic and technical studies to investigate the potential to mine the Foster MRE and assess the benefits and potential improvements to the Baker PFS² of operating both Baker and Foster together. The results of this combined PFS, if positive, are likely to lead to an increase to the Company's Probable Ore Reserve.

The updated PFS will use a nickel price closer to the current three-year lows. The combined Baker and Foster Pre-Feasibility Study will also model the impact of higher nickel prices for comparative purposes.

The updated PFS development study will deliver a mine schedule for both Baker and Foster, which will further enhance the Company's ability to review processing alternatives which may include detailed negotiations with potential Ore Tolling and Concentrate Purchase Agreement (**OTCPA**) partners in Kambalda or further afield, or assessing the opportunity for collaboration with other key nickel players in the region, both private entities and other ASX nickel explorers/developers.

In parallel, regulatory approvals have now advanced with submission of the Mining Proposal/Mine Closure Plan for Baker to the relevant Western Australian government body, with the Mining Proposal/Mine Closure Plan for Foster to follow shortly.

Foster Historical Core Program

A number of historical underground DD holes, completed by WMC when the mine was operational, were accessed, re-logged, re-cut and assayed as part of the Company's signature HCP. These DD holes were originally drilled to evaluate an area to the south of the Foster Shaft, targeting mineralised surfaces broadly grouped as the 40, 50 and 60 surfaces (**see Figure 2**). These surfaces sit outside the current Lunnon Metals' MRE.

Significant mineralisation recorded includes (>1.0% Ni cut-off or >0.5% Ni if labelled ^, depth is metres downhole):

- **FOS13-91:** 3.83m @ 2.67% Ni, 0.09% Cu and 0.08% Co (from 51.17m)^
- **FOS13-94:** 4.40m @ 2.66% Ni, 0.23% Cu and 0.08% Co (from 35.60m)^
- **FOS13-99:** 1.00m @ 6.44% Ni, 0.16% Cu and 0.14% Co (from 41.25m)
- **FOS15-133:** 14.10m @ 2.18% Ni, 0.19% Cu and 0.04% Co (from 6.90m)
- **FOS15-175:** 3.15m @ 2.57% Ni, 0.32% Cu and 0.07% Co (from 13.90m)^
- **FOS15-176:** 8.50m @ 2.33% Ni, 0.08% Cu and 0.09% Co (from 26.00m)^
- **FOS15-180:** 1.85m @ 2.47% Ni, 0.19% Cu and 0.05% Co (from 16.75m)
- **FOS15-181:** 0.40m @ 4.09% Ni, 0.27% Cu and 0.09% Co (from 44.00m)
- **FOS15-190:** 1.25m @ 4.80% Ni, 0.07% Cu and 0.07% Co (from 41.00m)^
- **FOS15-190:** 2.05m @ 2.23% Ni, 0.17% Cu and 0.04% Co (from 61.60m)

² Refer to ASX Announcement dated 23 May 2023

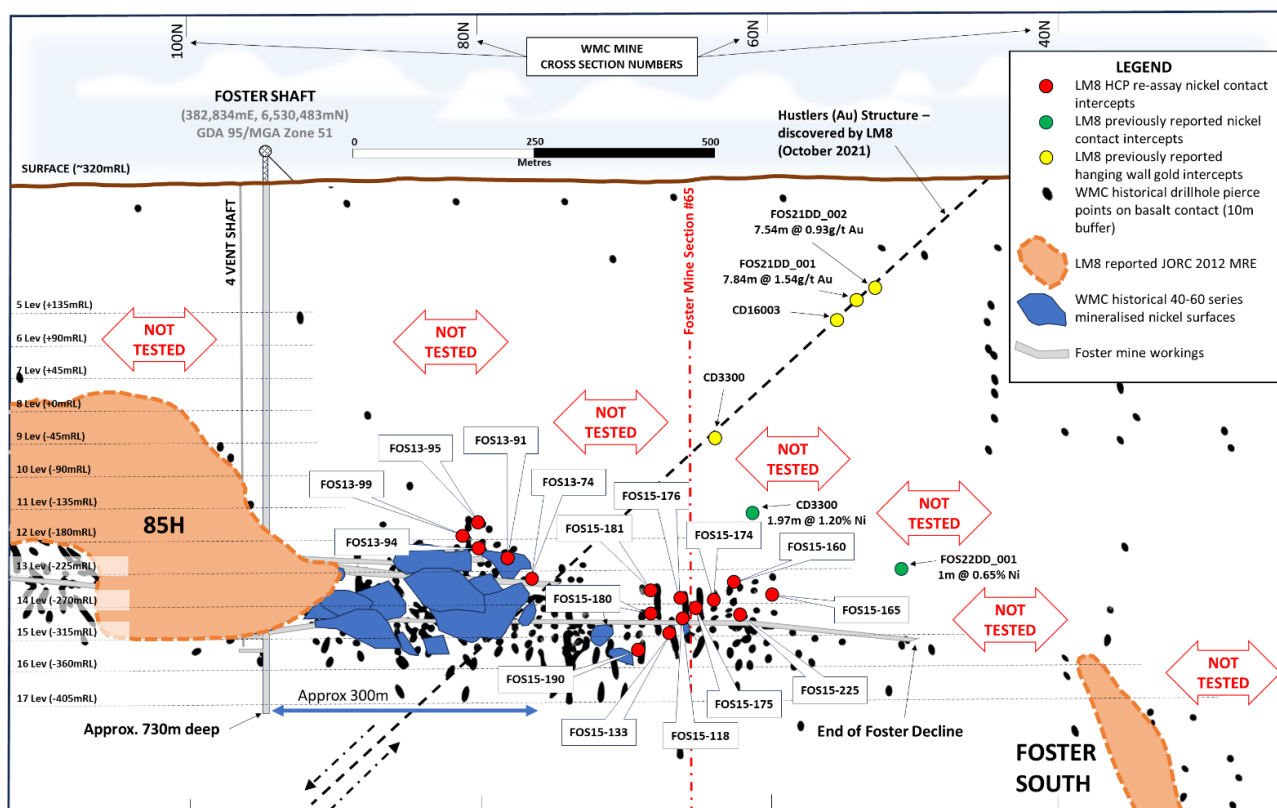


Figure 2: Long projection view of the southern end of the Foster nickel mine illustrating location of reported assay results, Lunnon Metals' 85H and Foster South nickel MRE areas adjacent to historical WMC mineralised areas (blue), Foster Shaft and decline and previous Company surface DD completed in 2021/2022 (view looking towards 045° north-west to left of image).

