
ACH NICKEL PTY LTD
(to be renamed LUNNON METALS LIMITED)

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT

The Directors present their report on ACH Nickel Pty Ltd (the "Company") for the half-year ended 31 December 2020.

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:

Edmund Ainscough
Ian Junk
Darren Hedley
Tao Li
Liu Yanhui (resigned 07/09/2020)

All dollar amounts in this report are Australian Dollars unless otherwise stated.

Operating Results

The operating loss of the Company for the half-year after providing for income tax amounted to \$1,066,101 (2019: \$858,541).

Review of Operations

The Company is a mineral resource exploration and development company. It was established to undertake a farm-in and joint venture agreement with Gold Fields Ltd subsidiary, St Ives Gold Mining Co. Pty Ltd, as recorded in the Option and Joint Venture Agreement in relation to the Foster and Jan Nickel/Gold Project, executed with that company on 9th October 2014. Operations in the reporting period continued to focus on the Company's farm-in activities at Kambalda and included on ground exploration and geoscience activities at the project together with the administrative support of the Company's West Perth Office.

Corporate

On 6 October 2020, the net debt owed to a major shareholder, Bolong (Australia) Investment Management Pty Ltd (hereafter "Bolong") of \$3,734,375 was waived by Bolong and converted to equity at \$0.1771 per share issued pro rata to founding shareholders pro rata to their then ownership percentages.

On 7 October 2020, the Company signed a Convertible Note Deed (Note) with Aurora Prospects Pty Ltd and Mainglow Pty Ltd to provide funding of \$1,100,000 to the Company. The Note bore interest at the rate of 8% per annum. The Note had a redemption date of 4 months, which was the 9th February 2021, but the outstanding principal including all unpaid interest was converted at \$0.1662 per share on 13 January 2021.

The Company executed a 3rd Deed of Variation with St Ives Gold Mining Co. Pty Ltd that allowed for the Company to crystallize its initial 51% interest in the Joint Venture by way of invitation to admission to the Australian Securities Exchange (ASX) involving an Initial Public Offering (IPO) of shares in the Company.

The Company has also executed an agreement to a subsequent Sale and Purchase Deed with St Ives Gold Mining Co. Pty Ltd on 19th November 2020, to acquire that company's residual 49% interest in the Foster/Jan Project upon the IPO noted above with the consideration payable to St Ives Gold Mining Co. Pty Ltd being the issue of such number of shares as required at that time to provide a 49% ownership interest in the Company immediately prior to the IPO and ASX listing.

In relation to the necessary preparations for the above proposed listing the Company has retained Euroz Hartleys Ltd as sponsoring broker, Steinepreis Paganin Pty Ltd as ASX legal advisor, Optiro Pty Ltd as adviser in regard the preparation of an Independent Technical Assessment Report (ITAR) and retained Everest Corporate Pty Ltd to provide company secretarial and accounting services. The service agreements governing the commercial relationship for these parties include hourly rate fees except in the case of Euroz Hartleys Ltd, where fees and costs are only payable in the event of a successful IPO listing.

DIRECTORS' REPORT (Cont.)

Going Concern

The financial statements for the half-year ended 31 December 2020 have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

During the half-year, the Company recorded a loss of \$1,066,101 (2019: \$858,541) and had net cash outflows from operating activities of \$772,358 (2019: \$769,161). At reporting date, the Company had a working capital deficit of \$115,444 (30 June 2020: \$2,960,538).

Based on the Company's future cashflow forecast, the Company will require additional funding in the next 12 months to enable it to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities and meeting its farm-in obligations to St Ives Gold Mining Co. Pty Ltd.

The Company's shareholders have a contractual obligation to continue to provide such funding by way of equity contributions and the provision of loans up to a total of \$8,000,000 (\$3,000,000 as equity from the four founding shareholders pro rata to the agreed ownership percentages and \$5,000,000 to be provided in the form of interest free borrowings from Bolong, as recorded in the "Heads of Agreement to Establish a New Joint Company and Shareholdings", executed by the shareholders and the Company on 7th October 2014).

