

LUNNON METALS LIMITED  
ABN: 82 600 008 848

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**ASX CODE:** LM8

# ACQUISITION OF NEW NICKEL RIGHTS TRANSFORMS LUNNON METALS

12 April 2022

## HIGHLIGHTS

- Lunnon Metals will acquire nickel rights to two further historical WMC nickel mines at Kambalda - Silver Lake and Fisher - doubling its ground holding in this world renowned nickel district
- Rights to be acquired from current major shareholder St Ives Gold Mining Co. Pty Ltd (**SIGMC**), wholly owned subsidiary of Gold Fields Ltd
- SIGMC to receive \$20 million in Lunnon Metals shares as consideration
- Cements the company's place in one of the world's most renowned nickel belts

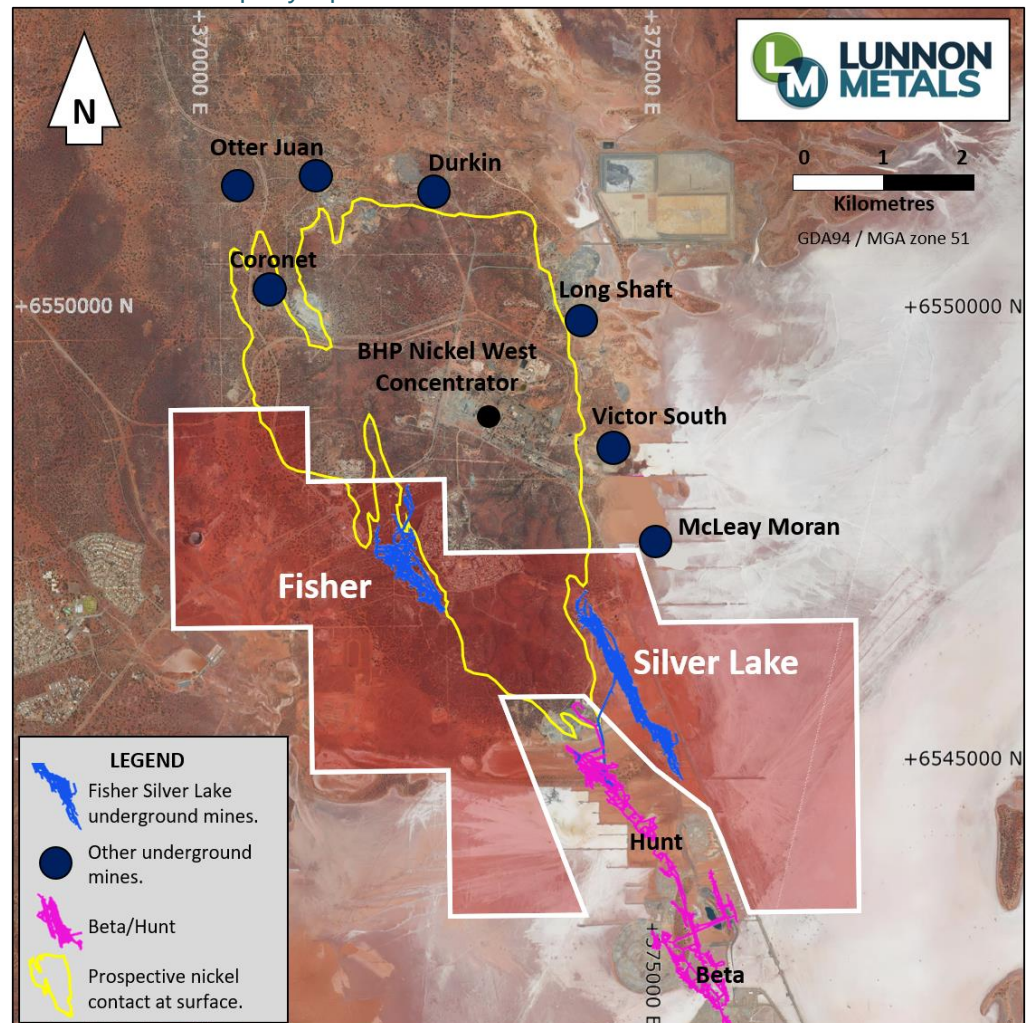


Figure 1: Overview of Kambalda town area, surrounding historical and current nickel mines and the newly acquired Mineral Rights Agreement boundary area (refer footnotes 1 & 2 on page 2)