SILVER LAKE / FISHER (SLF) PROJECT DISCOVERY PROGRAM

Silver Lake Hanging Wall Exploration Target – now renamed 25H Deposit

On 4 December 2023, a first-time, initial nickel JORC Code (2012) MRE was reported for the Silver Lake Hanging Wall prospect (see Table 2). The deposit was renamed the 25H deposit (25H) to mirror the historical name for this mineralisation from the mine's operational period under WMC. The 25H is located at the south end of the Silver Lake mine. This first-time MRE followed receipt of final assays from the Company's first pass surface DD program into the deposit.

Table 2: MRE for the 25H Deposit, Silver Lake Mine reported as on 4 December 2023.

25H	tonnes	Ni %	Cu%	Co%	Pd g/t	Pt g/t	As ppm	Ni metal
Indicated	336,000	1.6	0.10	0.03	0.29	0.14	17	5,300
Inferred	488,000	1.7	0.14	0.03	0.29	0.15	13	8,500
Total	824,000	1.7	0.12	0.03	0.29	0.14	15	13,800

Note: tonnes have been rounded to 3 significant figures, grade to 2 significant figures and nickel metal has been rounded to the nearest 100t.

Key implications of this initial 25H MRE include:

- demonstration of potentially economic mineralisation on the Silver Lake – Fisher project for the first time, since the deal to acquire the nickel rights from Gold Fields on these tenements settled in October 2022;
- development of an initial Mineral Resource base immediately adjacent to the Company's high-priority Long South Gap exploration area, the site of the recently completed, extensive 3D seismic survey by UltraMag Pty Ltd; and
- potential remains for high-grade shoots to be contained within the broad 30m to 170m current surface DD hole spacing.

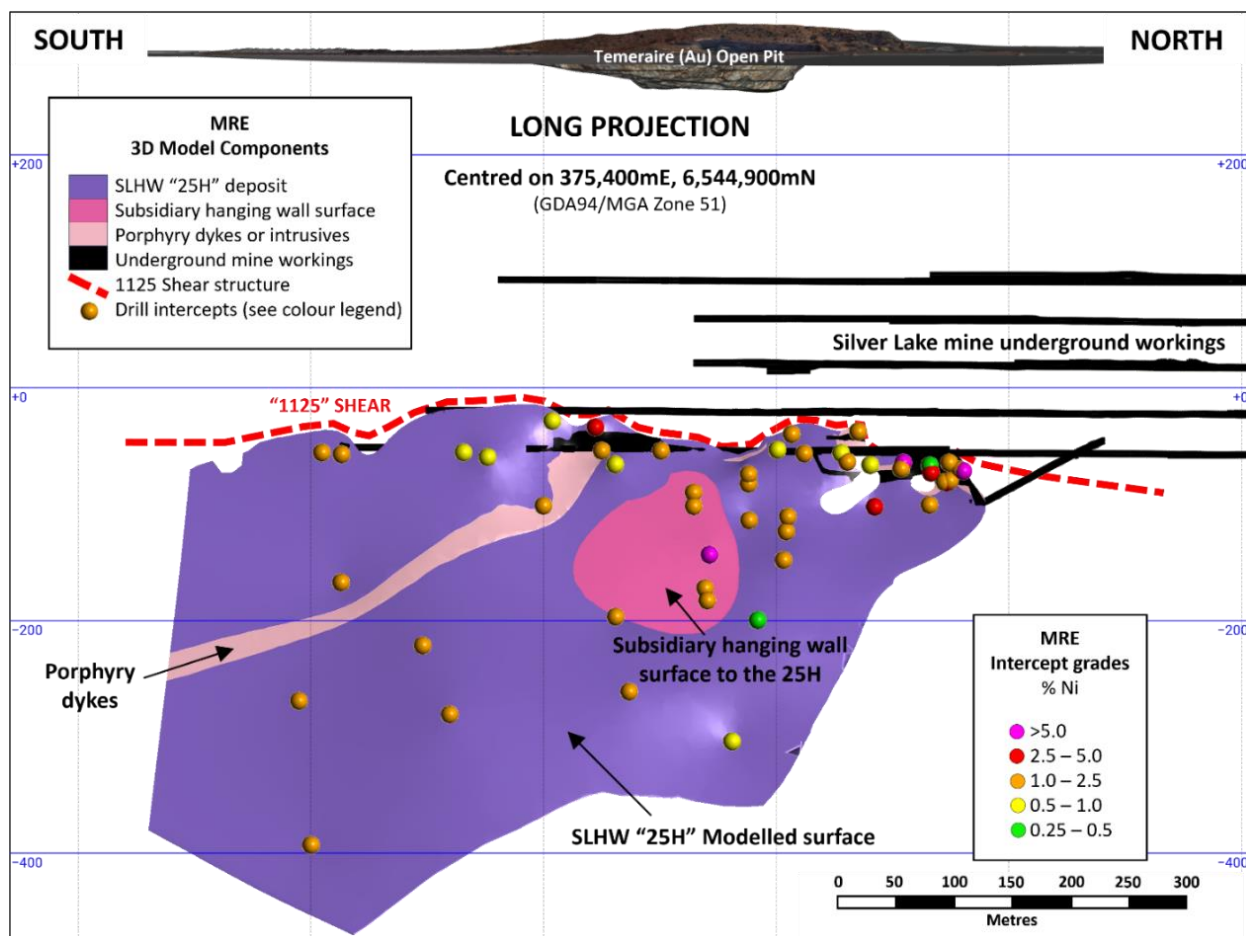


Figure 3: Long projection view of the 25H interpreted mineralised deposit looking WSW, labelled with geology and sub-domains.