As at the record date all equity contribution obligations had been met and a sum of \$1,165,625 remained undrawn from Bolong as a loan.

The ability of the Company to continue as a going concern is dependent upon the Company securing additional funding through raising equity by way of the planned IPO or, if this does not proceed, by such other means as deemed necessary, for example undertaking an issue of equity whilst still unlisted to private equity funds or similar.

On 31 January 2020, the COVID-19 pandemic was announced by the World Health Organisation and is continuing to have a negative impact on world stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially impact the ability for the Company to raise capital in the current prevailing market conditions.

These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Company will be able to raise additional funds to meet its debts as and when they fall due and it is appropriate for the financial statements to be prepared on a going concern basis as the Company is currently in the process of preparing for an IPO. Should the IPO not proceed or be delayed, the Company may:

- Scale back certain activities that are non-essential so as to conserve cash;
- Raise capital by means other than the IPO including the issue of equity in the Company within the terms allowed under the farm-in and joint venture agreement with St Ives Gold Mining Co. Pty Ltd.

Should the Company not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

DIRECTORS' REPORT (Cont.)

State of Affairs

No significant changes in the Company's state of affairs occurred during the financial period.

Principal Activities

The principal activity of the Company during the reporting period was as the operator and farminor of the Option and Joint Venture Agreement in relation to the Foster and Jan Nickel/Gold Project at Kambalda, in Western Australia.

Functional Currency

The functional currency of the Company is Australian Dollars.

Dividends Paid or Recommended

No dividend has been declared, paid or proposed during the period.

Options Outstanding

On 6 Oct 2020, the Company granted 1,383,420 options to employees under the Company's incentive option plan (Plan) dated 1 October 2020. The options are subject to the terms and conditions of the Plan as below:

Option exercise price: \$0.01 each
Expiry date: 5 years from grant date
Vesting and exercise conditions: Nil

On 13 January 2021, the Company granted a further 366,646 options to employees under the Plan. The options are subject to the terms and conditions as below:

Option exercise price: \$0.01 each
Expiry date: 5 years from grant date
Vesting and exercise conditions: Nil

The options remain outstanding at the date of this report.

Environmental Regulation

The Company's operations have been carried out in accordance with all applicable environmental regulations effective under Commonwealth and State laws.

Indemnifying Officer

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer of the Company.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

DIRECTORS' REPORT (Cont.)

Events Occurring after the Reporting Date

On 13th January 2021, the Convertible Note, together with accrued interest of \$23,146, was converted to equity at a price of \$0.1662 per share. A total of 6,757,758 new shares were issued to Aurora Prospects Pty Ltd and Mainglow Pty Ltd, split equally between the two note holders. As a result of this new issue, a further tranche of options (numbering 366,646 options) was issued to employees Ainscough, Wang and Wehrle under the Company's Incentive Option Plan.

In preparation for the expected IPO, the previous HoA and Loan Agreement between Bolong, Fan Rong Consulting Pty Ltd, Aurora Prospects Pty Ltd and Mainglow Pty Ltd were terminated.

The Company's expectation is that the IPO and listing has the potential to raise between at least \$15,000,000 gross before broker fees and any assessed duty costs, subject to supportive prevailing market conditions including the spot nickel price and equity market sentiment, factors outside of the Company's control.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not been financially negative for the Company, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matters or circumstance have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Company in future financial periods.

Company Details

The registered office and principal place of business of the company is:
Suite 5, 11 Ventnor Avenue
West Perth
Western Australia
6005

Auditor's Independence Declaration

A copy of the auditor's independence declaration is included in this financial report.