Managing Director, Ed Ainscough, commenting said: "We are thrilled to announce this transaction. Acquiring the nickel rights from SIGMC to the last two historical nickel mines previously owned by WMC Resources represents a doubling of our footprint and cements the company's place in one of the world's most renowned nickel belts. We also view SIGMC's confidence in Lunnon Metals as reflecting the success of our discovery programme and the growth of the company since its IPO in June 2021. The plan now is to fast track all activities at Kambalda - discovery, resource growth, permitting, underground re-entry and development studies, to achieve our mission statement and "become a key player in the heart of the Kambalda nickel district".

### ACQUISITION OF NICKEL RIGHTS AT SILVER LAKE AND FISHER

Lunnon Metals Limited (ASX: **LM8**) (the **Company** or **Lunnon Metals**) is pleased to announce that it will acquire the exclusive rights<sup>1</sup> to nickel on the whole, or portions, of 19 mining leases (and related access rights on an additional tenement) over the historical Fisher and Silver Lake nickel mines by entry into a Mineral Rights Agreement with SIGMC (Mineral Rights Agreement or MRA). The tenements are on the immediate north side of Lake Lefroy, abutting tenements or nickel rights held by Mincor Resources NL at its Long Operation on the eastern side of Kambalda and its Coronet asset to the west of the township and the sub lease rights held by TSX listed Karora Resources at the Beta Hunt Mine to the south. As consideration for the acquisition, the Company will issue \$20 million of fully paid ordinary shares to SIGMC, at a price per share of \$0.93.