Long South Gap

Geophysical contractor, UltraMag Geophysics Pty Ltd, under the supervision of Southern Geoscience Consultants Pty Ltd (SGC) completed the planned 3D seismic survey of the 5.8km² Long South Gap prospect area, on time and budget. The survey was successful and early indications are that the data captured is clean and successfully profiled to the depth planned by SGC. Data analysis is underway and is expected to be fully complete by the June 2024 quarter. However, it is hoped that preliminary findings can guide causeway design, placement, and construction.

The surface DD holes were also completed on the high-priority target generated during the original 2D seismic survey trial (see ASX announcement dated 21 April 2023). This was the first ever DD program in this part of the prolific Kambalda Dome (see ASX announcements dated 31 August 2023 and 9 October 2023). Drilling wrapped up at 1,083m depth in a wedge hole from the original parent hole, which itself was stopped at 928m due to difficult drilling conditions.

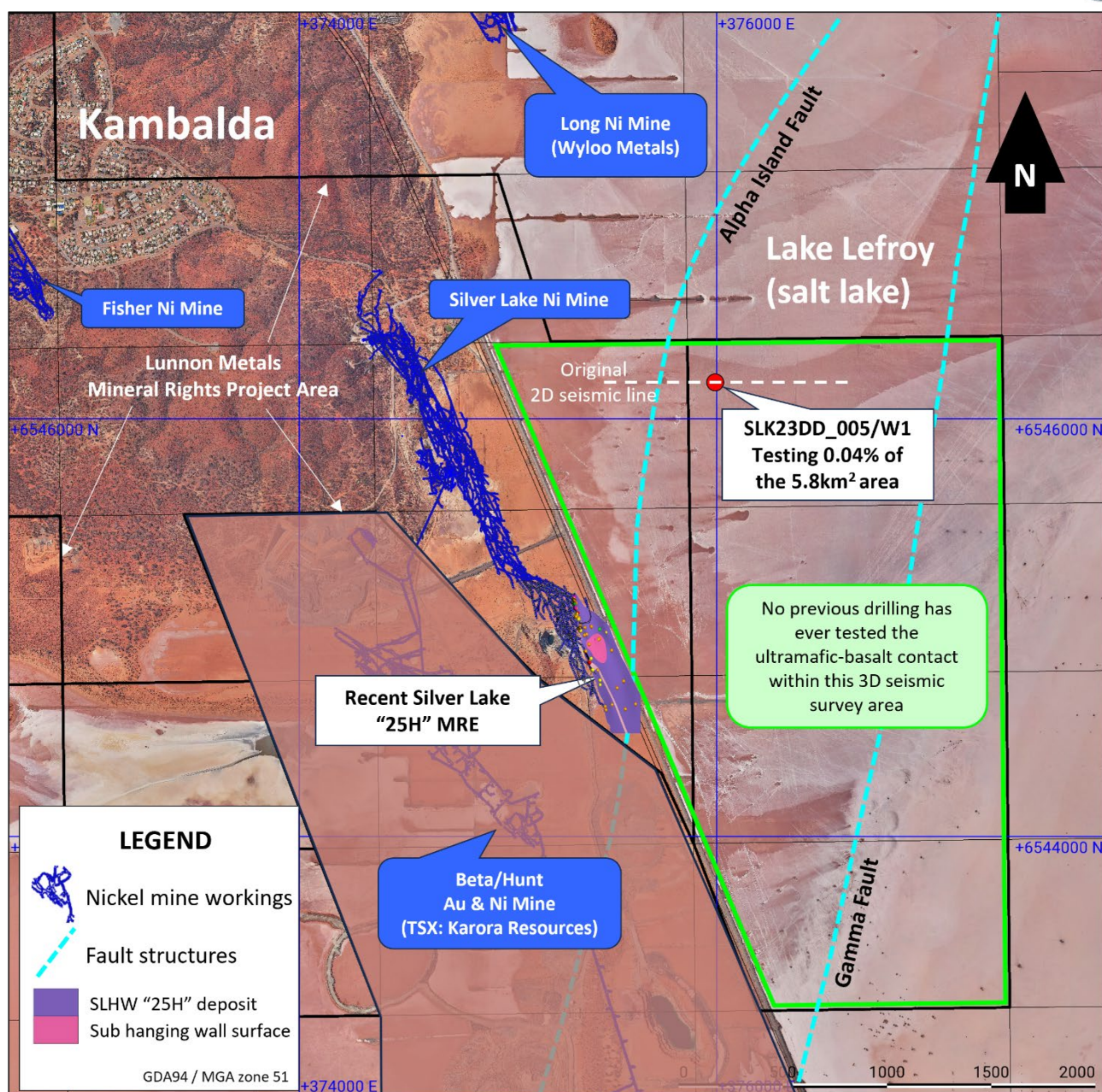


Figure 4: Plan view of the Silver Lake Fisher area at Kambalda showing location of DD program relative to the entire 5.8km² Long South Gap prospect.