Signed in accordance with a resolution of the Board of Directors:



Edmund Ainscough
Managing Director

Dated on this day in Perth: 29th January 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ACH NICKEL PTY LTD

As lead auditor for the review of ACH Nickel Pty Ltd for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 29 January 2021

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

| | Note | 2020 \$ | 2019 \$ |
|--|------|--------------------|------------------|
| Sales | | | |
| Interest income | | 1,034 | 11,362 |
| Government grant – Cash Flow Boost | | 37,500 | - |
| Expenses | | | |
| Audit fee | | (5,000) | - |
| ASIC and government fees | | (31,700) | (36,600) |
| Company secretarial and accounting fees | | (22,497) | (12,000) |
| Computer, software and database | | (10,331) | (5,144) |
| Consultants, design and testing | | (46,353) | (3,732) |
| Finance costs | | (20,011) | - |
| Legal costs | | (67,454) | (153,642) |
| MRF levies | | (57,238) | (57,750) |
| Management and service fees | | (7,136) | (15,847) |
| Office rent | | (14,586) | - |
| Tenement rent and outgoings | | (99,492) | (91,062) |
| Samples and assays | | (63,582) | (31,163) |
| Employee costs | 2 | (387,367) | (393,206) |
| Share based payments | 12 | (236,955) | - |
| Other expenses | | (34,933) | (69,757) |
| Total expenses | | (1,104,635) | (869,903) |
| Loss before income tax expense | | (1,066,101) | (858,541) |
| Income tax expense | | - | - |
| Net loss after income tax expense | | (1,066,101) | (858,541) |
| Other comprehensive income | | | - |
| Total comprehensive loss for the period | | (1,066,101) | (858,541) |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | (1,066,101) | (858,541) |
| Basic and diluted loss per share (cents per share) | 13 | (3.97) | (5.07) |

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

| | Note | 31 DEC 2020 | 30 JUNE 2020 |
|----------------------------------|------|----------------|-----------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 1,061,835 | 794,328 |
| Trade and other receivables | 4 | 34,682 | 23,730 |
| Loan to a related party | 5 | - | 100,000 |
| TOTAL CURRENT ASSETS | | 1,096,517 | 918,058 |
| | | | |
| Plant and equipment | 6 | 60,135 | - |
| TOTAL NON-CURRENT ASSETS | | 60,135 | - |
| | | | |
| TOTAL ASSETS | | 1,156,652 | 918,058 |
| | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 91,950 | 44,221 |
| Borrowings | 8 | - | 3,834,375 |
| Convertible notes | 9 | 1,120,011 | - |
| TOTAL CURRENT LIABILITIES | | 1,211,961 | 3,878,596 |
| | | | |
| TOTAL LIABILITIES | | 1,211,961 | 3,878,596 |
| | | | |
| NET LIABILITIES | | (55,309) | (2,960,538) |
| | | | |
| EQUITY | | | |
| Issued capital | 10 | 6,734,375 | 3,000,000 |
| Options reserve | 12 | 236,955 | - |
| Accumulated losses | | (7,026,639) | (5,960,538) |
| DEFICIENCY IN EQUITY | | (55,309) | (2,960,538) |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

| | Contributed Equity | Options Reserve | Accumulated Losses | Total |
|--|-----------------------|--------------------|-----------------------|-------------|
| | \$ | \$ | \$ | \$ |
| Balance at 30 June 2019 | 3,000,000 | - | (4,511,961) | (1,511,961) |
| Loss for the period | - | - | (858,541) | (858,541) |
| Total comprehensive loss for the period | - | - | (858,541) | (858,541) |
| Balance at 31 December 2019 | 3,000,000 | - | (5,370,502) | (2,370,502) |
| Balance at 30 June 2020 | 3,000,000 | - | (5,960,538) | (2,960,538) |
| Loss for the period | - | - | (1,066,101) | (1,066,101) |
| Total comprehensive loss for the period | - | - | (1,066,101) | (1,066,101) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of shares | 3,734,375 | - | - | 3,734,375 |
| Issue of options | - | 236,955 | - | 236,955 |
| Balance at 31 December 2020 | 6,734,375 | 236,955 | (7,026,639) | (55,309) |

