



LUNNON METALS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

CORPORATE DIRECTORY

Board of Directors

Mr. Liam Twigger	<i>Non-Executive Chairperson</i>
Mr. Edmund Ainscough	<i>Managing Director</i>
Mr. Ian Junk	<i>Non-Executive Director</i>
Mr. Ashley McDonald	<i>Non-Executive Director</i>

Company Secretary

Ms Jessamyn Lyons

Registered Office

Street: Level 3
35 Outram Street
West Perth, WA 6005
Postal: PO Box 646
West Perth, WA 6872
Telephone: +61 8 6245 2050

Principal Place of Business

Street: Suite 5
11 Ventnor Avenue
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	3
DIRECTORS REPORT	20
AUDITOR'S INDEPENDENCE DECLARATION	22
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	23
CONDENSED STATEMENT OF FINANCIAL POSITION	24
CONDENSED STATEMENT OF CHANGES IN EQUITY	25
CONDENSED STATEMENT OF CASH FLOWS	26
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	27
DIRECTORS' DECLARATION	35
INDEPENDENT AUDITOR'S REPORT	36

OPERATIONS REVIEW

KAMBALDA NICKEL PROJECT

Location

The Kambalda Nickel Project ("KNP"), shown in its regional location in Figure 1, features approximately 23km² comprising 19 contiguous mining tenements situated within the Kambalda Nickel District, which extends for more than 70km south from the township of Kambalda. This world-renowned nickel district has produced in excess of 1.4 million tonnes of nickel metal since its discovery in 1966 by WMC Resources Ltd ("WMC").

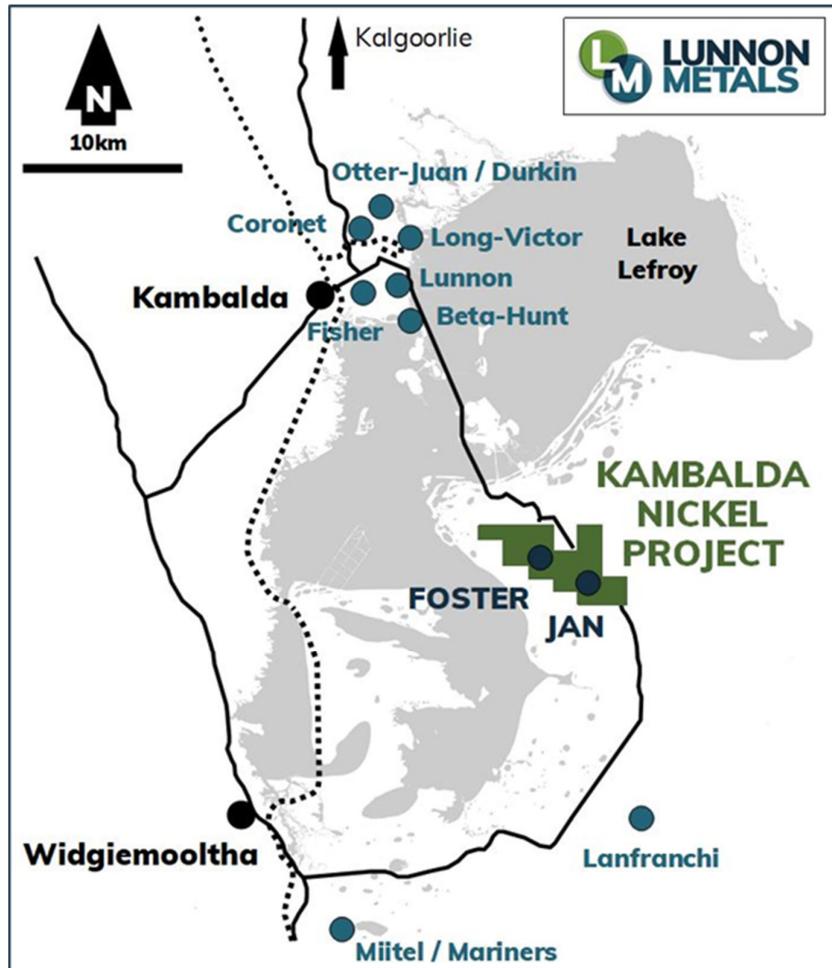


Figure 1: Regional Location of the Kambalda Nickel Project

OPERATIONS REVIEW (CONTINUED)

Drilling Programme

A total of approximately 10,000m was drilled during the period comprising approximately 6,750m of Reverse Circulation (“RC”) and 3,240m of diamond drilling (“DD”). Post period end, assay results representing approximately 3,700m of the total drilled to date remained pending. In total, the Company has now completed approximately 19,000m of drilling compared to its Initial Public Offering (“IPO”) 2 year programme of 28,000m.

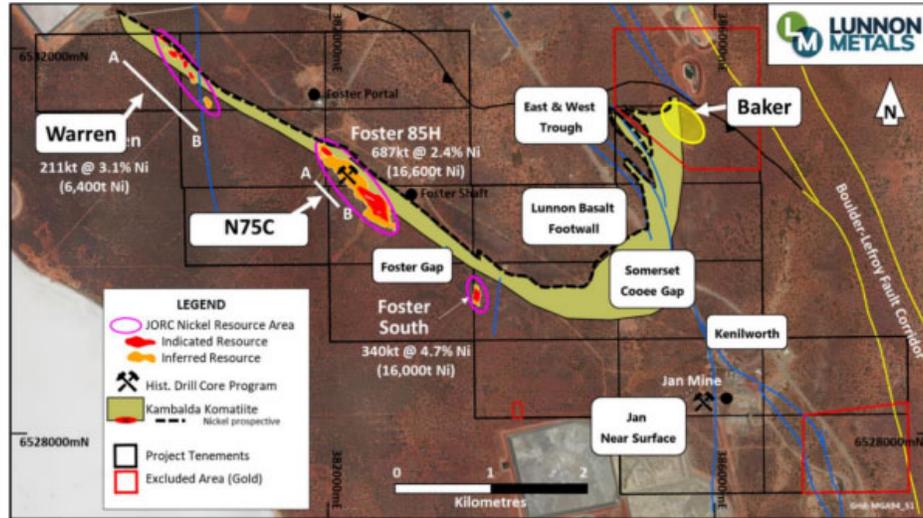


Figure 2: Plan of the Kambalda Nickel Project showing location of all work areas, highlighting the location of Warren and N75C long projections.

KNP Discovery Programme Update

- **Baker Shoot**

Baker (formerly ECO-H/W) is located in the East Cooee area, host to a considerable quantity of hanging-wall nickel mineralisation and anomalism as well as high grade sulphide mineralisation on the komatiite-basalt contact. Only sporadic drilling by WMC Resources Ltd (“WMC”) occurred in the past which did not adequately test the various prospects. This area was a high ranking target within the Company’s portfolio and selected to be the first target to receive RC drilling post the IPO.

The Company made significant progress at Baker during the period completing the RC infill programme to a spacing of better than 40m x 40m. Diamond drilling was also conducted immediately prior to Christmas with three holes targeting an approximately 6m wide, massive nickel sulphide intersection reported in EC021RC_042 (see announcement dated 3 December 2021) and other mineralised zones where the RC infill drilling had indicated the development of massive sulphides.

A portable XRF unit was used at site to focus sample dispatch on the higher grade nickel mineralised zones in the RC programme, the goal being to speed up the turnaround time awaiting assays. The XRF unit also allowed the Company to drill additional RC holes whilst the programme was on foot and optimise the placement of the three diamond holes.

OPERATIONS REVIEW (CONTINUED)

As reported on 16 December 2021, the 30 hole RC programme was completed and the first diamond hole, ECO21DD_004, intersected 1.9m of massive (>95% sulphide in rock) nickel sulphides in core (see Figure 3 below).

Initial observations indicated that the massive nickel sulphides intersected in ECO21DD_004 were likely related to a structure represented by a large Down Hole Transient Electro-Magnetic ("DHTEM") conductive plate that was at an angle to the stratigraphy (reported on 19 October 2021). It also appeared that the high grade nickel mineralisation associated with this plate remains open along strike.

The thicker mineralisation reported on 3 December 2021 from RC hole ECO21RC_042, is thought to represent the junction between the gently dipping and laterally persistent hanging-wall mineralisation and a mineralised structure, coincident with the DHTEM plate, which may have remobilised the nickel sulphides along the resultant intersection "hinge line".



Figure 3: Core from ECO21DD_004 - massive nickel sulphide zone from 167.85m downhole

The Baker Shoot's discovery represents an exciting opportunity for the following reasons:

1. The target mineralised zone is at shallow depths (100m-165m below surface);
2. It is close (350m-400m) to an existing open pit which provides potential portal access;
3. The immediate hanging-wall komatiite rock has been recorded to date as a competent unit; and
4. Early indications are that the key metallurgical characteristics, Fe, MgO and S, are all positive with no indications of any deleterious elements at levels that may pose future issues for processing. Metallurgical testing remains to be conducted.

Subsequent to period end, the Company updated the market that the smaller sample batch sizes, able to be identified with use of the XRF unit, had yielded substantially faster assay turnaround times than previously experienced.

OPERATIONS REVIEW (CONTINUED)

Assay results for two complete lines of holes drilled in November and December 2021 delivered the following significant results (above 1% Ni cut-off grade):

Section 6,531,160mN (see Figure 4):

- 10m @ 6.82% Ni from 160m downhole (ECO21RC_042);
- 3m @ 7.88% Ni from 180m downhole (ECO21RC_030);
- 2m @ 4.27% Ni from 187m downhole (ECO21RC_029);
- 2.7m @ 10.72% Ni from 167.85m downhole (ECO21DD_004).

Section 6,531,200mN (see Figure 5):

- 7m @ 9.22% Ni from 123m downhole (ECO21RC_040) including; 6m @ 10.5% Ni from 124m;
- 8m @ 2.52% Ni from 97m downhole (ECO21RC_022) including; 3m @ 4.74% Ni from 102m;
- 6m @ 3.67% Ni from 132m downhole (ECO21RC_024) including; 4m @ 4.86% Ni from 133m.

Logging of diamond drill core indicates that these structures may thicken the mineralised zone, imparting a “pinching and swelling” character (see Figures 4 & 5). Structures may also have concentrated nickel in proximity to the blanket of laterally extensive mineralisation that formed the original “hanging-wall” target horizon at Baker. Interpretation of all the diamond holes will assist the Company to determine the extent of the very highest, thickest grade mineralisation.

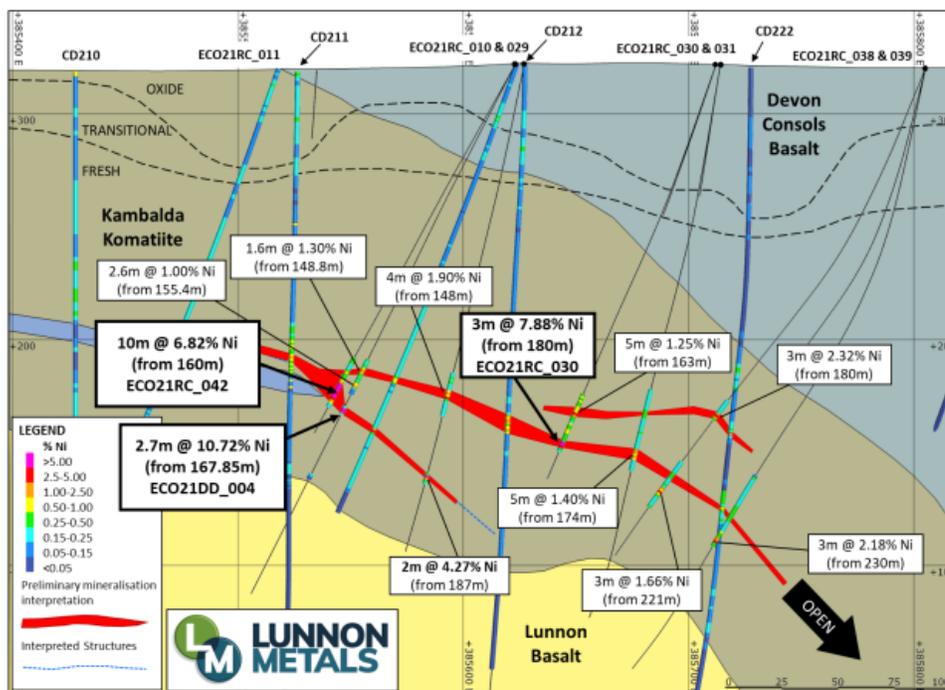


Figure 4: Cross section (6,531,160mN) through Baker RC infill drilling, including previous drilling (looking north: Grid:MGA94_51)

OPERATIONS REVIEW (CONTINUED)

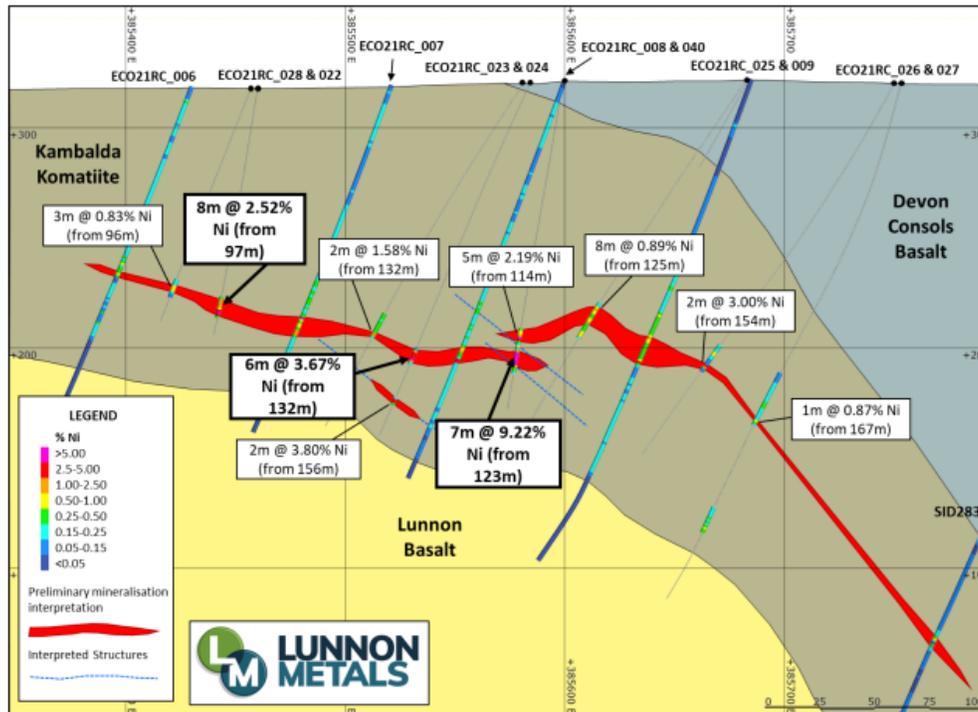


Figure 5: Cross section (6,531,200mN) through first line of Baker RC infill drilling, including previous drilling (looking north): Grid:MGA94_51

In the post period end announcements (dated 17 & 20 January 2022), the Company highlighted that the emergence of this apparent very high grade and frequently thickened nickel mineralised zone, as recorded in holes ECO21RC_040 and 042, would require follow up RC and select diamond drilling to ensure its impact is fully captured in the coming maiden Mineral Resource. Additional diamond core will also be necessary for detailed geotechnical and metallurgical characterisation of this important high grade zone.

Geological modelling for this Mineral Resource estimation is underway and is estimated to be reported to the market in the June quarter.

The Company has also sought to increase the resources allocated to Baker to reflect its high priority status, including the recruitment of dedicated project personnel who will advance planning and permitting goals.

The East Trough prospect is located approximately 300m to 400m to the south-west of Baker. During the period Lunnon Metals intersected 2m @ 5.07% Ni in ECO21RC_005 on an interpreted embayment in the East Trough. The initial DHTM survey in October 2021 failed to reach target depth and so a deeper diamond drill hole (ECO21DD_001) was drilled and surveyed in the footwall of the interpreted trough, attempting to detect the presence of nickel sulphides to the west (footwall) of the intercept in ECO21RC_005. Results were reported when received along with analysis by the company's geophysical consultants.

Four conductive plates were modelled (see Figure 6 below).

OPERATIONS REVIEW (CONTINUED)

- Two modest sized conductive plates (A & B) modelled in the immediate vicinity of the nickel intersected in ECO21RC_005 are aligned along the interpreted trough and believed to represent pods of massive nickel sulphides between RC holes ECO21RC_005 and ECO21RC_003.

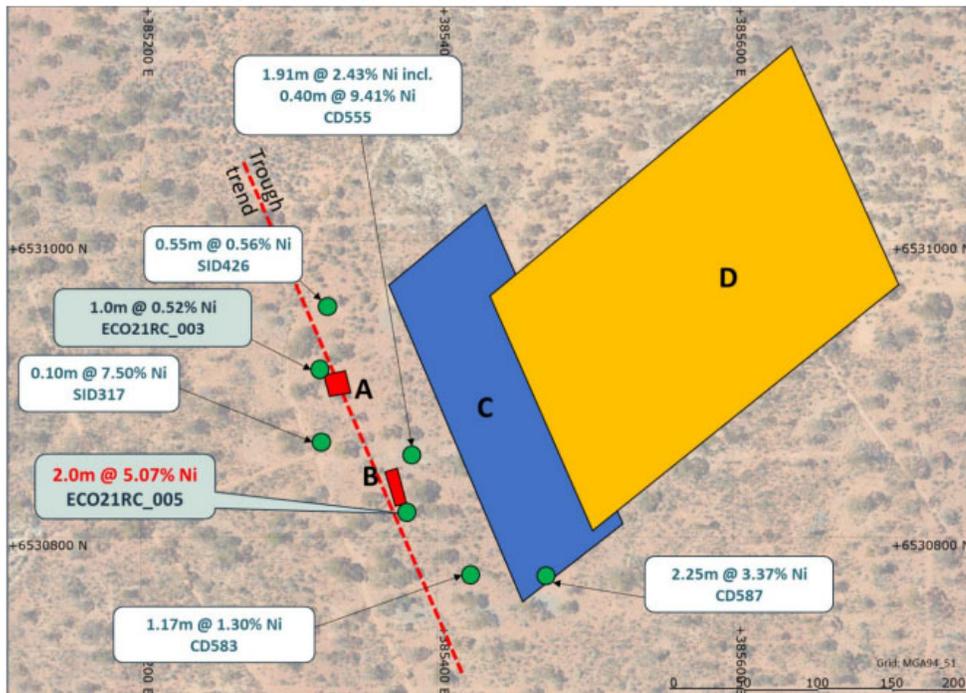


Figure 6: Representation of DHTeM plates surrounding 2m @ 5.07% Ni in ECO21RC_005 – see ASX announcements dated 27 July and 28 September 2021 for additional details of holes annotated

- A larger conductive plate (C) was modelled to the east and is interpreted to represent nickel mineralisation that was recorded higher up in the same ECO21RC_005 hole (1m @ 1.11% Ni). This plate extends to the east at least 50m at a gentle dip and extends 225m up and down plunge.
- The largest plate (D), furthest to the east, is interpreted to represent a transition from possible nickel mineralisation to sediment on the komatiite-basalt contact and is not considered prospective for nickel mineralisation at this time.