The Company reported the following important outcomes of the Long South Gap DD program to the ASX during the Half Year Period³:

- Confirmed a thick succession of high MgO komatiite, a pre-requisite for the ideal hosting environment for nickel sulphides;
- Intersection of a significant structure/fault zone, that has potential implications for nickel prospectivity and based on initial incomplete assaying is variably mineralised with gold. The Company noted it does not have rights to gold mineralisation at the SLF, these remain with Gold Fields;
- Intersection of an initial komatiite-mafic contact, with a notable anomalous zone of elevated geochemistry above this contact, indicative of a potential nickel channel environment; and

³ Refer to ASX Announcements dated 20 November 2023 and 22 January 2024

- Enabled the collection of "time-velocity" and density data over more than 1km length of DD core, which will assist in optimising the calibration of the 3D seismic data.

Despite the above important outcomes from the DD program, no significant or potentially economic mineralisation was identified in the first ever DD program in the Long South Gap. Notwithstanding the low levels of nickel, these zones of elevated geochemistry are important for guiding future exploration and determining where the focus should be directed within the komatiitic flow environment.

The Company also reported partial gold assays for a significant, >50m wide, quartz-breccia structure⁴. The Company notes it does not have rights to gold mineralisation at the SLF, these remain with Gold Fields. The presence of, and proximity to, significant structures or faults has been shown to have a strong correlation in this part of Kambalda with the location of potentially mineralised nickel troughs due to an associated and shared structural history.



Figure 5: Portion of a broad, gold-bearing structure encountered in SLK23DD_005W1; close to the interpreted prospective nickel contact in the Company's first ever diamond hole at Long South Gap – trays shown 999m to 1,022m downhole depth.

The extensive width of this gold bearing structure is indicative that it may be related to potentially significant displacement and as such has a direct bearing on the Company's subsequent nickel targeting once the full 3D seismic survey data is analysed.

⁴ Refer to ASX Announcement dated 22 January 2024

Fisher

After the end of the Half Year Period, the Company reported a first-time, initial MRE at the historical Fisher mine, located to the immediate west of Kambalda township⁵. This new Fisher MRE resulted from execution of the signature HCP on mineralised shoots and surfaces at Fisher termed the F Zone deposit during the Half Year Period.

Table 3: MRE for the Fisher F Zone Nickel Deposit as reported on 15 January 2024.

Fisher F Zone	tonnes	Ni %	Cu%	Co%	Ni metal
Indicated	56,000	2.7	0.17	0.07	1,500
Inferred	195,000	1.7	0.11	0.04	3,200
Total	251,000	1.9	0.12	0.05	4,700

Note: tonnes have been rounded to 3 significant figures, grade to 2 significant figures and nickel metal has been rounded to the nearest 100t.

Corporate and Financial

As at 31 December 2023, the Company held \$27.2 million in cash and cash equivalents and term deposits. The Company's strong financial position follows the equity placement and Share Purchase Plan completed in the Half Year Period, raising \$18,479,990 (before costs) via the issue of 20,533,322 shares at \$0.90 each.

Following shareholder approval on 3 November 2023 for Gold Fields to participate in the placement, Gold Fields undiluted voting power changed to 31.03% at completion of the equity placement and Share Purchase Plan from 33.70% before the equity placement and Share Purchase Plan.

OPERATIONAL AND FINANCIAL STRATEGY

With the significant fall in the nickel price, and poor prevailing equity market sentiment for nickel companies, the Company is taking a prudent approach with respect to its capital management and is planning to reduce monthly exploration and corporate costs from approximately \$1.5 million to \$1.0 million per month going forward. This approach will enable the Company to continue to test its key exploration targets, particularly the Long South Gap, while ensuring that it has sufficient working capital and funding flexibility to operate through the current downturn.

The Company notes the recent news regarding Wyloo Consolidated Investments Pty Ltd's and BHP Nickel West Pty's Ltd (**BHP**) cessation of activities at various Kambalda district mines and the Kambalda Concentrator. As part of the ongoing Baker and Foster combined Pre-Feasibility Study, the Company will continue to review the alternatives for potential future processing of Kambalda Nickel Project nickel production. This may include, among a range of options available, investigating options for collaboration with other key nickel players in the region, or traditional OTCAs with existing concentrator owners, such as BHP, at either Kambalda or Leinster.

While the Baker Ore Reserve remains economic, the potential timing of a financial investment decision to mine Baker is subject to the Board's discretion, with particular consideration likely to be given to the prevailing nickel market sentiment. Baker is forecast to have a short timeframe to production due to its advanced regulatory status, location at shallow depth on granted mining leases and the modest pre-production capital cost⁶.

The Company recognises that there is significant optionality in timing its financial investment decision to maximise the potential benefit from any increase or upward momentum in the nickel price given Baker's many positive characteristics.

With a cash and cash equivalents and term deposits of approximately \$27.2M as at 31 December 2023, Lunnon Metals remains very well positioned to continue to add value to its asset base whilst maintaining significant leverage to any improvement in the nickel price and equity market conditions.

⁵ Refer to ASX Announcement dated 15 January 2024

⁶ Refer to ASX Announcement dated 23 May 2023

MINERAL RESOURCES AND ORE RESERVES

Mineral Resources

The detailed breakdown of the Company's Mineral Resources as at 31 December 2023 was as follows (note this excludes the initial Mineral Resource for Fisher announced after the Half Year Period):