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

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

| | Note | 2020 \$ | 2019 \$ |
|--|----------|-------------------------|-------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (773,392) | (780,523) |
| Interest received | | 1,034 | 11,362 |
| Net cash used in operating activities | | <u>(772,358)</u> | <u>(769,161)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payment for plant and equipment | | (60,135) | - |
| Net cash used in investing activities | | <u>(60,135)</u> | <u>-</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 1,100,000 | - |
| Net cash provided by financing activities | | <u>1,100,000</u> | <u>-</u> |
| Net increase/(decrease) in cash held | | 267,507 | (769,161) |
| Cash at beginning of period | | 794,328 | 2,237,490 |
| Cash at end of reporting period | 3 | <u><u>1,061,835</u></u> | <u><u>1,468,329</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Corporate Information

ACH Nickel Pty Ltd (to renamed LUNNON METALS LIMITED) (the “Company”) was incorporated and has its domicile in Australia and is a proprietary company limited by shares.

b) Basis of Preparation

The half-year financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020. The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Share-based payments

The Company provides benefits to senior executives of the Company in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity’s estimate of shares that will eventually vest.

Going Concern

The financial statements for the half-year ended 31 December 2020 have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

During the half-year, the Company recorded a loss of \$1,066,101 (2019: \$858,541) and had net cash outflows from operating activities of \$772,358 (2019: \$769,161). At reporting date, the Company had a working capital deficit of \$115,444 (30 June 2020: \$2,960,538).

Based on the Company’s future cashflow forecast, the Company will require additional funding in the next 12 months to enable it to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities and meeting its farm-in obligations to St Ives Gold Mining Co. Pty Ltd.

The Company’s shareholders have a contractual obligation to continue to provide such funding by way of equity contributions and the provision of loans up to a total of \$8,000,000 (\$3,000,000 as equity from the four founding shareholders pro rata to the agreed ownership percentages and \$5,000,000 to be provided in the form of interest free borrowings from Bolong, as recorded in the “Heads of Agreement to Establish a New Joint Company and Shareholdings”, executed by the shareholders and the Company on 7th October 2014).

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern (cont.)

As at the record date all equity contribution obligations had been met and a sum of \$1,165,625 remained undrawn from Bolong as a loan.

Thereafter the ability of the Company to continue as a going concern is dependent upon the Company securing additional funding through raising equity by way of the planned IPO or, if this does not proceed, by such other means as deemed necessary, for example undertaking an issue of equity whilst still unlisted to private equity funds or similar. .

On 31 January 2020, the COVID-19 pandemic was announced by the World Health Organisation and is continuing to have a negative impact on world stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially impact the ability for the Company to raise capital in the current prevailing market conditions.

These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Company will be able to raise additional funds to meet its debts as and when they fall due and it is appropriate for the financial statements to be prepared on a going concern basis as the Company is currently in the process of preparing for an IPO. Should the IPO not proceed or be delayed, the Company may:

- Scale back certain activities that are non-essential so as to conserve cash;
- Raise capital by means other than the IPO including the issue of equity in the Company within the terms allowed under the farm-in and joint venture agreement with St Ives Gold Mining Co. Pty Ltd.

Should the Company not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Adoption of new and revised standards

In the half-year ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2020. 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 Company and, therefore, no change is necessary to Company accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**NOTE 2: EMPLOYEE COSTS**

| | 2020 | 2019 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Protective clothing | - | 64 |
| Staff amenities | 241 | - |
| Staff training | 59 | 460 |
| Superannuation | 35,038 | 34,058 |
| Wages | 352,029 | 358,624 |
| | <u>387,367</u> | <u>393,206</u> |

NOTE 3: CASH AND CASH EQUIVALENTS

| | 31 DEC 2020 | 30 JUNE 2020 |
|---------------------------|------------------------|-------------------------|
| | \$ | \$ |
| Cash at bank | 36,835 | 92,913 |
| Cash at bank - Investment | 1,025,000 | 701,415 |
| | <u>1,061,835</u> | <u>794,328</u> |

NOTE 4: TRADE AND OTHER RECEIVABLES

| | 31 DEC 2020 | 30 JUNE 2020 |
|--------------------------------|------------------------|-------------------------|
| | \$ | \$ |
| GST paid | 29,865 | 11,230 |
| Other debtor – Cash flow boost | - | 12,500 |
| FBT instalments | 4,817 | - |
| | <u>34,682</u> | <u>23,730</u> |