The deeper, down plunge potential on East Trough remains open and will be tested in due course with diamond drill holes followed by DHTeM surveys, taking a staged approach to the exploration effort at depth. As the Baker discovery has shown, gaps in the previous WMC drilling present significant opportunities and as Figure 7 below illustrates, over 675m of plunge extent exists along East Trough with encouraging historical intercepts in the limited drilling that is present.

Any nickel mineralisation discovered on East Trough will, when coupled with the exciting emergence of Baker Shoot, add to the potential for the East Cooee area to be an important second centre of mineral resource growth at the KNP. Baker, together with all Lunnon Metals' key projects and the 39,000t of nickel metal already in Mineral Resource, is hosted on granted Mining leases with significant critical infrastructure in place and only 25km by road to BHP Nickel West's Kambalda Concentrator.

OPERATIONS REVIEW (CONTINUED)

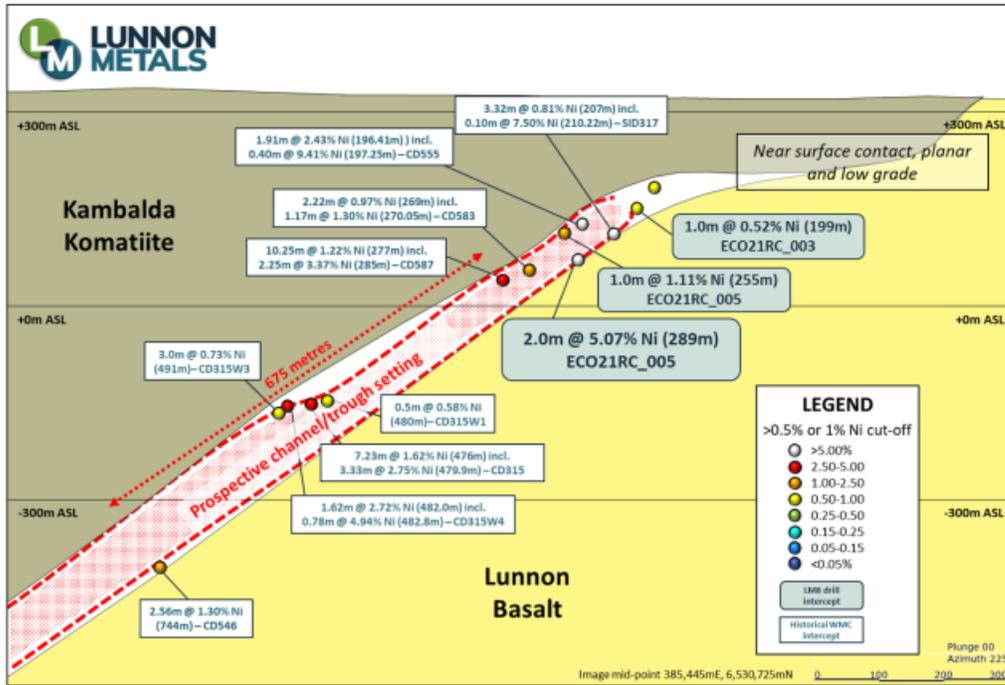


Figure 7: East Trough – Long Projection of current Lunnon Metals’ and WMC’s historical drill pierce points, width and grade (above 0.5% and 1.0% cut off – where applicable)

• Warren

Up Plunge - The initial Mineral Resource at Warren stands at 211,000 tonnes at 3.1% Ni for 6,400 tonnes of nickel metal. The exploration programme at Warren was designed to test the channel and surrounding area for nickel sulphides, both up and down plunge of the historical workings and demonstrate that Warren mirrors the main Foster channel, in length and prospectivity. Results for the 7 RC holes drilled during the period above the limited historical workings returned the following significant results.

- 4m @ 3.44% Ni from 163m (WRN21RC_007 - channel position);
- 5m @ 0.78% Ni from 175m (WRN21RC_005 - channel flank);
- 4m @ 1.58% Ni from 58m (WRN21RC_004 - oxide);
- 4m @ 1.15% Ni from 42m (WRN21RC_001 - oxide).

As reported on 19 November 2021, the Company planned follow up drilling with respect to the down plunge potential along interpreted steeper trends which are considered open. By period end six RC follow up holes had been completed with full assay results pending, reported to the market on 15 February 2022.

OPERATIONS REVIEW (CONTINUED)

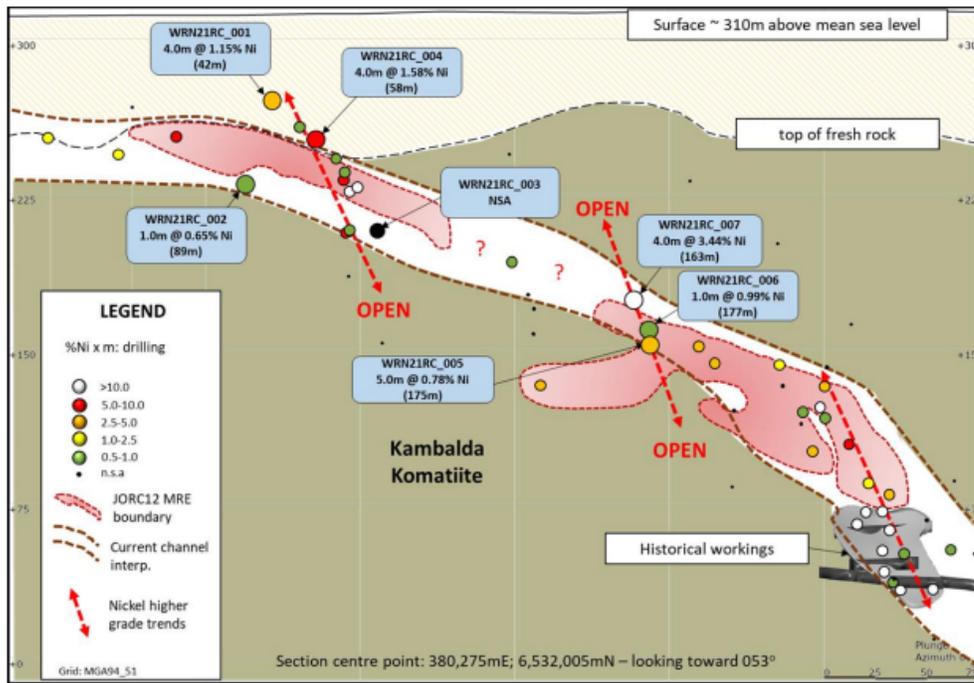


Figure 8: Longitudinal Projection of the upper Warren Channel highlighting location of RC drill results and historical WMC holes

Down-Plunge – in light of the delay experienced during the period with receiving assay results, the Company decided to bring forward deeper diamond drill testing of the Warren channel, well below the historical workings and in gaps between both previous WMC drilling and its own Mineral Resource boundaries. The objective of this programme was to demonstrate that the potential on the Warren channel can mirror the Foster channel. Early results from the programme are extremely encouraging and the Company will continue to pursue deeper, aggressive steps out, as and when warranted by the results returned.

Diamond drill hole WRN21DD_001 hit vein/blebby, stringer and brecciated nickel sulphides towards the base of the komatiite and in the footwall basalt (see Figure 9 for location of pierce point). Analysis of these 10- 20cm zones by the XRF unit confirmed the presence of nickel and the hole has been logged, sampled and sent for assay (results still pending). The Company believes it has hit the prospective nickel contact on the upper edge of the Warren channel. By period end a “daughter” wedge hole had just been completed to test a large conductive plate that had been generated during the DHTM survey of the parent.

The DHTM plate's size was bigger than expected and likely represents a flanking sulphide rich sediment, still considered worthy of investigation. Subsequent initial logging of the “daughter” wedge diamond hole indicated an approximate 4m wide, pyrrhotite dominant sediment. However, noteworthy were the minor disseminated to blebby nickel sulphides in the hanging-wall of the sediment (hosted in Kambalda Komatiite) and remobilised pentlandite in the footwall basalt. This hole is interpreted to have hit below the main channel and thus constrains the channel dimensions for testing by the next daughter wedge hole, which will be planned to hit the contact mid-channel. Results of WRN21DD_001 and daughter holes W1 were reported to the market on 15 February 2022. Daughter holes W2 and W3 remain pending assay results.

OPERATIONS REVIEW (CONTINUED)

Drilling of the second parent diamond hole at Warren, WRN21DD_003, successfully intersected 2.33m of massive to semi-massive/matrix nickel sulphides on the contact between the Kambalda Komatiite and the Lunnon Basalt. This diamond hole intersection was outside the current Mineral Resource boundaries. A further 6.12m of disseminated nickel sulphides were intersected above the massive to semi-massive/matrix component. These intersections commenced at a downhole depth of 353.05m.

Subsequent to period end, the Company received assay results for WRN21DD_003 as follows:

- 8.72m @ 3.54% Ni (from 353.05m) downhole including;
- 2.33m @ 4.41% Ni (from 359.44m) for the interval previously reported as 40-80% sulphide in rock, matrix to semi-massive nickel sulphides; and
- Internal waste (intermediate intrusion) of 0.27m from 359.17m; and
- 6.12m @ 3.37% Ni for the mineralised nickel sulphide zone above the intrusion.

A further 0.73m @ 1.02% Ni (from 361.77m downhole) and 0.43m @ 3.07% Ni (from 367.72m downhole) were recorded in the Lunnon Basalt below (in the footwall of) the above intercepts. True widths are estimated to be approximately 90% of the drilled length. The Company also notes that elevated platinum and palladium assays were recorded for the same 8.72m intersection, 0.64g/t Pt and 1.43g/t Pd respectively.

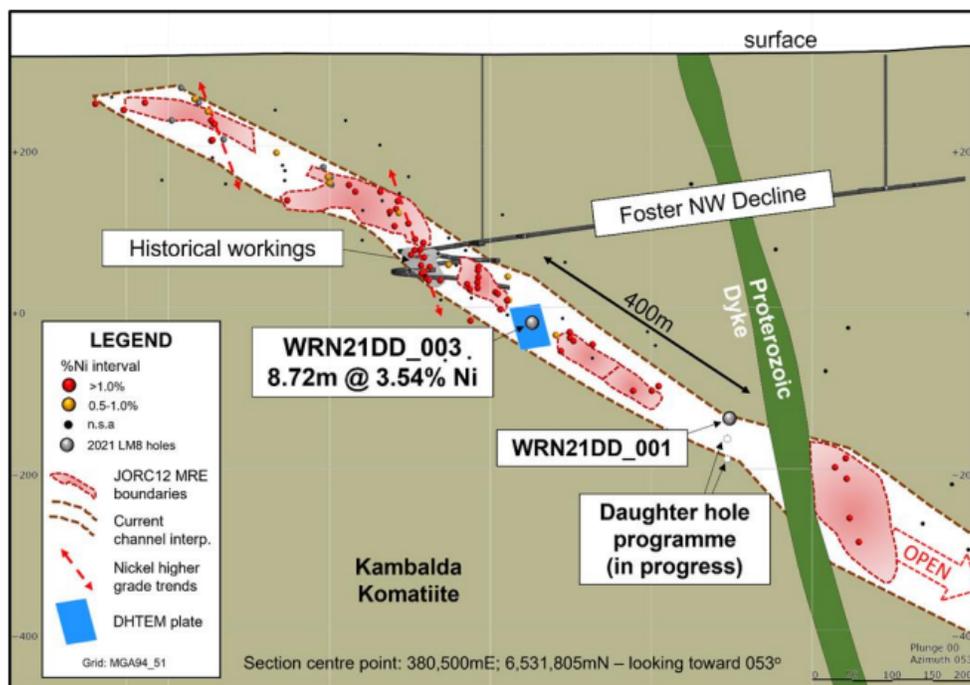


Figure 9: Long Projection of the Warren shoot/channel showing plate location & pierce point for RN21DD_003 reported intersection

• Jan (Near Surface)

Eight RC drillholes were completed during a hiatus in the main Warren and Baker RC programmes. These holes were designed to test lower priority, near surface targets on both the prospective nickel contact and mineralised positions in hanging-wall komatiite. Subsequent to period end, the Company received assay results as follows:

- Holes JAN21RC_001, 002 and 005 returned no significant assays
- JAN21RC_003: 11m @ 0.73% Ni (18m);
- JAN21RC_004: 5m @ 0.97% Ni (39m);
- JAN21RC_006: 6m @ 0.63% Ni (27m), 6m @ 1.02% Ni (37m) and 3m @ 0.58% Ni (45m);

OPERATIONS REVIEW (CONTINUED)

- JAN21RC_007: 11m @ 0.61% Ni (52m);
- JAN21RC_008: 4m @ 1.35% Ni (42m).

In light of the priority now being given to the Baker, Warren and Foster mine area programmes, these near surface Jan targets will be re-ranked and reassessed. Deeper diamond drilling on the main Jan nickel shoots is planned for the first half of 2022.

• Somerset (Cooee Gap)

Four RC holes, COE21RC_001 through to 004, drilled beneath the Somerset/Cooee Gap broad nickel soil anomaly, intersected the komatiite-basalt contact without recording any significant nickel mineralisation or structural complexity. As such, the anomaly, which is the strongest and highest magnitude nickel-in-soils geochemical anomalism within the KNP, remains unexplained.

The Company highlights that these initial four holes were between 140m and 180m apart, aligned parallel to the prospective contact and targeted hitting this contact approximately 70m to 100m below surface where thrust repeats of the contact may have occurred.

The Company takes great confidence from its initial success at both Baker and Warren, which has been achieved within and between historical WMC drilling on similar spacing as noted above. The target will be reassessed to determine further work programmes aimed at explaining the soil anomaly.

• Lunnon Basalt Footwall (Gold)

Three RC holes were also drilled during a hiatus in the main Warren and Baker RC programmes. The target in this case was a conceptual gold target in the footwall of the prospective nickel contact hosted within the Lunnon Basalt in the Cooee Gap area.

Highly encouraging zones of quartz carbonate veining with associated albite+biotite+sulphide alteration in structurally deformed Lunnon Basalt and Lunnon Sediment were intersected in both RC holes LBS21RC_013 and LBS21RC_014. Subsequent to period end, the Company reported the assay results with LBS21RC_013, returning the following three intercepts:

- 1m @ 0.79g/t Au (55m), 2m @ 0.70g/t (82m) and 1m @ 1.09g/t (93m).

The other two holes returned no significant assays.

All seven holes drilled at Somerset and Lunnon Basalt Footwall were extended in depth to ensure that they intersected the "Lunnon Sediment" horizon, a 3m to 5m wide, interflow sediment within the Lunnon Basalt, located approximately 110m below the prospective nickel contact. This Lunnon Sediment is a cherty, sulphidic rock unit and is host to the extremely high grade gold occurrences at the Beta/Hunt Mine, some 15km north of the KNP, owned and operated by Karora Resources (for example Karora Resources' Father's Day Vein discovery).

Locating and characterising this important regional marker horizon and potential gold host will enable future targeting of zones where this sediment intersects gold hosting fault structures, mapped and recorded at surface.

Figure 10 below shows the collar locations of the three programmes reported above.

OPERATIONS REVIEW (CONTINUED)

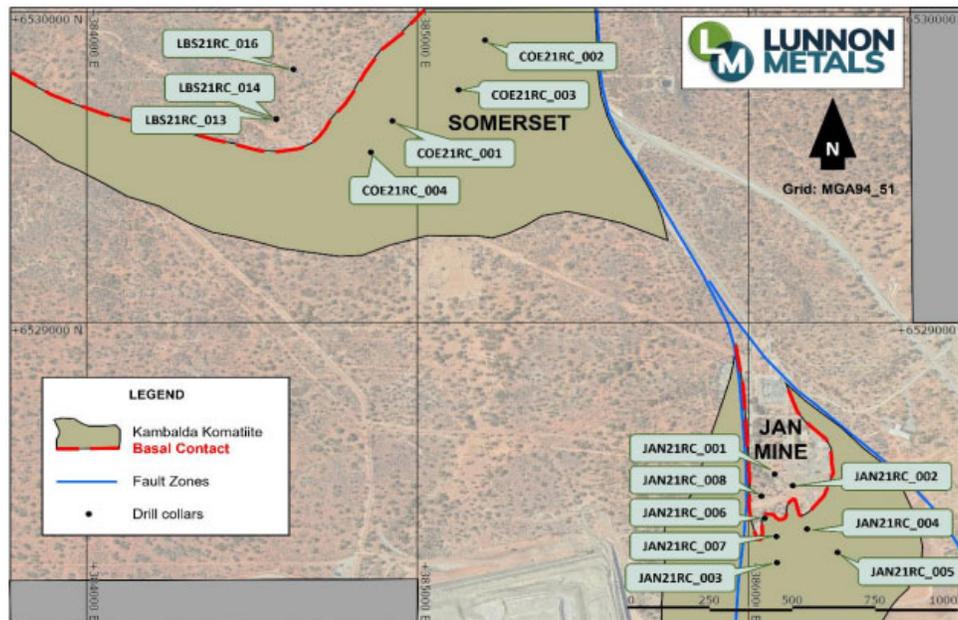


Figure 10: Plan view showing simplified key geology and location of drill collars of lower priority programmes

• Foster “Gap” – nickel / gold

Nickel - Post period end assay results were reported in respect to the nickel mineralisation at the prospective komatiite-basalt contact intersected in the Foster Gap target. Diamond hole FOS21DD_001, originally reported on 5th October 2021, finally returned assay results associated with minor sulphide mineralisation recorded during logging immediately above the contact:

- 1.0m @ 0.65% Ni (from 551.0m) towards the base of the Kambalda Komatiite.

The Company is encouraged by this result as it highlights that the base of the komatiite is still fertile and thus prospective in the immediate vicinity of known nickel mineralisation between the southern end of the historical Foster workings and the Company’s existing 16,000 tonnes of nickel metal at Foster South (JORC 2012 Mineral Resource).

Gold - The presence of free gold in one of the original core samples submitted from FOS21DD_001, which returned an assay that was not reflective of that fact, raised the potential that there may be a fine gold component in the intersection. Screen fire assays were completed for the entire intersection and post the end of the period, were reported as recording similar results (1.46g/t Au) as the original 7.84m (7.0 mTW) @ 1.50g/t Au from 166m.

Further gold intercepts of note were returned in FOS21DD_001 as follows:

- 0.2m @ 26.87g/t Au (from 127.8m);
- 1.5m @ 2.80g/t Au (from 797.0m); and
- 0.9m @ 1.31g/t Au (from 809.0m).

These gold intercepts, logged as zones of narrow extensional quartz veining, highlight the inherent prospectivity for gold of the host rocks at the KNP and assist the Company in defining and mapping potential gold hosting structures for future targeting both from surface and, in the future, underground drilling.

OPERATIONS REVIEW (CONTINUED)

The long projection in Figure 11 below illustrates the pierce points of the reported screen fire assay gold result and the nickel mineralisation reported in FOS21DD_001 at the komatiite-basalt contact.

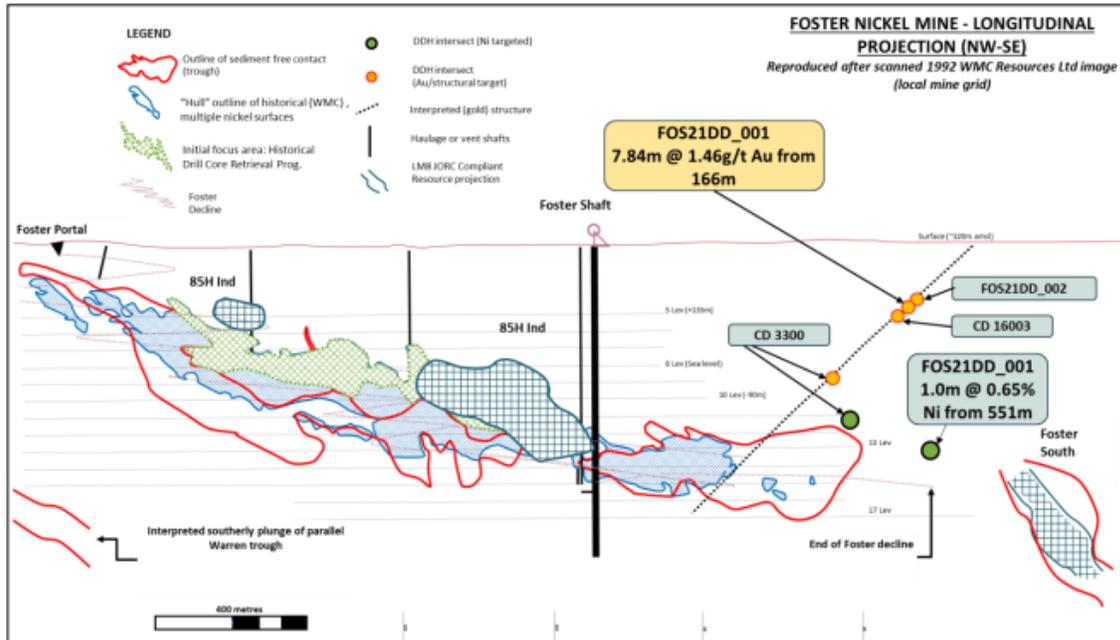


Figure 11: Longitudinal Projection of Foster Mine (looking north-east) illustrating the intersection points of reported Foster Gap diamond drill holes, related to both gold and the prospective nickel contact.

• WA Government - EIS Grant – Kenilworth Target

Three diamond drill holes were completed as "sighter" holes to assist final drill hole planning for the collar location of the WA Government Exploration Incentive Scheme ("EIS") hole. This deep diamond drill hole will be designed to test the conceptual Kenilworth prospect, both a nickel and gold exploration target focused on a significant, and unexplained, magnetic anomaly, see Figure 12 below.

Assay results are pending for all holes however the geology and structure recorded indicates significant shearing and deformation of the targeted host rocks, a good sign for potential gold mineralisation.

The EIS hole is planned to be approximately 1,450m deep and must be completed, logged and assayed prior to 30 June 2022 under the terms of the WA government EIS grant.

OPERATIONS REVIEW (CONTINUED)

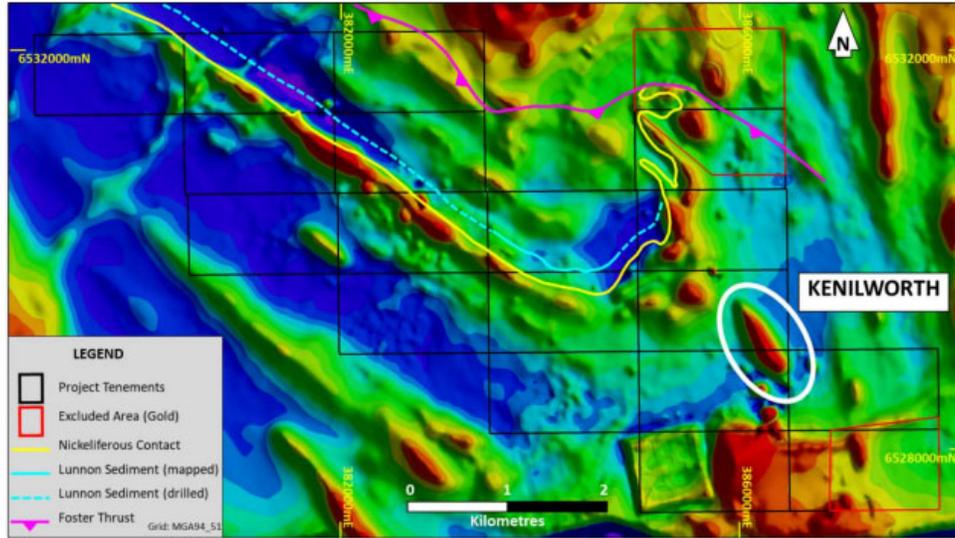


Figure 12: Aeromagnetic image of the Kambalda Nickel Project with the Kenilworth target, a “mag’ high”, circled white

HISTORICAL DRILL CORE PROGRAMME (“HDCP”)

The HDCP is an active programme to report Mineral Resources under the JORC 2012 Code at the Foster Nickel Mine from the historical nickel mineralisation remaining when the mine closed in 1994. The historical WMC drill core (up to 50 years old) was acquired as part of the KNP. The re-assaying programme contributes to Mineral Resource estimation for areas left unmined at the time of mine closure, as well as highlighting areas for future exploration drilling. The goal is to provide regular updates and additions to the Company’s Mineral Resource in parallel to any growth derived from the ongoing RC and DD discovery effort.

• N75C

A high priority target selected for the HDCP programme was the N75C surface due to:

1. Historical records indicating the presence of a so-called “thick” mineralised trend on the WMC long projection when the mine closed (1994); and
2. Its proximity to the Company’s existing Mineral Resource at the 85H surface, which is only 230m away to the immediate south, with the N75C located along the access route to the 85H area.

A review of the N75C historical data highlighted areas apparently unmined by WMC when Foster closed in 1994, including documented thick nickel mineralised trends. In particular, Lunnon Metals noted hole CD 54 recorded:

- 16.52m (11.2 mTW) @ 3.05% Ni from 268.22m down hole. CD 54, together with a representative range of other holes from the N75C, were retrieved from the St Ives Kambalda Core Yard, inspected and re-assayed where sufficient core was available. This core ranged from 33 to 47 years in age. A single interval could not be re-assayed in CD 54, however the remaining 15.75m assayed as follows:
- 15.75m (10.7mTW) @ 2.76% Ni (vs WMC’s 3.06% Ni composited for the same individual intercepts)

OPERATIONS REVIEW (CONTINUED)

In total, over 80 samples were re-assayed from nine diamond holes. This exercise showed an extremely close correlation (97.6%) between the Company's new results and the original WMC assays.

As part of its exploration strategy, Lunnon Metals drilled approximately 20 metres to the south of CD 54, in the middle of an apparent unmined block to confirm that this part of the mineralised N75C surface was actually still there (unmined). FOS21DD_003 hit the interpreted N75C surface confirming the area is unmined and intersected 7.7m of disseminated nickel sulphides. Post period end assays were received, recording the following significant intersection:

- 7.7m @ 2.92% Ni from 315.20m downhole.