Cut-off (Ni %)		Indicated Ni			Inferred Ni			Total Ni		
		Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes
FOSTER MINE										
Warren	1.0	345,000	2.6	8,800	100,000	2.4	2,400	445,000	2.5	11,200
Foster Central										
85H	1.0	395,000	3.2	12,800	294,000	1.2	3,600	689,000	2.4	16,400
N75C	1.0	271,000	2.6	6,900	142,000	1.9	2,600	413,000	2.3	9,500
S16C / N14C	1.0	-	-	-	64,000	5.7	3,700	64,000	5.7	3,700
South	1.0	223,000	4.7	10,500	116,000	4.8	5,500	340,000	4.7	16,000
Sub total		1,234,000	3.2	39,000	716,000	2.5	17,800	1,951,000	2.9	56,800
BAKER AREA										
Baker	1.0	638,000	3.8	24,000	291,000	2.3	6,800	929,000	3.3	30,800
East Trough	1.0	-	-	-	108,000	2.7	3,000	108,000	2.7	3,000
Sub total		638,000	3.8	24,000	399,000	2.5	9,800	1,037,000	3.3	33,800
SILVER LAKE										
25H	1.0	336,000	1.6	5,300	488,000	1.7	8,500	824,000	1.7	13,800
Sub total		336,000	1.6	5,300	488,000	1.7	8,500	824,000	1.7	13,800
TOTAL		2,208,000	3.1	68,300	1,603,000	2.3	36,100	3,812,000	2.7	104,400

Note: Figures have been rounded and hence may not add up exactly to the given totals. The Mineral Resource is inclusive of any reported Ore Reserves.

Ore Reserves

The detailed breakdown of the Company's Baker Ore Reserve as at 30 June 2023, is as follows:

Baker	tonnes	Ni %	Cu%	Co%	Pd g/t	Pt g/t	As ppm	Ni metal
Proved	-	-	-	-	-	-	-	-
Probable	612,000	2.86	0.24	0.052	0.49	0.20	110	17,500
Total	612,000	2.86	0.24	0.052	0.49	0.20	110	17,500

Note: All figures have been rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.

The Ore Reserve is reported using the December 2022 Mineral Resource. The Ore Reserve is evaluated using a cut-off grade of 1.5% Ni, except for an incremental cut-off grade of 1.0% Ni for low grade development necessary for access to mining zones. The inputs used for the NPV in the Ore Reserve study were a A\$35,294/t nickel price (US\$24,000/t at US\$0.68:A\$1.00) and 8% discount rate.

Competent Person's Statement and Compliance

Any information in this report that relates to nickel and gold geology, nickel Mineral Resources, Exploration Targets, Exploration Results and the Company's Historical Core Program, which includes the accessing, re-processing, re-logging, cutting and assaying of historical WMC Resources Ltd diamond core and the appropriateness of the use of this data and other historical geoscience hard copy data such as cross sections, underground level mapping plans, longitudinal projections and long sections, including commentary relying on personal experience whilst employed at Kambalda by WMC Resources Ltd and Gold Fields Ltd, is based on, and fairly represents, information and supporting documentation prepared by Mr. Aaron Wehrle, who is a Member of the Australasian Institute of Mining and Metallurgy (**AusIMM**). Mr. Wehrle is a full-time employee of Lunnon Metals Ltd, a shareholder and holder of employee options/performance rights; he has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Wehrle is the Company's principal Competent Person and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Any information in this report that relates to the MRE geostatistics, methodology and estimation is based on, and fairly represents, information and supporting documentation prepared by Mr. Stephen Law, who holds current Chartered Professional (Geology) status with the AusIMM. Mr Law is a full-time employee of Lunnon Metals Ltd; he has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Law consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Any information in this report that relates to reporting of prior nickel metallurgical testwork results, was based on, and fairly represents, information and supporting documentation prepared by Mr. Barry Clouett, who is a Member of the AusIMM. Mr. Clouett is an external and independent consultant to Lunnon Metals Ltd and has sufficient experience that is relevant to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Clouett consented to the inclusion in those reports of the matters based on his information in the form and context in which it appears.

Any information in this report that relates to the mining, metallurgical and environmental modifying factors or assumptions as they may apply to the Company's MREs was based on, and fairly represents, information and supporting documentation prepared by Mr. Max Sheppard, Mr. Wehrle and Mr. Edmund Ainscough, who are Competent Persons and Members of the AusIMM and full time employees of Lunnon Metals Ltd. Mr. Wehrle and Mr. Ainscough are shareholders and all three are holders of employee options/performance rights. All three employees have sufficient experience that is relevant to the style of mineralisation, the types of deposit under consideration, the activity that they are undertaking and the relevant factors in the particular location of the Baker deposit, the historical Foster mine and the KNP generally, 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. Mr. Sheppard, Mr. Wehrle and Mr. Ainscough consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to nickel Ore Reserves at Baker is based on information compiled by Mr. Sheppard, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Sheppard is a full-time employee of the Company and is the holder of employee options/performance rights. Mr. Sheppard 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'. Mr Sheppard consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Disclaimer

References in this report may have been made to certain previous ASX announcements, which in turn may have included Exploration Results, Exploration Targets, Mineral Resources, Ore Reserves and the results of Pre-Feasibility Studies. For full details, please refer to the said announcement on the said date. The Company is not aware of any new information or data that materially affects this information. Other than as specified in this report and mentioned announcements, the Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement(s), and in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcement.

This report may contain certain "forward-looking statements" and comments about future matters. Forward-looking statements can generally, but not always, be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions. Indications of, and guidance or outlook on, future expected Exploration Results or technical outcomes, production, earnings or financial position or performance are also forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. Any forward-looking statements in this report are based on current interpretations, expectations, estimates, assumptions, forecasts and projections about the Company, its projects and assets and the market and industry in which it operates, as well as other factors that the Company's management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

DIRECTOR'S REPORT

The Directors present their Interim Report on Lunnon Metals Limited for the six months ended 31 December 2023 and the auditor's report thereon.

Directors

The names of the Directors who held office during the reporting period or since the end of the reporting period and up to the date of this Report are:

Liam Twigger	Non-Executive Chair
Edmund Ainscough	Managing Director
Ian Junk	Non-Executive Director
Ashley McDonald	Non-Executive Director
Deborah Lord	Non-Executive Director

Company Secretary

Mr Hayden Bartrop

Nature of Operations and Principal Activities

The principal activities of the Company were mineral exploration and development.