NOTE 5: LOAN TO A RELATED PARTY

| | 31 DEC 2020 | 30 JUNE 2020 |
|----------------|------------------------|-------------------------|
| | \$ | \$ |
| Loan to Bolong | - | 100,000 |
| | <u>-</u> | <u>100,000</u> |

The short-term loan to Bolong (Australia) Investment Management Pty Ltd (Bolong) was interest free and repayable on demand. The loan was net off against the \$3,834,375 loan from Bolong to the Company. On 6 Oct 2020, Bolong agreed to the conversion of the \$3,734,375 amount outstanding into shares at \$0.1771 per share.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**NOTE 6: PLANT AND EQUIPMENT**

| | 31 DEC 2020 | 30 JUNE 2020 |
|-----------------------------|------------------------|-------------------------|
| | \$ | \$ |
| Plant and equipment at cost | 49,500 | - |
| Field equipment at cost | 10,635 | - |
| | <u>60,135</u> | <u>-</u> |

NOTE 7: TRADE AND OTHER PAYABLES

| | 31 DEC 2020 | 30 JUNE 2020 |
|--|------------------------|-------------------------|
| | \$ | \$ |
| Trade payables | 30,976 | 10,762 |
| Accruals | 20,000 | 11,000 |
| FBT and GST payables | 1,856 | 2,587 |
| Employee taxes and superannuation payables | 39,118 | 19,872 |
| | <u>91,950</u> | <u>44,221</u> |

NOTE 8: BORROWINGS

| | 31 DEC 2020 | 30 JUNE 2020 |
|---------------------|------------------------|-------------------------|
| | \$ | \$ |
| Current Loan | | |
| Loan - Bolong | - | 3,834,375 |
| | <u>-</u> | <u>3,834,375</u> |

The Company had borrowed funds from Bolong (Australia) Investment Management Pty Ltd (Lender). The loan was able to be secured by the assets of the Company, however the Lender never elected to perfect security at any stage. The loan was repayable through the application of 70% of available cashflow from the Company's Project, on a listing date, upon the receipt of the proceeds of a transaction following the sale of all, or part of the Project or upon the receipt of proceeds of a transaction following a change of control of the Company, whichever came first. The loan incurred no interest. On 6 Oct 2020, Bolong agreed to the conversion of the outstanding loan, net of the sum of \$100,000 owing to the Company, into shares at \$0.1771 per share, issued as per the agreement entitled Supplementary Agreement to Heads of Agreement.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**NOTE 9: CONVERTIBLE NOTES**

| | 31 DEC 2020 | 30 JUNE 2020 |
|-------------------|------------------------|-------------------------|
| | \$ | \$ |
| Current | | |
| Convertible notes | 1,100,000 | - |
| Accrued interest | 20,011 | - |
| | <u>1,120,011</u> | <u>-</u> |

On 7 October 2020, the Company signed a Convertible Note Deed (Note) with Aurora Prospects Pty Ltd and Mainglow Pty Ltd to provide funding of \$1,100,000 to the Company. The Note bears interest at the rate of 8% per annum. The Note has a redemption date of 4 months and the outstanding principal including all unpaid interest shall be converted at \$0.1662 per share if not repaid before that time.

NOTE 10: CONTRIBUTED EQUITY**(a) Share Capital**

| | 31 December 2020 | | 30 June 2020 | |
|----------------------------|-------------------------|-----------|---------------------|-----------|
| | No. | \$ | No. | \$ |
| Fully paid ordinary shares | 38,028,179 | 6,734,375 | 16,940,627 | 3,000,000 |

(b) Movement in issued capital

| | Date | No. | \$ |
|---|-------------|-------------------|------------------|
| Balance as at 30 June 2019 | | 16,940,627 | 3,000,000 |
| Balance as at 30 June 2020 | | 16,940,627 | 3,000,000 |
| - Issued on 6 Oct 20 to Mainglow ¹ | | 3,591,834 | 636,075 |
| - Issued on 6 Oct 20 to Aurora ¹ | | 3,591,834 | 636,074 |
| - Issued on 6 Oct 20 to Bolong | | 10,427,913 | 1,846,670 |
| - Issued on 6 Oct 20 to Fan Rong ¹ | | 3,475,971 | 615,556 |
| Balance as at 31 December 2020 | | <u>38,028,179</u> | <u>6,734,375</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.