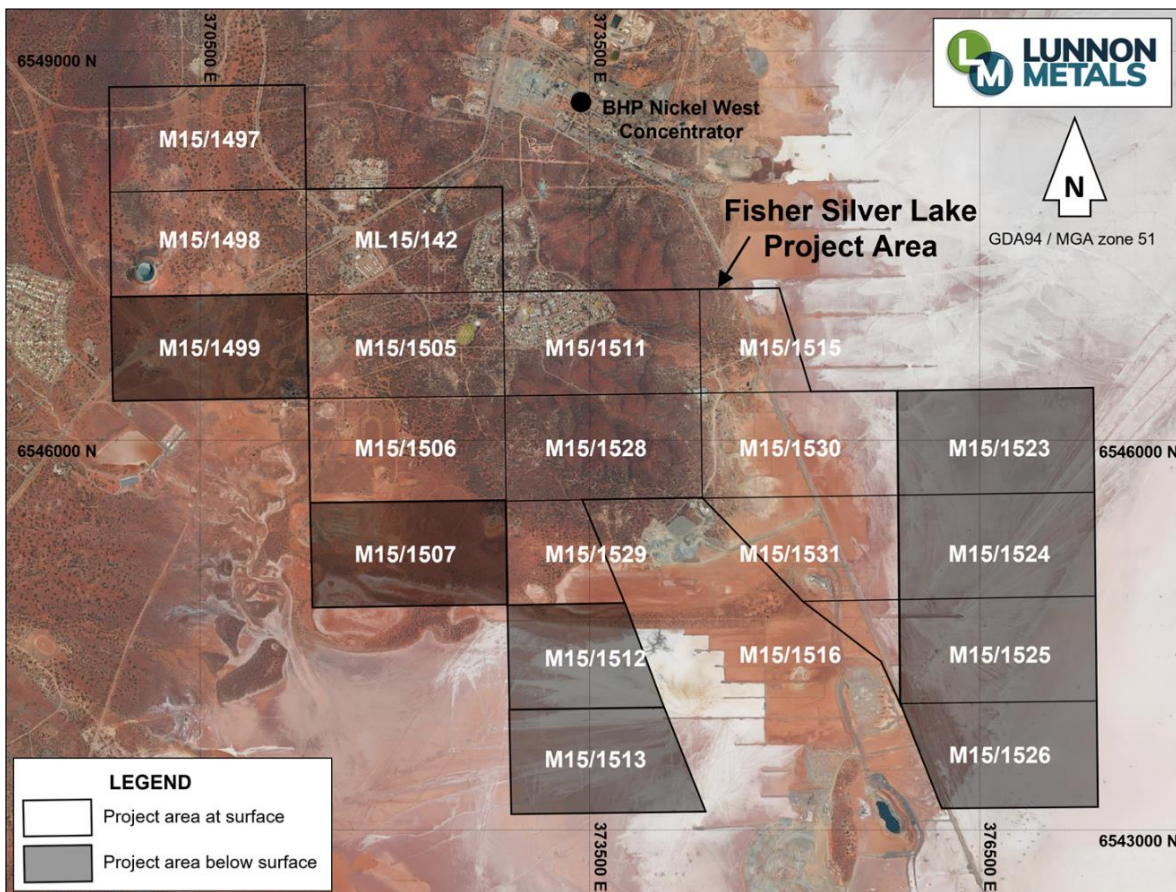


Figure 2: Plan view of the Fisher – Silver Lake MRA area showing tenements and rights area

<sup>1</sup> 1. The rights granted to the Company in the shaded areas on Figure 2 are below surface rights only.  
 2. The rights granted to the Company in relation to Mineral Lease 15/142 do not include the right to explore for, mine or process nickel as those rights are already held by BHP Nickel West Pty Ltd.

The rights acquired will include access to the historical nickel mines of Silver Lake and Fisher which produced over 161,000 tonnes of nickel metal during their operational lives under WMC Resources Ltd (now called BHP Nickel West Pty Ltd) (**WMC**) ownership.

Silver Lake was the mine developed on the famous Lunnon nickel shoot (named after Jack Lunnon who drilled the discovery hole, KD1, at Kambalda). Silver Lake and Fisher ceased operation in financial years 1986 and 1988 respectively and were thus shut at the time of the strategic sale of nickel assets by WMC in the late 1990s, early 2000s.



*Figure 3: Driller, Jack Lunnon (far right) overlooking Lake Lefroy from north side of Red Hill: with local and WMC dignitaries at site of KD1, discovery hole for nickel at the Silver Lake mine (image date late 1960s/early 1970s: source ABC Goldfields-Esperance: story dated 1st Feb 2016)*

As with Foster and Jan nickel mines already owned by Lunnon Metals, these mines, the related tenements and exploration rights were subsequently sold by WMC to SIGMC in December 2001.

Silver Lake and Fisher are therefore the last two historical WMC nickel mines in Kambalda to be acquired by a nickel focused company. It is the Company's view that the mines and their surrounding areas therefore missed the last cycle of exploration during the nickel price highs of the late 2000s, are under-explored and represent a significant opportunity for the Company to cement its place as a key Kambalda nickel company.

Both mines closed with nickel mineralisation remaining potentially unmined. Any such mineralisation, if present, is not yet able to be reported in accordance with the current JORC 2012 Guidelines. The Company will commence a full review and analysis of the available geological information to prepare plans to address any nickel mineralisation that may be present once the Mineral Rights Agreement has settled.

The Company has active and current work programs aimed at delineating JORC 2012 compliant Mineral Resources from historical remnant areas at its Foster and Jan nickel mines (refer to the Historical Drill Core Programme: N75C in the Company's December 2021 Quarterly Report and Financial Year 2022 Half Year Financial Report) which were also previously applied to the Foster 85H, South and Warren Shoot mineralization prior to the Company's Initial Public Offering in 2021.

The Company highlights that SIGMC will retain ownership of all leases and the rights to any gold or other minerals not associated with the nickel mineralisation discovered.

## **MINERAL RIGHTS AGREEMENT**

**Rights Granted** - under the Mineral Rights Agreement, in exchange for \$20 million in fully paid ordinary shares in Lunnon Metals (**Consideration Shares**), SIGMC will grant nickel rights in respect of the whole, or portions (starting at various depths), of 19 mining leases (and related access rights on an additional tenement) to Lunnon Metals. Subject to existing third party agreements, SIGMC will otherwise remain entitled to all rights to the tenements including in relation to gold and other minerals on these tenements.

The rights granted will give the Company full, free and exclusive licence to enter and conduct nickel related activities in the Project Area (as defined below – and see Figures 2 and 4), including but not limited to nickel exploration and mining (Activities). Where deposits are discovered which, in the Company's opinion, are economically viable to mine, the Company may choose to process, develop and/or mine them by such means as the Company chooses.