Operating and Financial Overview

A review of the Company's exploration projects and activities during the period is discussed in the Operations Review section included in this Interim Report.

Profit or Loss

The loss for the six months ending 31 December 2023 was \$16.3 million (31 December 2022: loss \$11.2 million), which included an impairment expense of \$8.4 million to exploration and evaluation assets reflecting changes in economic conditions, specifically the price of nickel.

Financial Position

The net assets of the Company increased by \$2.1 million during the period. As at 31 December 2023, the Company had:

- (a) Cash and cash equivalents of \$27.1 million (30 June 2023: \$19.5 million) principally increased as a result of a \$17.5 million equity raise (net of transaction costs).
- (b) Exploration and evaluation capitalised of \$27.9 million (30 June 2023: \$33.6 million) decreased as a result of an impairment expense of \$8.4 million being recognised which was partly offset by \$2.6 million on further investment in exploration and studies.
- (c) Trade and other payables of \$1.8 million (30 June 2023: \$2.0 million) was largely unchanged.

Cash Flows

Net cash outflow from operating activities for the six months ending 31 December 2023 was \$7.6 million (31 December 2022: \$2.3 million), with the increase principally attributable to an increase in exploration and study activities which have been expensed.

Similarly, net cash outflow used in investing activities amounted to \$2.4 million (31 December 2022: \$5.5 million), the decrease attributable to a reduction in the amount of exploration activities being capitalised with a higher proportion of the ongoing exploration and studies activities being expensed.

Net cash inflows from financing activities was \$17.5 million (net cash outflow 31 December 2022: \$0.02 million), relating to an equity raise (net of transaction costs).

Corporate and Significant Changes in Affairs

The Company announced:

- On 3 August 2023, the Company announced the appointment of highly credentialed resource sector executive Mr. Greg Harvey as General Manager of the Kambalda Nickel Project (**KNP**);
- On 28 August 2023, the Company issued 18,888,888 new fully paid ordinary shares at an issue price of \$0.90 per share, following completion of the first tranche of the Placement raising \$17.0 million (before transaction costs);
- On 20 September 2023, the Company issued 533,322 new fully paid ordinary shares at an issue price of \$0.90 per share following completion of the Share Purchase Plan raising \$0.5 million (before transaction costs);
- On 4 October 2023, 21,505,376 full paid ordinary shares were released from escrow. The escrow arrangements were in connection with the acquisition by Lunnon Metals of the Fisher / Silver Lake nickel mineral rights from St Ives Gold Mining Company Pty Ltd (a wholly owned subsidiary of Gold Fields Limited) (**St Ives**);
- On 3 November 2023, at the Annual General Meeting, shareholders approved the second tranche of the Placement and the subsequent issue of 1,111,112 new fully paid ordinary shares at an issue price of \$0.90 per share, to St Ives raising approximately \$1.0 million (before transaction costs);
- On 4 December 2023, an initial nickel Mineral Resource estimate for Silver Lake Hanging Wall (25H) deposit, at the Silver Lake mine, which is part of the Company's KNP; and
- On 18 December 2023, an initial nickel Mineral Resource estimated for East Trough, at the Baker deposit, which is part of the Company's KNP.

Events Occurring after the Reporting Date

On 15 January 2024, the Company announced an initial nickel Mineral Resource for F Zone at the historical Fisher mine, which is part of the Company's KNP.

Other than noted above, there were no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs in future financial years.

Auditor's Independence Declaration

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

This report is made in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.



Edmund Ainscough
Managing Director

Dated on this day in Perth: 29 February 2024

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF**

LUNNON METALS LIMITED

As lead auditor for the review of Lunnon Metals Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief 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.

*Armada Audit
& Assurance*

ARMADA AUDIT & ASSURANCE PTY LTD



NIGEL DIAS

DIRECTOR

Perth, Dated 29 February 2024

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the 6 months ended 31 December 2023

	Note	6 months ended 31 Dec 2023 \$	6 months ended 31 Dec 2022 \$
Other income			
Government grant		-	44,615
Other Income		1,551	12,940
		<u>1,551</u>	<u>57,555</u>
Share-based payment expense	9(c)	(968,758)	(7,581,551)
Employee costs		(2,122,358)	(1,593,929)
Exploration and evaluation expensed		(4,777,543)	(1,794,092)
Audit, company secretarial and accounting		(89,035)	(94,807)
Computer, software and database		(96,901)	(57,648)
ASX, ASIC and share registry fees		(104,142)	(65,847)
Legal costs		(27,405)	(60,665)
Insurance		(14,181)	(39,934)
Depreciation and amortisation		(71,669)	(64,029)
Impairment expense	5	(8,354,557)	-
Other expenses		(329,310)	(166,891)
Loss before finance and income tax		<u>(16,954,308)</u>	<u>(11,461,838)</u>
Finance income		616,800	279,491
Finance expense		(5,833)	(646)
Loss before income tax		<u>(16,343,341)</u>	<u>(11,182,993)</u>
Income tax expense		-	-
Loss for the period		<u>(16,343,341)</u>	<u>(11,182,993)</u>
Other comprehensive profit/(loss) net of tax		-	-
Total comprehensive loss for the period		<u>(16,343,341)</u>	<u>(11,182,993)</u>
Basic and diluted loss per share (cents per share)		<u>(7.81)</u>	<u>(6.20)</u>