¹, By mutual agreement, and as recorded in the agreement entitled Supplementary Agreement to Heads of Agreement, given that Bolong had not met its obligations to provide the full amount of the Loan, all contributing shareholders agreed to a distribution of the equity issued in conversion of the Loan in a pro rata manner to ensure that the relative ownership of the Company did not change upon the Loan conversion share issuance. Consequently, by virtue of this share issue, the Company no longer owed Bolong the debt and it was passed as a pro rata debt between each founding shareholder and Bolong,

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**NOTE 11: SHARE OPTIONS**

| Grant date | Expiry date | Exercise price | Balance at 30 June 20 | Granted during the period | Exercised during the period | Balance at 31 Dec 20 |
|------------|-------------|----------------|-----------------------|---------------------------|-----------------------------|----------------------|
| 6 Oct 2020 | 5 Oct 2025 | \$0.01 | - | 1,383,420 | - | 1,383,420 |
| | | | - | 1,383,420 | - | 1,383,420 |

On 6 Oct 2020, the Company granted 1,383,420 options to employees under the Company's incentive option plan (Plan) dated 1 October 2020.

NOTE 12: OPTIONS RESERVE

| | 31 DEC 2020 | | 30 JUNE 2020 | |
|----------------------|-------------|---------|--------------|----|
| | Number | \$ | Number | \$ |
| Share based payments | 1,383,420 | 236,955 | - | - |
| | 1,383,420 | 236,955 | - | - |

The Options Reserve is used to recognise the fair value of options issued to directors and employees.

On 6 Oct 2020, the Company granted 1,383,420 options to employees under the Company's incentive option plan (Plan) dated 1 October 2020.

The total fair value of the options was estimated at \$236,955 as at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

| | |
|----------------------------------|------------|
| Grant date | 6 Oct 2020 |
| Expected volatility | 113.63% |
| Risk free interest rate (%) | 0.33% |
| Expected life of options (years) | 5 |
| Exercise price | \$0.01 |
| Share price at grant date | \$0.1771 |
| Fair value at grant date | \$0.1713 |

NOTE 13: LOSS PER SHARE

| | 2020 | 2019 |
|-----------------------------------|------------------------|------------------------|
| | \$ | \$ |
| Loss attributable to shareholders | (1,066,101) | (\$858,541) |
| | Number | Number |
| Weighted average number of shares | 28,850,624 | 16,940,627 |
| | Cents per share | Cents per share |
| Basic and diluted loss per share | (3.97) | (5.07) |

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**NOTE 13: CONTINGENCIES AND COMMITMENTS**

The Company has executed an agreement to a subsequent Sale and Purchase Deed with St Ives Gold Mining Co. Pty Ltd on 19th November 2020, to acquire the Company's residual 49% interest in the Foster/Jan Project upon the IPO noted above with the consideration payable to St Ives Gold Mining Co. Pty Ltd being the issue of such number of shares as required at that time to provide a 49% ownership interest in the Company immediately prior to the IPO and ASX listing.

There were no other contingent liabilities, contingent assets or commitments at reporting date.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

On 13th January 2021, the Convertible Note, together with accrued interest of \$23,146, was converted to equity at a price of \$0.1662 per share. A total of 6,757,758 new shares were issued to Aurora Prospects Pty Ltd and Mainglow Pty Ltd, split equally between the two note holders. In consequence of this new issue, a further tranche of options (numbering 366,646 options) was issued to employees Ainscough, Wang and Wehrle under the Company's Plan.