The Company may retain all nickel mined from the Project Area. All other minerals and ores mined by the Company must be returned to SIGMC. The Company's rights will continue until the earlier of the Company's nickel rights being relinquished or the expiry or surrender of the last of the tenements. SIGMC also grants the Company a non-exclusive licence during the term to cross SIGMC's tenements outside of the Project Area to gain access to and from the Project Area.

The Project Area the subject of the rights, is set out in the map in Figure 2. Where the rights granted do not come to surface, the Company retains the right to drill down, or mine up, through (e.g. for ventilation purposes) areas above the Project Area as required to exploit the Mineral Rights Agreement area.

The Mineral Rights Agreement sets out the processes under which the Company must notify SIGMC of their proposed activities in the Project Area and allows an objection by SIGMC in certain cases where the proposed activities will cause adverse effect or material prejudice to SIGMC.

SIGMC has similar obligations in relation to its activities, where they may adversely affect the agreed initial programme of exploration activities or any subsequently approved mining Activities of the Company, with the intention that those Activities of the Company take priority over SIGMC's activities.

If, in the Company's extraction of nickel, and SIGMC's extraction of gold, either party observes material occurrences of nickel or gold, it must notify the other party and the parties will determine whether it is economically feasible to separate the minerals. If it is, the other party is entitled to undertake that separation at its own cost and risk using approved methods. If the parties cannot agree whether separation is economically feasible the matter may be referred to an expert.

The Mineral Rights Agreement contains other terms and conditions standard for an agreement of that nature, including warranties, liability and indemnity provisions, assignment restrictions (including pre-emptive rights) and default, dispute resolution, termination, force majeure and confidentiality provisions.