The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 Dec 2023 \$	30 Jun 2023 \$
Current assets			
Cash and cash equivalents	3	27,062,434	19,540,382
Term deposits		110,954	161,090
Receivables and other assets	4	789,406	426,849
Prepayments		39,506	137,590
		<u>28,002,300</u>	<u>20,265,911</u>
Non-current assets			
Exploration and evaluation asset	5	27,853,840	33,587,059
Property, plant and equipment	6	327,015	371,379
Right-of-use of asset		101,055	124,376
		<u>28,281,910</u>	<u>34,082,814</u>
Total assets		<u>56,284,210</u>	<u>54,348,725</u>
Current liabilities			
Trade and other payables	7	1,801,618	2,028,572
Provisions		351,231	321,823
Lease liability		53,731	53,731
		<u>2,206,580</u>	<u>2,404,126</u>
Non-current liabilities			
Provisions		21,252	13,142
Lease liability		50,550	71,583
		<u>71,802</u>	<u>84,725</u>
Total liabilities		<u>2,278,382</u>	<u>2,488,851</u>
Net assets		<u>54,005,828</u>	<u>51,859,874</u>
Equity			
Issued capital	8	100,048,895	82,528,358
Share-based payments reserve	9	3,175,304	2,206,546
Accumulated losses		(49,218,371)	(32,875,030)
Total equity		<u>54,005,828</u>	<u>51,859,874</u>

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	Note	Contributed equity	Share-based payment reserve	Accumulated losses	Total
		\$	\$	\$	\$
Balance at 30 June 2022		63,821,811	963,446	(15,139,922)	49,645,335
Loss for the period		-	-	(11,182,993)	(11,182,993)
Total comprehensive loss for the period		-	-	(11,182,993)	(11,182,993)
Transactions with owners in their capacity as owners:					
Issue of shares (net of transaction costs)		18,064,515	-	-	18,064,515
Share based payments		-	317,035	-	317,035
Balance at 31 December 2022		81,886,326	1,280,481	(26,322,915)	56,843,892
Balance at 30 June 2023		82,528,358	2,206,546	(32,875,030)	51,859,874
Loss for the period		-	-	(16,343,341)	(16,343,341)
Total comprehensive loss for the period		-	-	(16,343,341)	(16,343,341)
Transactions with owners in their capacity as owners:					
Issue of shares (net of transaction costs)	8	17,520,537	-	-	17,520,537
Share-based payments	9	-	968,758	-	968,758
Balance at 31 December 2023		100,048,895	3,175,304	(49,218,371)	54,005,828

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2023

	Note	6 months ended 31 Dec 2023	6 months ended 31 Dec 2022
		\$	\$
Cash flow from operating activities			
Payments to suppliers and employees		(2,289,191)	(4,357,489)
Payments for exploration and evaluation expensed		(6,347,444)	(1,164,782)
GST received from ATO		636,066	3,100,791
Government grant		-	44,615
Interest received		402,070	78,542
Interest paid		(5,832)	(634)
Net cash used in operating activities		(7,604,331)	(2,298,957)
Cash flow from investing activities			
Payments for exploration and evaluation capitalised		(2,418,315)	(5,469,494)
Purchase of plant and equipment		(4,941)	(25,958)
Transfers from restricted cash		50,136	-
Net cash used in investing activities		(2,373,120)	(5,495,452)
Cash flow from financing activities			
Lease payments		(21,034)	(16,366)
Proceeds from issue of shares		18,479,990	-
Share issue transaction costs		(959,453)	-
Net cash provided / (used in) financing activities		17,499,503	(16,366)
Net increase / (decrease) in cash held		7,522,052	(7,810,775)
Cash at beginning of period		19,540,382	32,873,486
Cash at end of period	3	27,062,434	25,062,711

The Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

Note 1: Corporate information

The Interim Financial Report of Lunnon Metals Limited (**Lunnon Metals** or the **Company**) consists of the Condensed Financial Statements, Notes to the Condensed Financial Statements and the Directors' Declaration.

Lunnon Metals Limited is a company incorporated and domiciled in Australia, limited by shares, and is a for profit entity whose shares are publicly traded on the ASX. The Company's registered office and principal place of business is:

Suite 10, Level 3
33 Richardson Street
West Perth WA 6005

The Company is principally engaged in mineral exploration and development in Western Australia.

Note 2: Basis of preparation

The Interim Financial Report was authorised for issue in accordance with a Resolution of the Directors on 29 February 2024.

These Condensed Financial Statements for the six months ended 31 December 2023 have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard (AASB) 134: *Interim Financial Reporting*. As such they do not include the full disclosures of the type normally included in an annual financial report and, therefore, it is recommended these Condensed Financial Statements be read in conjunction with the financial statements of the Company for the year ended 30 June 2023.

(a) Historical cost convention

These Condensed Financial Statements have been prepared under the historical cost convention, and on an accruals basis (except for certain financial assets and liabilities for which the fair value basis of accounting has been applied).

(b) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates - the functional currency. The financial statements are presented in Australian dollars, which is Lunnon Metals functional and presentation currency.

(c) Critical accounting estimates

The preparation of financial statements requires the use of certain estimates, judgements and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates and application of different assumptions and estimates may have a significant impact on the Company's net assets and financial results.

(d) The significant judgements made by the Company in applying the Company's accounting policies and the key sources of estimation were the same as those described in the Company's previous Annual Financial Statements for the year ended 30 June 2023.

(e) Accounting Policies

The Condensed Financial Statements have been prepared in accordance with the same accounting policies adopted in the Company's previous Annual Financial Statements for the year ended 30 June 2023.

(f) Reclassification of comparative information

Some of the comparative information has been reclassified to align with the current period presentation. The reclassification has no impact on the Company's financial position as at 31 December 2023, or its performance for the financial period ended on that date.

(g) New accounting standards and interpretations not yet adopted

The Directors have reviewed all Standards and Interpretations on issue but not yet adopted for the period ended 31 December 2023. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Company accounting policies.

(h) Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM, which has been identified as the Board of Directors, is responsible for the allocation of resources to operating segments and assessing their performance.

Management has determined that the Company has one reporting segment being mineral exploration and development in Western Australia.