In preparation for the expected IPO, the previous HoA and Loan Agreement between Bolong, Fan Rong Consulting Pty Ltd, Aurora Prospects Pty Ltd and Mainglow Pty Ltd were terminated.

The Company's expectation is that the IPO and listing has the potential to raise at least \$15,000,000 gross before broker fees and any assessed duty costs, subject to supportive prevailing market conditions including the spot nickel price and equity market sentiment, factors outside of the Company's control.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not been financially negative for the Company, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No matters or circumstance have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Company in future financial periods.

NOTE 15: RELATED PARTY TRANSACTIONS

The key management personnel for the Company for the periods ended 31 December 2020 and 31 December 2019 are:

Edmund Ainscough – Managing Director
 Jiuyu Wang – General Manager, Business Development
 Aaron Charles Wehrle – Exploration and Geology Manager

On 6 Oct 2020, the Company granted 1,383,420 options to the following key management personnel under the Company's incentive option plan (Plan) dated 1 October 2020.

| | Number of Options | Value \$ |
|----------------------|--------------------------|-----------------|
| Edmund Ainscough | 695,221 | 119,079 |
| John Jiuyu Wang | 463,481 | 79,386 |
| Aaron Charles Wehrle | 224,718 | 38,490 |
| Total | 1,383,420 | 236,955 |

The terms and conditions of the share options are disclosed in Note 11 Options Reserve.

During the period, the Company assumed assignment of the lease for its office premises at 11 Ventnor Avenue, West Perth, WA 6005. The remaining term of the lease is until 9th March 2021 and the rental is \$200/m² plus outgoings together with other terms and conditions typical of an agreement of this type. The landlord is Junk Superannuation Pty Ltd, a company associated with Mr Ian Junk, director of shareholder Aurora Prospects Pty Ltd. An amount of \$23,385.80 was paid to Junk Superannuation Pty Ltd up to the 31st December 2020.

Loans to/from related parties

Loans from related parties at the current and previous reporting date are disclosed in Note 8 Borrowings and Note 9 Convertible Notes.

Apart from the above, there has been no material changes in the related party transactions described in the last annual report.

NOTE 16: COMMITMENTS EXPLORATION

Under the Option and Joint Venture Agreement with St Ives Gold Mining Pty Ltd, the Company is required to spend \$10 million by November 2022 to earn a 51% in the tenements and assets the subject of the Joint Venture. After the reporting date, the Company signed a 3rd Deed of Variation to allow listing of the Company on the ASX, subject to also meeting a minimum qualifying expenditure (as defined in the JV Agreement) of \$6,000,000, and thereby also crystallize a 51% earn in interest.

Subject to achieving this expenditure hurdle and thereafter settling the Sale and Purchase Deed executed with St Ives Gold Mining Co. Pty Ltd on 19th November 2020, whereby the Company may acquire that company's residual 49% interest in the Foster/Jan Project upon the IPO noted above, the Company shall thenceforth be required to meet directly the rates/rent and Mineral Resource Rehabilitation Fund levy costs of the tenement holdings at Kambalda, being 19 mineral licences with a total fixed holding cost of approximately \$155,000 per annum and a minimum expenditure commitment of approximately \$230,000 per annum.

The Company has been reimbursing St Ives Gold Mining Co. Pty Ltd as required under its farm-in obligations for the above fixed costs to date and likewise incurring sufficient expenditure each year to exceed the stated minimum expenditure commitment.

DIRECTORS DECLARATION

In the Directors' opinion:

- the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
- complying with Accounting Standards AASB 134 Interim Financial Reporting, the Corporations Regulations 2001; and other mandatory requirements
- giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- 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 Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors:

A handwritten signature in black ink, appearing to be 'E. Ainscough', written over a faint circular stamp or watermark.

Edmund Ainscough
Managing Director

Dated this day in Perth: 29th January 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ACH Nickel Pty Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of ACH Nickel Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) 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 Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor 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 the 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the 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 and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the 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 2020 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 half-year 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.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'J Prue'.

Jarrad Prue

Director

Perth, 29 January 2021