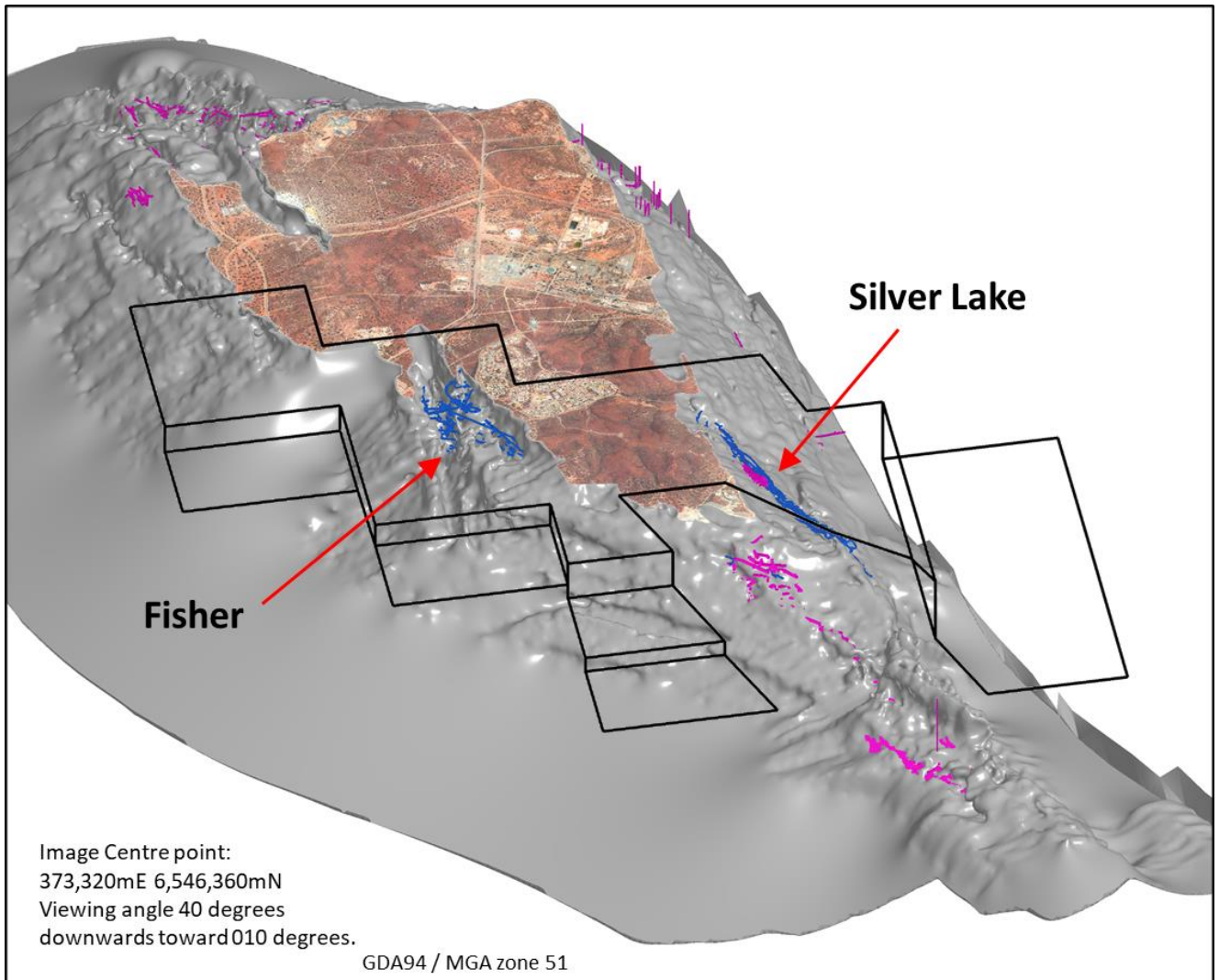


Figure 4: Perspective view looking north east, showing 3D representation of the Mineral Rights Agreement area and the two historical nickel mines to which rights have been acquired, aerial image draped on pseudo-surface

### Conditions to the transaction

The Mineral Rights Agreement is subject to the following conditions precedent:

- a) the Company receiving FIRB approval for the proposed acquisition of the nickel rights;
- b) SIGMC receiving FIRB approval for the proposed acquisition of the Consideration Shares;
- c) the shareholders of the Company approving the acquisition of the nickel rights and the issue of Consideration Shares to SIGMC for the purpose of the ASX Listing Rules, including Chapter 10 approvals and, if required, under item 7 of section 611 of the Corporations Act; and
- d) as the party with an option to acquire future nickel offtake from the tenements or charge a royalty in lieu, BHP Nickel West Pty Ltd consenting to the grant of the nickel rights and entering into a deed of covenant with SIGMC and the Company regarding that option.

The conditions must be satisfied or waived before the date which is 180 days after the Mineral Rights Agreement is executed.



This announcement has been approved for release by the Board of Lunnon Metals Ltd.