Note 3: Cash and cash equivalents

	31 December 2023	30 June 2023
	\$	\$
Cash at bank	4,312,434	115,296
Short term deposits (classified as cash or cash equivalents)	22,750,000	19,425,086
Cash and cash equivalents	27,062,434	19,540,382

Note 4: Receivables and other assets

	31 December 2023	30 June 2023
	\$	\$
GST receivable	455,443	191,960
Other receivables	333,963	234,889
	789,406	426,849

Note 5: Exploration and evaluation asset

	31 December 2023	30 June 2023
	\$	\$
Opening balance	33,587,059	18,374,219
Exploration asset acquired	-	11,958,812
Exploration expenditure capitalised	2,621,338	3,254,028
Impairment expense ¹	(8,354,557)	-
Closing balance	27,853,840	33,587,059

Note 1: The Company conducted its impairment assessment of its exploration assets as required by AASB 6. Following the material decline in the nickel price, post 31 December 2023 the Company made a strategic decision to reduce overall exploration expenditure in favour of more targeted exploration activities. The Company has recorded an impairment expense for any tenement in the relevant areas of interest where it is unlikely future exploration work would continue on the project within the next 18 months.

Note 6: Property, plant and equipment

	31 December 2023	30 June 2023
	\$	\$
Plant and equipment at cost	562,231	558,619
Less accumulated depreciation	(235,216)	(187,240)
	327,015	371,379

Reconciliation:

Opening balance	371,379	395,076
Additions	7,455	77,053
Disposals	(3,471)	-
Depreciation	(48,348)	(100,750)
Closing balance	327,015	371,379

Note 7: Trade and other payables

	31 December 2023	30 June 2023
	\$	\$
Trade payables	1,136,089	1,773,845
Accruals	244,300	122,684
Employee costs payable	413,139	112,513
Other payables	8,090	19,530
	<u>1,801,618</u>	<u>2,028,572</u>

Note 8: Contributed equity

(a) Share capital

	31 December 2023		30 June 2023	
	No.	\$	No.	\$
Fully paid ordinary shares	217,056,241	100,048,895	196,461,419	82,528,358

(b) Movement in ordinary shares

	Date	No.	\$
Opening balance at 30 June 2023		196,461,419	82,528,358
Placement – Tranche 1	28/08/2023	18,888,888	16,999,999
Share Purchase Plan	20/09/2023	533,322	479,990
Placement – Tranche 2	13/11/2023	1,111,112	1,000,001
Exercise of options, \$nil exercise price	13/11/2023	61,500	-
Share issue transaction costs		-	(959,453)
Closing balance at 31 December 2023		<u>217,056,241</u>	<u>100,048,895</u>

(c) Fully Paid Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 9: Share-based payments reserve

(a) Options and performance rights

	31 December 2023	30 June 2023
	\$	\$
Opening balance	2,206,546	963,446
Net movements in Options	63,952	318,100
Net movements in Performance Rights	904,806	925,000
Closing balance	3,175,304	2,206,546

(b) Movements in options and performance rights

Date	Options No.	Performance Rights No.
Opening balance at 30 June 2023	5,124,861	3,815,061
Granted	-	329,935
Exercised	(61,500)	-
Forfeited	-	(62,997)
Closing balance at 31 December 2023	5,063,361	4,081,999

(c) Share-based payments recognised

In the Condensed Statement of Profit or Loss and Other Comprehensive Income	31 December 2023	31 December 2022
	\$	\$
Options	63,952	317,035
Performance rights	904,806	-
Acquisition of Nickel Rights	-	7,264,516
	968,758	7,581,551

Note 10: Contingencies

Contingent liabilities

Guarantees

The Company has provided bank guarantees in favour of various service providers in respect to corporate credit facility and leased premises at 31 December 2023 totalling \$110,954 (30 June 2023: \$161,090).

There were no other material contingent liabilities noted or provided for in the financial statements of the Company as at 31 December 2023.

Note 11: Commitments

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements the Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programmes and priorities. These obligations are not provided for in the financial statements and are payable:

	31 December 2023	30 June 2023
	\$	\$
Within one year	652,120	652,120

Note 12: Related party transactions

(a) Transactions with related parties

In August 2023, the Company mandated Euroz Hartleys Limited (Euroz) and Argonaut Securities Pty Ltd (Argonaut) to act as joint lead managers (**JLMs**) to raise up to \$18 million via a Placement. The JLMs were paid fees for the placement via a cash payment, with 70% to Euroz and 30% to Argonaut. Liam Twigger is Deputy Chairperson and Executive Director of Argonaut, as well as being a shareholder of that company.

Note 13: Events subsequent to reporting date

On 15 January 2024, the Company announced an initial Mineral Resource for F Zone at the historical Fisher mine which is part of the Company's Kambalda Nickel Project (KNP).

Other than noted above, there were no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs in future financial years.

DIRECTOR'S DECLARATION

For the six months ended 31 December 2023

In the opinion of the Directors of Lunnon Metals Limited:

- (a) the Condensed Financial Statements and Notes that are set out on pages 16 to 25, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2023 and of its performance, for the six month financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134: Interim Financial Reporting, the Corporations Regulations 2001; and
- (b) 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, on behalf of the Board.

Signed at Perth this 29th day of February 2024



Edmund Ainscough
Managing Director

Independent Auditor's Review Report to the Members of Lunnon Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lunnon Metals Limited ('the Company'), which comprises the condensed statement of financial position as at 31 December 2023, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Lunnon Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*;

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibility for the Review of the Half-Year Financial Report* section of our report. We are independent of the Company in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a 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.

*Armada Audit
& Assurance*

ARMADA AUDIT & ASSURANCE PTY LTD



NIGEL DIAS

DIRECTOR

Perth, Dated 29 February 2024