Work towards an initial Mineral Resource for N75C is ongoing and will be reported in the March 2022 quarter as soon as it is complete.

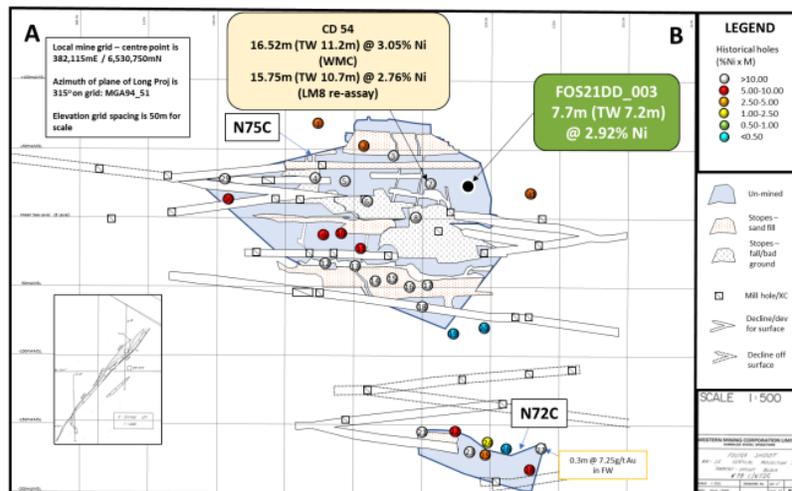


Figure 13 : Representation of WMC Longitudinal Projection for the N75C & N72C nickel surfaces at the Foster Mine, KNP (looking north east) – see ASX announcement dated 26th November 2021 for details of numbered WMC drill holes.

SITE LOGISTICS

• Drilling Programme

Significant delays experienced in regard to assay turnaround times for most of the period now appear to be resolving themselves, however, there are still assay results pending from drilling undertaken as far back as the September 2021 quarter.

In response to the slow turnaround during the period, the Company bought a portable XRF hand-held device to enable it to scan both core and RC chips for the presence of nickel mineralisation and associated elements. Whilst the results produced by the device are not qualitative, they do allow Lunnon Metals field personnel to optimise drill programmes whilst on foot and focus sample dispatch on the higher grade nickel mineralised zones, thereby seeking to improve assay turnaround times due to smaller batch sizes. This tactic proved successful and assay results for the more recent programmes are now being received before programmes drilled much earlier in 2021.

DD drilling continued throughout the period. RC drilling was completed in a series of staged programmes with lower priority targets used as a means to maintain RC rig availability at the KNP for the higher priority infill drilling, particularly at Baker.

OPERATIONS REVIEW (CONTINUED)

• Permitting/Regulatory Framework

Work continues in relation to the permitting and approvals required to enable the future dewatering of the Foster Mine workings and then subsequent digging out of the portal and re-entry to the decline. The primary purpose is to enable the Company to safely re-enter the mine workings in the future and establish underground drill platforms to explore the main Foster nickel channel from close proximity.

Due to the success of the Baker infill drilling, discussions were also commenced with Gold Fields St Ives representatives both in relation to the above approvals for Foster dewatering but also to discuss possible activities required to consider accessing any future Baker Mineral Resource from the nearby West Idough gold open pit, located just 350m to 400m to the immediate north of the Baker nickel mineralisation identified to date.

The pit reaches a depth of at least 65m and exposes fresh rock at its base. The pit would serve as an excellent portal site for any future underground access, minimising both the cost of establishing operations in that part of the KNP and also, importantly, disturbance to the environment.

ASX Releases

During the period the following announcements were released on the Australian Securities Exchange (ASX):

21/12/2021	Notification regarding unquoted securities - LM8
20/12/2021	Change of Registry Address
17/12/2021	Release of Shares from Escrow
16/12/2021	First Diamond Hole Confirms Massive Nickel Sulphides
06/12/2021	Investor Update Presentation
06/12/2021	Logging Confirms Disseminated Nickel Sulphides at Foster
03/12/2021	East Cooee Drilling Hits Massive Nickel Sulphides Over 6m
02/12/2021	Nickel Sulphides Keep Coming at Warren
26/11/2021	Re-assays Record Excellent Results for N75C
19/11/2021	RC Drilling Hits High Grade Nickel at Warren
16/11/2021	Results of Annual General Meeting
16/11/2021	Chairman's Address and MD Presentation - 2021 AGM
12/11/2021	East Cooee - Exploration Update (Amended)
12/11/2021	East Cooee - Exploration Update
27/10/2021	Notification regarding unquoted securities - LM8
26/10/2021	Quarterly Cashflow Report - September 2021
26/10/2021	Quarterly Activities Report - September 2021
19/10/2021	More Nickel at East Cooee Hanging-Wall
13/10/2021	Notice of Annual General Meeting/Proxy Form
05/10/2021	Australian Nickel Conference Presentation
05/10/2021	Diamond Drilling Hits Gold Structure at Foster
01/10/2021	East Cooee Records More High Grade Nickel
28/09/2021	Date of AGM and Closing Date for Director Nominations
28/09/2021	East Trough Returns 2.0m @ 5.07% Ni
16/09/2021	Euroz Hartleys Institutional Investor Nickel Conference
09/09/2021	Historical Drill Core Retrieval Programme Kicks Off
03/09/2021	Corporate Governance Statement and Appendix 4G
03/09/2021	Annual Report to Shareholders
01/09/2021	Drilling Update - Kambalda Nickel Project
30/07/2021	Diggers & Dealers Presentation
27/07/2021	Drilling Gets Underway at Kambalda Nickel Project
07/07/2021	Quarterly Cashflow Report - June 2021
07/07/2021	Quarterly Activities Report - June 2021

COMPETENT PERSON'S STATEMENT

The information in this Half Year Report that relates to geology, nickel and gold mineralisation and Mineral Resources is based on and fairly represents information compiled and reviewed 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; 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 consents to the inclusion in the Annual Report of the matters based on his information in the form and context in which it appears.

Any information that relates to the historical estimates at the KNP, is based on information compiled by Mr. Aaron Wehrle and Mr. Edmund Ainscough. Mr. Ainscough and Mr. Wehrle are both Members of The Australasian Institute of Mining and Metallurgy, full time employees of Lunnon Metals, are shareholders and holders of employee options; they have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Ainscough and Mr. Wehrle state that this information is an accurate representation of the available data and studies for the historical estimates and consent to the inclusion of these matters based on their information in the form and context in which it appears. As required, the Company highlights that:

- The estimates are historical estimates and are not reported in accordance with the JORC code, 2012;
- A competent person has not done sufficient work to classify the historical estimates as Mineral Resources or Ore Reserves in accordance with the JORC Code, 2012; and
- It is uncertain that following evaluation and/or further exploration work that the historical estimates will subsequently be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code, 2012.

The historical estimates are based on work completed by WMC Resources Ltd (WMC) prior to mine closure in 1994. The historical estimates use terminology developed by WMC and applied at their Kambalda nickel mines as follows:

- UGOR, or Unfactored Geological Ore Reserve – a polygonal estimate calculated by WMC's in-house computer system at the time which incorporated drill intercept intervals selected and categorised to multiple different and separately interpreted nickel surfaces by the mine based geological staff together with the associated true width and SG of these intercepts to estimate a tonnage and average grade for each such identified block within manually digitised "areas of influence" i.e. blocks, panels etc.
- FGOR - Factored Geological Ore Reserve – this calculation was based on the UGOR above with the addition of a minimum mining width estimate, as defined by the width of the mining production methodology to be applied to extract the nickel metal mineralisation, often and typically (in the case of Foster and Jan Shaft) by airleg shrink stoping, airleg cut and fill and jumbo cut and fill methods; this estimation was typically performed in a "round table" meeting with the involvement and input of relevant mining production staff such as the shift boss/foreman, underground mine engineer and mine manager etc. The FGOR factors were originally predicated on airleg mining and adapted over time to allow or accommodate for jumbo development;

COMPETENT PERSON'S STATEMENT (CONTINUED)

- PMR – Planned Mining Reserve - the final step in WMC's annual estimation process was to attempt to reconcile tonnes and nickel metal content allocated to the mine by the central concentrator processing facility in Kambalda against the annual mining performance claimed to be delivered; this step thus attempted to accommodate or incorporate unplanned ore loss and mining dilution. This resulted in a further application of modifying factors to the FGOR to derive the PMR, against which the following year's budget forecast would be made and mine performance judged.

The Company considers the historical estimates are directly relevant and in quantum, material, to the Company and represent the most accurate known estimation of the nickel mineralisation available and pertinent to those parts of the two historical mines until such time as the Company has completed the necessary work to update the estimation under the JORC 2012 Guidelines.

The Competent Persons have sufficient direct knowledge and also completed sufficient further investigations to satisfy themselves as to the reliability of the historical estimates and their suitability for reporting under Chapter 5 rules. The WMC procedural steps listed above represent the best summary of the work programs on which the historical estimates were based and the mining and processing parameters that were used to prepare them and there are no known other estimates that are relevant to the reported mineralisation.

The Company has active and current work programs on going (refer to the Historical Drill Core Programme: N75C discussion above) and previously applied (to the Foster 85H, South and Warren Shoot mineralization) prior to the Company's Initial Public Offering in 2021. This programme is being applied to the historical estimates with the objective of reporting them as Mineral Resources, if warranted, under the JORC 2012 Guidelines within the two-three year period following the Company's ASX listing.

Disclaimer

References in this report may have been made to certain previous ASX announcements, which in turn may have included exploration results and Mineral Resources. 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 Annual Report and mentioned in said 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.

DIRECTOR'S REPORT

The Directors present their Report on Lunnon Metals Limited (the Company) for the half-year ended 31 December 2021 and the auditor's report thereon.

Directors

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

Liam Twigger	Non-Executive Chairperson (appointed on 25 February 2021)
Edmund Ainscough	Managing Director (appointed on 22 January 2015)
Ian Junk	Non-Executive Director (appointed on 18 August 2014)
Ashley McDonald	Non-Executive Director (appointed on 25 February 2021)

Company Secretary

Ms Jessamyn Lyons (appointed on 11 November 2020).

Principal Activities

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, as recorded in the Option and Joint Venture Agreement in relation to the then termed 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 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.

Review of Operations

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

The operating loss of the Company for the half-year after providing for income tax amounted to \$4,202,593 (2020: \$1,066,101).

Corporate and Significant Changes in Affairs

On 27 October 2021, the company announced the issue of 216,965 unlisted options at a \$0.00 exercise price with an expiry date of 25/10/2026.

On 17 December 2021, the company announced that 169,406 fully paid ordinary shares were released from escrow on 24 December 2021.

On 21 December 2021, the company announced the issue of 92,750 unlisted options at a \$0.00 exercise price with an expiry date of 16/11/2026.

Events Occurring after the Reporting Date

On 2 February 2022, the company announced 1,227,158 quoted fully paid ordinary shares were released from escrow on 9 February 2022.

On 18 February 2022, the company announced 20,472,071 quoted fully paid ordinary shares were released from escrow on 25 February 2022.

Other than the above, no other matters or circumstances have arisen since the end of the half-year 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 REPORT (CONTINUED)

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 22.

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

A handwritten signature in black ink, appearing to read 'E. Ainscough', with a large, sweeping flourish at the end.

Edmund Ainscough
Managing Director

Dated on this day in Perth: 2 March 2022

**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 2021, 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 2 March 2022

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Note	31 December 2021	31 December 2020
		\$	\$
OTHER INCOME			
Interest income		5,964	1,034
Government grant		-	37,500
		5,964	38,534
EXPENSES			
Audit, company secretarial and accounting fees		(61,057)	(27,497)
ASX, ASIC and share registry fees		(41,415)	(31,700)
Computer, software and database		(30,729)	(10,331)
Consultants, design and testing		(339,237)	(46,353)
Depreciation and amortisation		(46,390)	-
Diesel fuel		(200,107)	-
Insurance		(43,059)	-
Finance costs		(4,878)	(20,011)
Legal costs		(17,760)	(67,454)
MRF levies		(57,236)	(57,238)
Management and service fees		-	(7,136)
Tenement rent and outgoings		(87,082)	(99,492)
Rental expenses		(56,399)	(14,586)
Drilling, samples and assays		(1,975,281)	(63,582)
Share-based payment expense	8	(200,479)	(236,955)
Employee costs		(793,188)	(387,367)
Other expenses		(254,260)	(34,933)
TOTAL EXPENSES		(4,208,557)	(1,104,635)
Loss before income tax expense		(4,202,593)	(1,066,101)
Income tax expense		-	-
NET LOSS AFTER INCOME TAX EXPENSE		(4,202,593)	(1,066,101)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(4,202,593)	(1,066,101)
Basic and diluted loss per share (cents per share)		(2.98)	(3.97)

The above 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 2021**

	Note	31 December 2021	30 June 2021
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	2	9,112,700	13,962,873
Restricted cash	2	50,000	-
Trade and other receivables	3	262,635	88,877
Prepayments		18,331	55,819
		9,443,666	14,107,569
NON-CURRENT ASSETS			
Property, plant and equipment	4	295,957	139,569
Exploration and evaluation asset	5	14,528,838	13,731,344
Right-of-use of asset		36,249	51,784
		14,861,044	13,922,697
TOTAL ASSETS		24,304,710	28,030,266
CURRENT LIABILITIES			
Trade and other payables	6	757,786	503,265
Lease liability		15,589	30,388
Provision for employee benefits		165,238	132,514
		938,613	666,167
NON-CURRENT LIABILITIES			
Lease liability		22,121	22,121
Provision for employee benefits		5,412	1,300
		27,533	23,421
TOTAL LIABILITIES		966,146	689,588
NET ASSETS		23,338,564	27,340,678
EQUITY			
Issued capital	7	35,359,311	35,359,311
Options reserve	8	674,271	473,792
Accumulated losses		(12,695,018)	(8,492,425)
TOTAL EQUITY		23,338,564	27,340,678

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

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Note	ISSUED CAPITAL	OPTIONS RESERVE	ACCUMULATED LOSSES	TOTAL
		\$	\$	\$	\$
Balance at 30 June 2020		3,000,000	-	(5,960,538)	(2,960,538)
Loss for the year		-	-	(1,066,101)	(1,066,101)
Total comprehensive loss for the year		-	-	(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	8	-	236,955	-	236,955
Balance at 31 December 2020		6,734,375	236,955	(7,026,639)	(55,309)
Balance at 30 June 2021		35,359,311	473,792	(8,492,425)	27,340,678
Loss for the year		-	-	(4,202,593)	(4,202,593)
Total comprehensive loss for the year		-	-	(4,202,593)	(4,202,593)
Transactions with owners in their capacity as owners:					
Share based payments	8	-	200,479	-	200,479
Balance at 31 December 2021		35,359,311	674,271	(12,695,018)	23,338,564

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

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Note	Half-year to 31 Dec 2021	Half-year to 31 Dec 2020
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(929,832)	(773,392)
Payments for exploration and evaluation expensed		(2,692,076)	-
GST received from ATO		146,753	-
Payment for term deposit	2	(50,000)	-
Interest received		5,964	1,034
Interest paid		(2,678)	-
Net cash used in operating activities		(3,521,869)	(772,358)
CASH FLOW FROM INVESTING ACTIVITIES			
Stamp duty on exploration assets		(318,025)	-
Payments for exploration and evaluation capitalised		(797,494)	-
Purchase of plant and equipment		(195,786)	(60,135)
Net cash used in investing activities		(1,311,305)	(60,135)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease payments		(16,999)	-
Proceeds from borrowings		-	1,100,000
Net cash (used in)/provided by financing activities		(16,999)	1,100,000
Net (decrease)/increase in cash held		(4,850,173)	267,507
Cash at beginning of year		13,962,873	794,328
CASH AT END OF REPORTING PERIOD	2	9,112,700	1,061,835

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 1: BASIS OF PREPARATION

a) Corporate Information

The interim financial report covers Lunnon Metals Limited (the "Company"). The interim financial report consists of the condensed financial statements, notes to the condensed financial statements and the Directors' declaration. Lunnon Metals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Company was listed on the Australian Securities Exchange on 16 June 2021.

Registered Office

Level 3
35 Outram Street
West Perth, WA 6005
PO Box 1240
West Perth, WA 6005

Principal Place of Business

Suite 5
11 Ventnor Avenue
West Perth, WA 6005
PO Box 470
West Perth, WA 6872

The Company is principally engaged in exploration for nickel at Kambalda, Western Australia.

b) Basis of Preparation

These general purpose condensed financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed financial statements do not include all the notes of the type normally included in annual financial statements. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that these financial statements be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

c) Accounting Policies and Methods of Computation

The accounting policies and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period, other than in respect of new and revised accounting standards adopted as set out below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

d) Significant Accounting Judgments and Key Estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2021.

(i) Share-based payments

The fair value of share-based payments as discussed in Note 8 Options Reserve. The fair values of options are determined using Option Pricing Models that take into account the exercise price, the term of the option, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Judgement has been exercised on the probability and timing of achieving milestones related to the options.

(ii) Exploration and Evaluation Assets

The Company's accounting policy for exploration and evaluation expenditure is set out in the latest annual report. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(iii) Deferred Tax

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

(iv) Coronavirus (COVID-19)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to staffing and geographic regions in which the Company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

e) New accounting standards and interpretations not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. 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.

f) 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 in the Eastern Goldfields of Western Australia.

NOTE 2: CASH AND CASH EQUIVALENTS

	31 December 2021	30 June 2021
	\$	\$
Cash at bank	56,736	162,873
Cash at bank - Investment	9,055,964	13,800,000
Cash and cash equivalents	9,112,700	13,962,873
Add: Restricted cash	50,000	-
As presented in the Condensed Statement of Cash Flows	9,162,700	13,962,873

NOTE 3: TRADE AND OTHER RECEIVABLES

	31 December 2021	30 June 2021
	\$	\$
Other receivables	2,549	4,533
GST paid	260,086	84,344
	262,635	88,877

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

	31 December 2021	30 June 2021
	\$	\$
Plant and equipment at cost	334,376	147,134
Less accumulated depreciation	(38,419)	(7,565)
	<u>295,957</u>	<u>139,569</u>
Reconciliation:		
Opening balance	139,569	-
Additions	187,243	147,134
Depreciation	(30,855)	(7,565)
Closing balance	<u>295,957</u>	<u>139,569</u>

NOTE 5: EXPLORATION AND EVALUATION ASSET

	31 December 2021	30 June 2021
	\$	\$
Opening balance	13,731,344	-
Exploration asset acquired	-	13,731,344
Exploration expenditure capitalised	797,494	-
Closing balance	<u>14,528,838</u>	<u>13,731,344</u>

NOTE 6: TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
	\$	\$
Stamp duty payable	-	318,025
Trade payables	627,922	54,445
Accruals	60,585	31,671
Principal Insurance Funding	-	77,986
Employee costs payable	69,279	21,138
	<u>757,786</u>	<u>503,265</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 7: ISSUED CAPITAL

(a) Share Capital

	31 December 2021		30 June 2021	
	No.	\$	No.	\$
Fully paid ordinary shares	141,247,065	35,359,311	141,247,065	35,359,311

(b) Movement in Issued Capital

	Date	No.	\$
Balance as at 30 June 2020		16,940,627	3,000,000
Issued to Mainglow Pty Ltd	6 Oct 2020	3,591,834	636,075
Issued to Aurora Prospects Pty Ltd	6 Oct 2020	3,591,834	636,074
Issued to Bolong (Australia) Investment Management Pty Ltd	6 Oct 2020	10,427,913	1,846,670
Issued to Fan Rong Consulting Pty Ltd	6 Oct 2020	3,475,971	615,556
Issued to Aurora Prospects Pty Ltd	13 Jan 2021	3,378,879	561,563
Issued to Mainglow Pty Ltd	13 Jan 2021	3,378,879	561,563
Exercise of options	9 Feb 2021	1,750,066	17,501
Shares issued under St Ives Offer	3 Jun 2021	44,711,062	13,413,319
Placement	8 Jun 2021	50,000,000	15,000,000
Capital raising costs		-	(929,010)
Balance as at 30 June 2021 and 31 December 2021		141,247,065	35,359,311

(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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 8: OPTIONS RESERVE

	31 December 2021		30 June 2021	
	No.	\$	No.	\$
Beginning balance	5,301,738	473,792	-	-
Granted on 6 Oct 2020	-	-	1,383,420	236,955
Granted on 13 Jan 2021	-	-	366,646	58,451
Exercised on 9 Feb 2021	-	-	(1,750,066)	-
Granted on 23 March 2021 ¹	-	196,998	3,875,000	28,240
Issued on 9 June 2021	-	-	1,426,738	150,146
Granted on 12 Oct 2021 ²	216,965	2,521	-	-
Granted on 16 Nov 2021 ³	92,750	960	-	-
Closing balance	5,611,453	674,271	5,301,738	473,792

	31 December 2021	31 December 2020
Share-based payments recognised:	\$	\$
In the Statement of Profit or Loss and Other Comprehensive Income	200,479	236,955
	200,479	236,955

The Options Reserve is used to recognise the fair value of options issued to Directors, employees, contractors and brokers.

SHARE-BASED PAYMENTS

¹On 23 March 2021, 3,875,000 options exercisable at \$0.05 on or before 22 March 2026 were issued to Directors and employee under the Incentive Option Plan. Exercising of the options will be subject to the following vesting conditions:

- 1/3rd of the Options will vest upon the Company declaring JORC Code compliant Mineral Resources (Indicated and Inferred) of not less than 80,000 tonnes of nickel metal reported above a lower cut-off grade of 1% Ni at the Company's Kambalda Nickel Project;
- 1/3rd of the Options will vest upon the Company achieving a 20-trading day volume weighted average price of Company shares traded on the Australian Securities Exchange ("VWAP") of \$0.45 per share (aligned with the Broker U/W Options); and
- 1/3rd of the Options will vest upon the Company achieving a 20-trading day VWAP of \$0.60 per share.

The relevant employees and directors must remain employed in the Company until the relevant vesting conditions are satisfied. Tranche 2 vested during the period when the vesting condition was met. The share-based expense of Tranche 1, 2 and 3 of \$196,998 was recognised in the Statement of Profit or Loss and Other Comprehensive Income during the period.

²On 12 October 2021, the Company granted 216,965 options to employees under the Employee Incentive Scheme. The options have a zero exercise price and expiry date which is 5 years from the date of issue. Exercising of the options will be subject to the following vesting conditions:

- 1/3rd of the Options will vest upon the Company declaring JORC Code compliant Mineral Resources (Indicated and Inferred) of not less than 80,000 tonnes of nickel metal reported above a lower cut-off grade of 1% Ni at the Company's Kambalda Nickel Project;
- 1/3rd of the Options will vest upon the Company achieving a 20-trading day volume weighted average price of Company shares traded on the Australian Securities Exchange ("VWAP") of \$0.6525 per share; and
- 1/3rd of the Options will vest upon the Company achieving a 20-trading day VWAP of \$0.87 per share.

The total fair value of the Tranche 1 options was estimated as at the grant date using the Binomial Option Pricing model taking into account the terms and conditions below and the risk-free interest rate of 1.04% and volatility of 70.2%:

Number granted	Grant date	Exercise price	Expiry date	Fair value at grant date	Total fair value	% vested
72,322	12 Oct 21	\$0.00	25 Oct 26	\$0.40	\$28,929	Nil

The total fair value of the Tranche 2 and 3 options was estimated as at the grant date using the Trinomial Barrier Option model taking into account the terms and conditions below and the risk-free interest rate of 1.04% and volatility of 70.2%:

Number granted	Grant date	Exercise price	Expiry date	Fair value at grant date	Total fair value	% vested
72,322	12 Oct 21	\$0.00	25 Oct 26	\$0.2450	\$17,719	Nil
72,321	12 Oct 21	\$0.00	25 Oct 26	\$0.1563	\$11,304	Nil

The total fair value of the options is expensed over the estimated vesting periods. The share-based expense of \$2,521 was recognised in the Statement of Profit or Loss and Other Comprehensive Income during the period.

³On 16 November 2021, the Company granted 92,750 options to consultants under the Incentive Option Plan. The options have a zero exercise price and expiry date which is 5 years from the date of issue. Exercising of the options will be subject to the following vesting conditions:

- 1/3rd of the Options will vest upon the Company declaring JORC Code compliant Mineral Resources (Indicated and Inferred) of not less than 80,000 tonnes of nickel metal reported above a lower cut-off grade of 1% Ni at the Company's Kambalda Nickel Project;
- 1/3rd of the Options will vest upon the Company achieving a 20-trading day volume weighted average price of Company shares traded on the Australian Securities Exchange ("VWAP") of \$0.73 per share; and
- 1/3rd of the Options will vest on 18 months of service.

The total fair value of the Tranche 1 and 3 options was estimated as at the grant date using the Binomial Option Pricing model taking into account the terms and conditions below and the risk-free interest rate of 1.44% and volatility of 68.7%:

Number granted	Grant date	Exercise price	Expiry date	Fair value at grant date	Total fair value	% vested
30,917	16 Nov 21	\$0.00	16 Nov 26	\$0.3650	\$11,285	Nil
30,917	16 Nov 21	\$0.00	16 Nov 26	\$0.3650	\$11,285	Nil

The total fair value of the Tranche 2 options was estimated as at the grant date using the Trinomial Barrier Option model taking into account the terms and conditions below and the risk-free interest rate of 1.04% and volatility of 68.7%:

Number granted	Grant date	Exercise price	Expiry date	Fair value at grant date	Total fair value	% vested
30,916	16 Nov 21	\$0.00	16 Nov 26	\$0.3179	\$9,828	Nil

The total fair value of the options is expensed over the estimated vesting periods. The share-based expense of \$960 was recognised in the Statement of Profit or Loss and Other Comprehensive Income during the period.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 2 February 2022, the company announced 1,227,158 quoted fully paid ordinary shares were released from escrow on 9 February 2022.

On 18 February 2022, the company announced 20,472,071 quoted fully paid ordinary shares were released from escrow on 25 February 2022.

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

**DIRECTOR'S DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

The Directors of the Company declare that:

- (a) the condensed financial statements and notes, as set out on pages 23 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001*; and other mandatory requirements;
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
- (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 Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors:

A handwritten signature in black ink, appearing to read 'E. Ainscough', with a large, sweeping flourish extending to the right.

Edmund Ainscough
Managing Director

Dated this day in Perth: 2 March 2022



ARMADA
AUDITING

T (08) 6165 4090 F (08) 6165 4067
A 18 Sangiorgio Court Osborne Park WA 6017
P Locked Bag 4 Osborne Park DC WA 6916
E info@armada.com.au

strength in numbers

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 2021, 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 2021 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.

TAX & ACCOUNTING | AUDITING | BUSINESS MANAGEMENT | BUSINESS CONSULTING | FINANCIAL PLANNING | LENDING

ARMADA.COM.AU

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 2021 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 2 March 2022