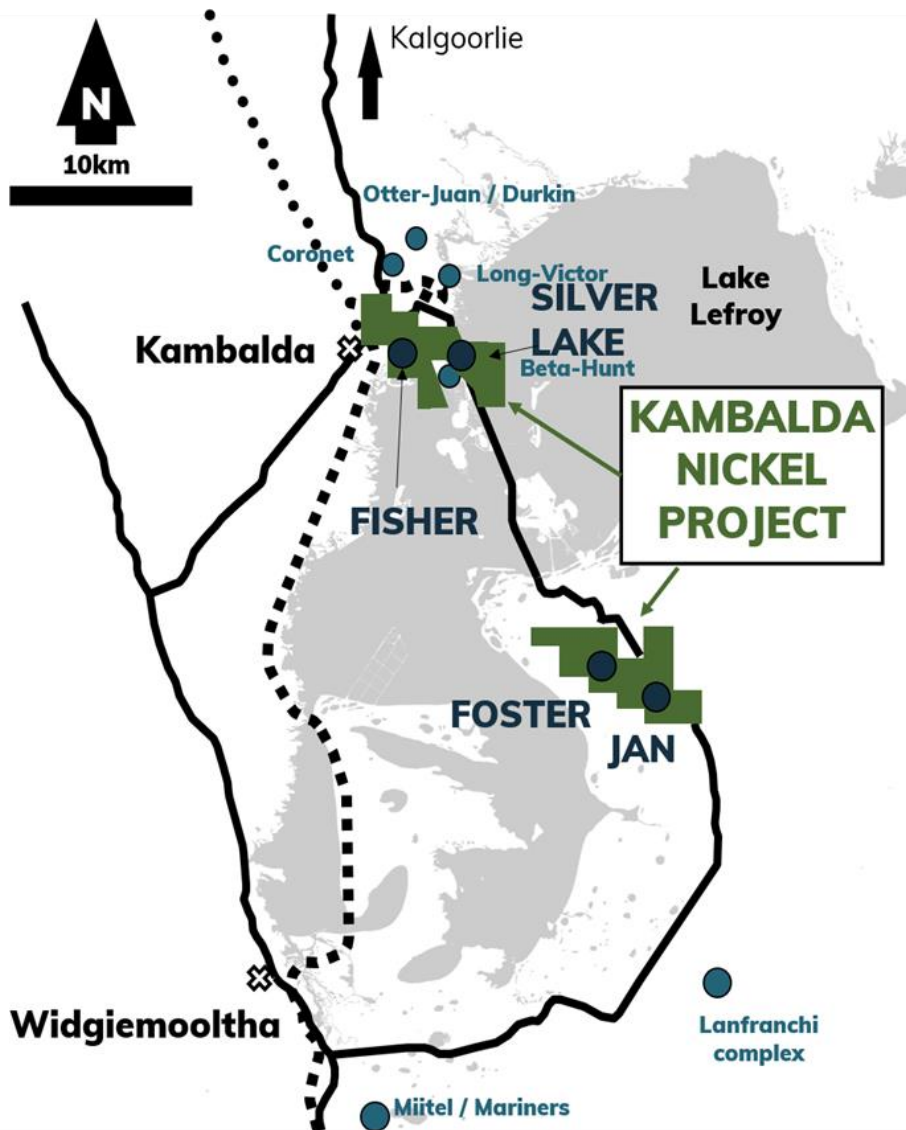
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**ABOUT THE KAMBALDA NICKEL PROJECT (“KNP”)**

Lunnon Metals currently holds 100% of the mineral rights at the Foster and Jan elements of the KNP, subject to certain rights retained by St Ives\*. Full details of the Company’s IPO and the transactions involved are in the Prospectus submitted to the ASX dated 22 April 2021 and lodged with the ASX on 11 June 2021.

KNP, shown in its regional location in Figure 5, inclusive of the acquisition of rights as detailed in this announcement and shown in Figure 2, is approximately 47km<sup>2</sup> in size comprising two parcels of 19 (Foster and Jan) and 20 (Silver Lake and Fisher) contiguous granted mining leases situated within the Kambalda Nickel District which extends for more than 70 kilometres south from the township of Kambalda (“Tenements”).

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”). In addition, close to 15Moz of gold in total has been mined with WMC accounting for 5.9Moz and over 8.3Moz produced by Gold Fields Ltd since the purchase of the operation in December 2001 from WMC, making the Kambalda/St Ives district a globally significant gold camp in its own right.



*\*St Ives retains rights to explore for and mine gold in the “Excluded Areas” on the Tenements at the Foster and Jan elements of the expanded KNP, as defined in the subsisting agreements between Lunnon Metals and St Ives. This right extends to gold mineralisation which extends from the Excluded Area to other parts of the Tenements with select restrictions which serve to prevent interference with, or intrusion on, Lunnon Metals’ existing or planned activities and those parts of the Tenements containing the historical nickel mines. St Ives has select rights to gold in the remaining areas of the Tenements in certain limited circumstances as described in detail in the Company’s Solicitor Report attached to the Prospectus submitted to the ASX dated 22 April 2021 and lodged with the ASX on 11 June 2021.*

Figure 5: Regional Location of the Kambalda Nickel Project and other nearby nickel deposits



## **COMPETENT PERSON'S STATEMENT & COMPLIANCE**

Any information in this announcement that relates to geology, nickel and gold mineralisation, nickel Mineral Resources and Exploration Results, is based on, and fairly represents, information and supporting documentation prepared by Mr. Aaron Wehrle, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr. Wehrle is a full time employee of Lunnon Metals Ltd, a shareholder and holder of employee options; 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 this announcement of the matters based on his information in the form and context in which it appears.

## **DISCLAIMER**

References in this announcement 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 announcement and mentioned announcements, the Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement(s), and in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcement.