

10 March 2023

The Manager
Markets Announcements Office
ASX Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Dear Sir / Madam

Half Year Report – 31 December 2022

Enclosed is a copy of Lunnon Metals Limited's (ASX:LM8) Half Year Financial Report as at 31 December 2022.

This release has been authorised by the Board of Directors.

Yours sincerely

Hayden Bartrop
Company Secretary

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**INTERIM
FINANCIAL
REPORT**

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2022**

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Ms Jessamyn Lyons (resigned 21 February 2023)
Mr Hayden Bartrop (appointed 21 February 2023)

Registered Office and Principal Place of Business

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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

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OPERATIONS REVIEW

KAMBALDA NICKEL PROJECT

Location

The Kambalda Nickel Project (**KNP**), shown in its regional location in Figure 1, features approximately 47km² comprising two parcels of 19 (Foster and Baker or **FBA**) and 20 (Silver Lake and Fisher or **SLF**) 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**). 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.

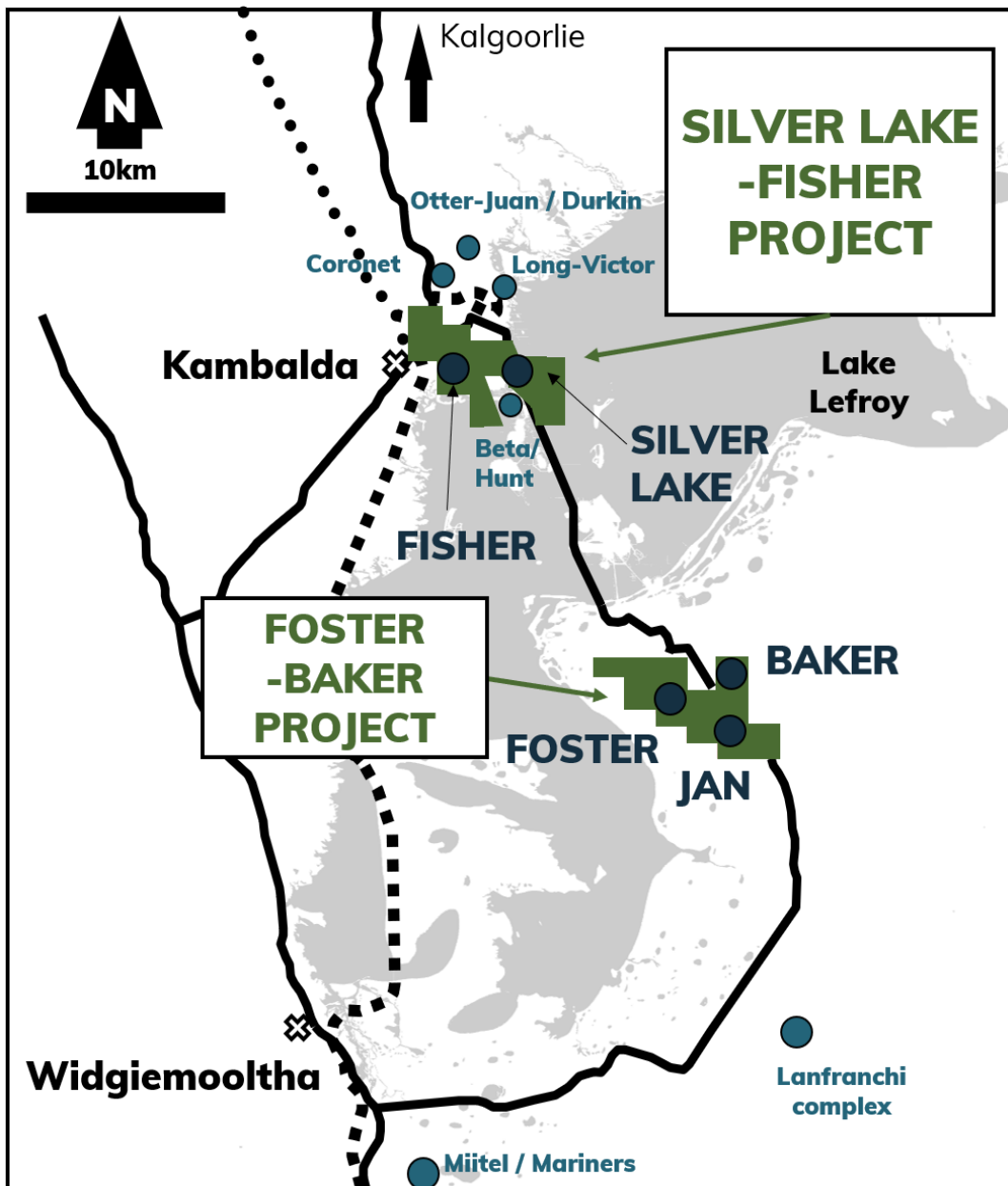


Figure 1: Regional Location of the Kambalda Nickel Project.

OPERATIONS REVIEW CONTINUED

Overview of Drilling Programme

A total of approximately 9,500m was drilled during the half year period ending 31 December 2022 (**Half Year Period**) comprising approximately 3,900m of Reverse Circulation (**RC**) in 17 drill holes and 5,600m of diamond drilling (**DD**) in 26 drill holes. Post period end, assay results representing approximately 3,700m of the total drilled to date remained pending.

As at 31 December 2022, in total, Lunnon Metals Ltd (**Lunnon, the Company**) has now completed approximately 46,600m of drilling compared to its Initial Public Offering (**IPO**) two year programme of 28,000m, being 66% more metres than the original plan. The significant increase in drilling metres is primarily due to the discovery of Baker, which to 31 December 2022, had seen approximately 19,400 metres of drilling in 105 holes. The Company now considers Baker to be its cornerstone asset.

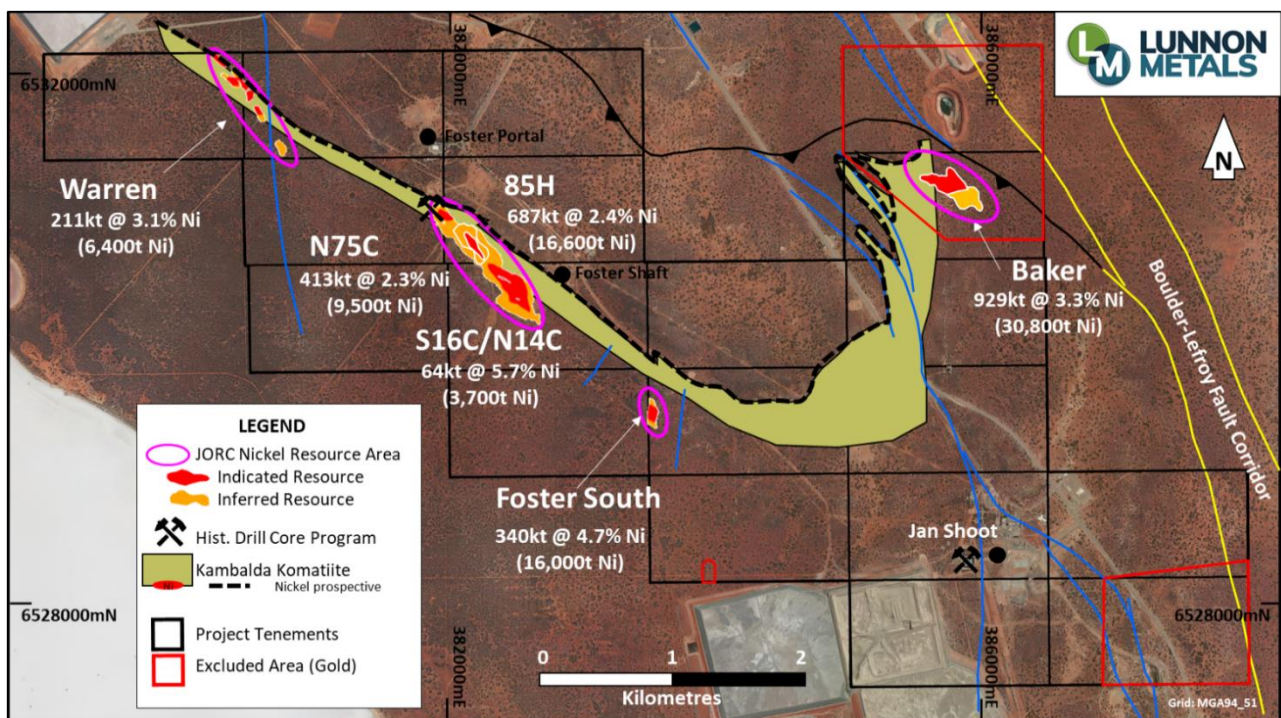


Figure 2: Plan of the Foster-Baker area showing location of Baker and the other deposits with the Company's Mineral Resource Estimate.

KNP Discovery Programme Update

Baker Deposit

The Baker Deposit was discovered by Lunnon Metals in January 2022. Baker is believed to be the first nickel discovery reported into Mineral Resource in the immediate Kambalda nickel camp since Moran (Independence Group, now IGO) in 2008. The area in which it is hosted, termed East Cooee, had been drilled historically by WMC but, despite a broadly spaced grid of diamond drilling, WMC did not progress the identified nickel mineralisation at the base of the second flow unit of the hanging wall Kambalda Komatiite. Accordingly, there has been no historical production from the area.

An initial Mineral Resource Estimate (**MRE**) for the Baker Shoot was reported to the market on 14 June 2022 of **568,000 tonnes @ 2.8% nickel for 15,800 contained nickel tonnes** comprising:

- 295,000 tonnes @ 2.75% Ni for 8,100 nickel tonnes in Indicated Resource; and
- 273,000 tonnes @ 2.82% Ni for 7,700 nickel tonnes in Inferred Resource.

OPERATIONS REVIEW CONTINUED

A planned programme of over 8,000 metres of RC drilling and 3,000 metres of diamond sought to infill the June 2022 MRE, on approximate 20 metre spacing in key areas for potential mine design purposes. The programme was also designed to convert mineralisation categorised as Inferred to an Indicated level of confidence, and extend the Inferred Resource if possible.

There were multiple significant intersections reported to the ASX during the Half Year Period, including the following stand out results (above a 1.0% Ni cut-off)¹:

ECO22RC_048:

- 23m @ 6.78% Ni, 0.45% Cu, 0.12 % Co, 0.98g/t Pd, 0.26g/t Pt (134m) including:
 - 14m @ 8.13% Ni, 0.53% Cu, 0.14% Co, 1.13g/t Pd, 0.31 g/t Pt (134m);
 - an intervening 2m of komatiite grading less than 0.50% Ni; and
 - 7m @ 5.92% Ni, 0.40% Cu, 0.11% Co, 0.96g/t Pd, 0.24g/t Pt (150m).

ECO22RC_067:

- 19m @ 6.01% Ni, 0.59% Cu, 0.10% Co, 1.09g/t Pd, 0.67g/t Pt (139m) including:
 - 10m @ 4.36% Ni, 0.46% Cu, 0.07% Co, 0.87g/t Pd, 0.49 g/t Pt (139m);
 - an intervening 1m of komatiite grading less than 0.50% Ni; and
 - 8m @ 8.78% Ni, 0.83% Cu, 0.15% Co, 1.50g/t Pd, 0.98g/t Pt (150m).

ECO22DD_010:

- 6.00m @ 10.95% Ni, 1.24% Cu, 0.18% Co, 2.6g/t Pd, 1.0g/t Pt (from 166.9m).

ECO22DD_018

- 9.45m @ 6.94% Ni, 0.71% Cu, 0.15% Co, 1.24g/t Pd, 0.51g/t Pt (from 137.1m)

In general terms, the reported intercepts from the drilling programme received were at the approximate locality and depth predicted by the June 2022 MRE. Frequently, better than expected widths and grades were recorded on the key higher-grade surfaces. Select drill hole assay results underperformed against the MRE on the periphery of the Inferred Resource.

Geotechnical logging and rock property test work was undertaken on diamond drill holes which intersected the nickel mineralisation prior to being cut, sampled and dispatched for assaying.

The results of the initial metallurgical testing on core collected from the first three diamond holes drilled at Baker (in December 2021) were reported to the ASX on 1 September 2022. The composite sample comprised 170kg of diamond drill core and returned a calculated head grade: 2.81% Ni, 0.27% Cu, 0.057% Co, 16.4% Fe, 20.6% MgO, 7.29% S, 18 ppm As. Rougher/Cleaner optimisation tests were conducted at a grind size of P80 53 µm; results were as follows:

- 86% recovery of nickel to concentrate grading 16.9% Ni;
- 95.5% recovery of copper to concentrate grading 1.88% Cu;
- 85.3% recovery of cobalt to concentrate grading 0.35% Co;
- Arsenic in concentrate graded 95 ppm; and
- other concentrate measures included Fe:MgO ratio of 16.8 and sulphur at 36.8%.

¹ Refer to ASX Announcements dated 18 July 2022, 2 August 2022, 28 September 2022 and 3 November 2022.

OPERATIONS REVIEW CONTINUED

This test work programme delivered promising results based on the metallurgical processing flowsheet at BHP Nickel West's (**Nickel West**) Kambalda Concentrator. The test work showed high nickel recoveries, while producing a very clean concentrate that is high in saleable nickel, copper and cobalt, with low level deleterious element content.

On 7 December 2022, the Company announced an updated Baker MRE, standing at **929,000 tonnes @ 3.3% nickel for 30,800 contained nickel tonnes**, comprising:

- 638,000 tonnes @ 3.8% Ni for 24,000 nickel tonnes in Indicated Resource; and
- 291,000 tonnes @ 2.3% Ni for 6,800 nickel tonnes in Inferred Resource.

The Company reported that the aggressive drilling campaign had provided sufficient additional data to support a higher total tonnage being classified as an Indicated Resource within the December 2022 MRE (up nearly threefold from June 2022 MRE) and a resultant higher proportion (78%) of Indicated Resource, as compared to the lower confidence Inferred Resource category. The Indicated Resource grade also improved by 37% to 3.8% Ni.

The Inferred Resource presents an opportunity for select infill drilling to grow the Indicated Resource in the future. However, although the Baker deposit is still open down plunge to the south east beyond the limits of the Inferred Resource, advancing the technical and mine design studies are now the priority for the Company. Baker's down plunge potential is more accurately and efficiently targeted in a future underground development scenario, should it proceed.

The December 2022 MRE positions the Company to fast track Baker by commencing mine design and scheduling in the March 2023 quarter. Metallurgical and geotechnical studies have been ongoing as the drilling programme and MRE update progressed. Coupled with significant advances on the permitting front, the Company is well placed to continue reporting steady progress at Baker throughout calendar year 2023 and towards a potential Final Investment Decision (**FID**).

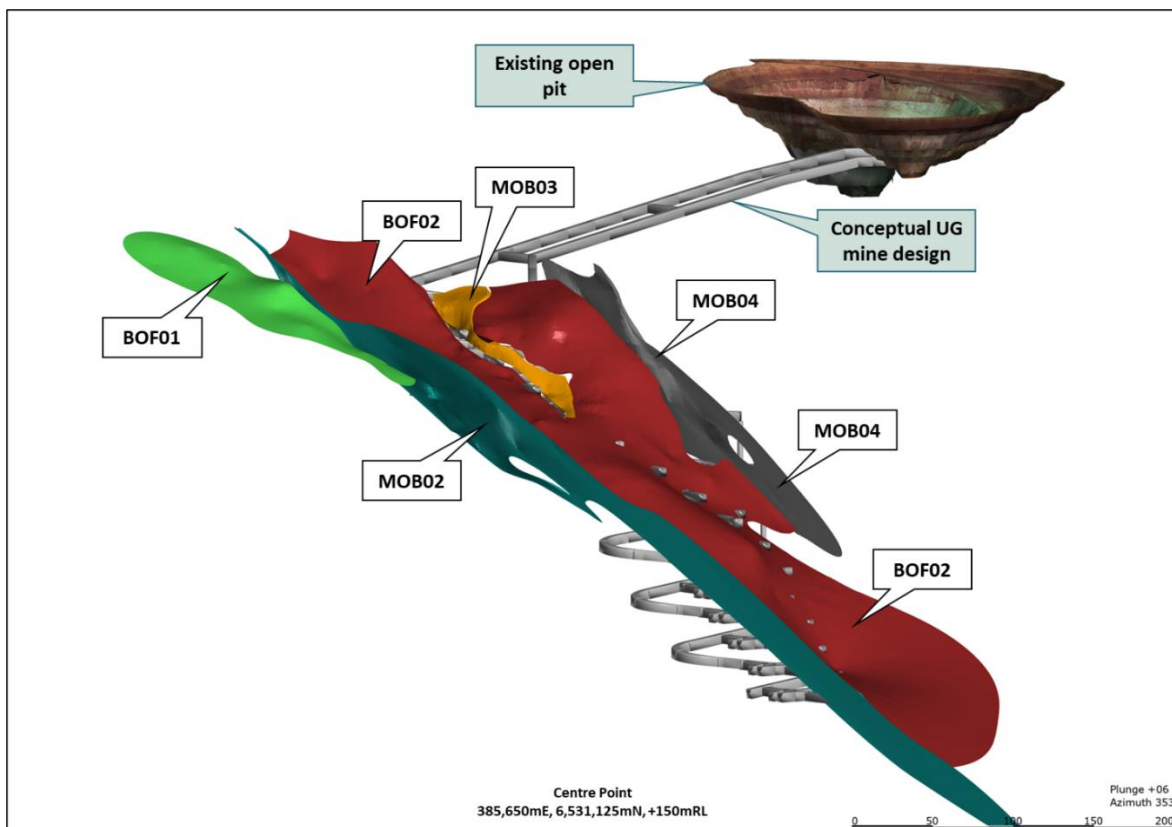


Figure 3: Isometric view of the Baker mineralised surfaces looking north – coloured solids represent modelled sub-domains as labelled and preliminary conceptual underground decline design commencing in the adjacent historical West Idough gold open pit.

OPERATIONS REVIEW CONTINUED

Warren

Lunnon Metals' programmes throughout 2022 at Warren were designed to demonstrate that this separate channel has the potential to host substantially more than the current MRE of 211,000 tonnes at 3.1% nickel for 6,400t² contained nickel tonnes.

"Warren 3" Down-Hole Transient Electro-Magnetic (DHTEM) Plate

As reported at the start of the 2022 year, the 2021 down-hole transient electro-magnetic (**DHTEM**) surveying of parent hole WRN21DD_003 recorded a high conductance, late time response modelled as a 55m x 40m plate. Nickel sulphide mineralisation in that hole (8.72m @ 3.54% Ni reported on 4 January 2022) and in the first wedge (W1) (9.05m @ 2.82% Ni reported 4 April 2022) coincided with this plate and was on the prospective komatiite-basalt contact. DD drilling ultimately recorded nine individual pierce points into the DHTEM plate target through the course of 2022, with assay results for the last holes received during the Half Year Period as follows (above a 1.0% Ni cut off)³:

WRN22DD_005

- 1.06m @ 5.28% Ni, 0.43% Cu, 0.13% Co, 1.27g/t Pd & 0.82g/t Pt (351.34m);

WRN22DD_004W1

- 5.60m @ 1.06% Ni, 0.14% Cu, 0.03% Co (401.4m);

WRN22DD_006W1

- 0.82m @ 6.11% Ni, 0.14% Cu, 0.08% Co, 1.45g/t Pd & 0.71g/t Pt (381.59m);

WRN22DD_007

- 1.72m @ 4.09% Ni, 0.25% Cu, 0.10% Co, 1.41g/t Pd & 0.46g/t Pt (347.02m).

Note: true widths are interpreted to be 75%-85% of drilled widths.

The DD campaign has identified an axis of thickened nickel sulphide mineralisation down the middle of the plate in the dip direction. Away from this long axis i.e. up and down the main channel plunge to the north and south, the nickel mineralisation narrows. The nickel shoot at this target position now presents as an irregular oval shaped pod with a current extent measuring over 90 metres x 50 metres, compared to the original surveyed 55 metres x 40 metres rectangular DHTEM plate.

Mineralisation currently remains open up-dip above WRN21DD_003W1 and WRN22DD_007.

² Full details of the MRE reported at Warren were included in the Prospectus and associated ITAR lodged on the ASX on 11 June 2021. A full breakdown of the Warren MRE is tabulated in Figure 5 to this report.

³ Refer to ASX Announcements dated 5 July 2022 and 14 November 2022.

OPERATIONS REVIEW CONTINUED

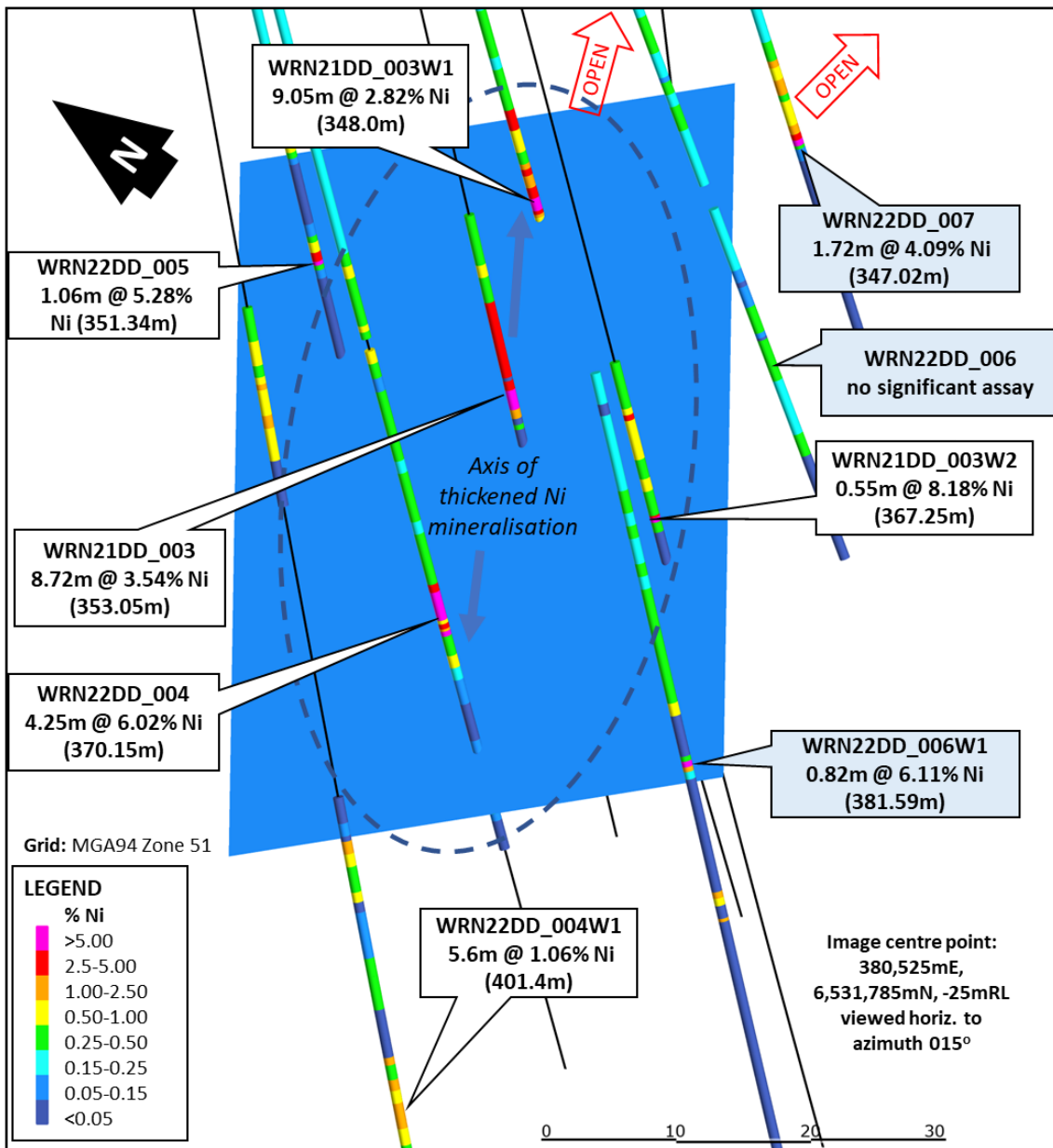


Figure 4: Isometric view of the “Warren 3” DHTeM conductive plate (looking north-northeast) showing all nine drill hole traces for Lunnon Metals’ programme – last reported assay results shaded blue background.

“Warren 1” Down-Plunge Drill Programme

The other key programme at Warren during the Half Year Period targeted nickel mineralisation adjacent to hole WRN21DD_001, which intersected the Warren channel approximately 300m further down-plunge from the “Warren 3” DHTeM Plate (see ASX lodgement dated 4 April 2022 for summary). During the Half Year Period, 7 DD holes were completed with the latest results reported on 16 December 2022. These holes were located up-plunge of an earlier result recorded in WRN21DD_001W7 (4.8m @ 3.09% Ni)⁴.

⁴ Refer to ASX announcement dated 4 April 2022

OPERATIONS REVIEW CONTINUED

Assay results were returned for hole WRN22DD_008 and associated wedges W1, W2, W3 and W5. Assay results above a 1.0% Ni cut off were⁵:

WRN22DD_008W5

- 7.48m @ 4.46% Ni, 0.44% Cu, 0.09% Co, 1.71g/t Pd & 0.58g/t Pt (482.84m).

WRN22DD_008

- 4.35m @ 1.24% Ni, 0.14% Cu, 0.03% Co, 0.44g/t Pd & 0.19g/t Pt (503.55m);

WRN22DD_008W1

- 2.50m @ 1.75% Ni, 0.19% Cu, 0.04% Co, 0.85g/t Pd & 0.17g/t Pt (485.50m);
- 1.55m @ 2.95% Ni, 0.23% Cu, 0.06% Co, 0.98g/t Pd & 0.37g/t Pt (499.45m);

WRN22DD_008W2

- 1.50m @ 2.30% Ni, 0.29% Cu, 0.06% Co, 1.00g/t Pd & 0.39g/t Pt (482.30m);
- 1.50m @ 4.99% Ni, 0.45% Cu, 0.09% Co, 1.78g/t Pd & 0.48g/t Pt (500.56m);

WRN22DD_008W3

- 1.30m @ 1.50% Ni, 0.17% Cu, 0.03% Co, 0.54g/t Pd & 0.26g/t Pt (489.00m).

Note: true widths are interpreted to be 75%-85% of drilled widths.

Importantly, these new results included a further significant nickel sulphide intercept directly atop the sediment covered footwall basalt contact on the down-dip (or down-flank) side of the main interpreted channel position. This has the potential to open up a significant new exploration space for the Company as historically these positions were not considered to be prospective for nickel.

The planned update to the Warren MRE has now commenced post the Half Year Period with all assay results for high priority holes now returned. The Warren MRE update will include all drilling completed at Warren since the Company listed on the ASX (June 2021), and is expected to be reported in the March 2023 quarter. Surface drilling at Warren has now paused pending this process.

Following the Warren MRE update, a review will be undertaken to assess the best means by which the exciting potential at Warren may be defined, including the possibility of a new exploration search space on the sediment covered flanks of the channel, taking into account the potential for future underground access to Warren via the Foster portal and decline.

85H Drilling Results

During the Half Year Period, a diamond drilling programme was completed on the 85H nickel deposit. The programme was designed to collect core samples for metallurgical and geotechnical test work whilst also intersecting, and thus assessing the accuracy of, the existing 85H MRE. The 85H currently contains a JORC Code (2012) MRE of 687,000t @ 2.4% Ni for 16,600t of contained nickel metal⁶, which is accessible off the historical Foster mine decline.

⁵ Refer to ASX Announcement dated 16 December 2022

⁶ Full details of the MRE reported for 85H were included in the Company's Prospectus and associated ITAR lodged on the ASX on 11 June 2021. A breakdown of the current MRE for the 85H is tabulated in Figure 5 of this Half Year Report.

OPERATIONS REVIEW CONTINUED

On 24 November 2022, assay results were announced on the ASX and included the following significant results (above a 1.0% Ni cut off, true widths are estimated to be approximately 95% of the drilled intercept):

FOS22DD_004W3

- 3.75m @ 4.34% Ni, 0.28% Cu, 0.10% Co, 0.60g/t Pd & 0.28g/t Pt (435.70m);

FOS22DD_005

- 4.45m @ 5.70% Ni, 0.33% Cu, 0.12% Co, 0.79g/t Pd & 0.29g/t Pt (415.00m).

Cobalt, palladium and platinum values were elevated in the reported intervals, an observation consistent with results at the nearby Warren channel, also accessible from the Foster mine decline, and at the Company's Baker Shoot discovery. The MRE model for the 85H deposit in the locality of the intervals in both FOS22DD_004W3 and FOS22DD_005 reconciled well with this new drilling. The Company considers these results to be an excellent validation of the current MRE.

Foster Historical Core Programme

The Historical Core Programme (**HCP**) was a key strategic programme in the Company's Prospectus and 2-Year Work Plan at the time of its IPO in June 2021.

The HCP continued at the Foster nickel mine, however, the exercise that was ongoing during the quarter relating to the S16C surface was expanded to include an adjacent sub-surface termed the N14C. Both these mineralised surfaces are in a "flanking" position up-dip from the main Foster nickel channel and at the base of the Kambalda Komatiite on the Lunnon Basalt footwall contact.

Both the S16C and N14C have been previously mined, the N14C more so, and both mapped in underground development mapping. The Company check logged and resampled a representative number of the intersecting holes during the Half Year Period to verify the historical data, whilst collecting specific gravity (**SG**) data at the same time from those same holes.

A MRE for S16C and N14C surfaces was reported post the Half Year Period by ASX announcement dated 11 January 2023, delivering an initial Inferred Mineral Resource of **64,000 tonnes at 5.7% nickel for 3,700 contained nickel tonnes** and increasing the total MRE accessible from the Foster nickel mine decline to 1.7 million tonnes at 3.0% nickel for 52,200 contained nickel tonnes⁷.

Silver Lake Hanging Wall Exploration Target

At the recently acquired nickel rights over the Silver Lake and Fisher Project, the Company identified an initial prospect, the Silver Lake Hanging Wall (**SLHW**). The SLHW appears to display key characteristics that were present at the Baker deposit prior to its discovery in December 2021/January 2022. An Exploration Target of between **approximately 0.65Mt and 1.3Mt grading between 1.3% Ni and 2.7% Ni** was subsequently estimated and reported during the Half Year Period⁸.

The Company highlights that the potential quantity and grade of the Exploration Target stated above is conceptual in nature, that there has been insufficient exploration or historical data validation to estimate a Mineral Resource and it is uncertain if further exploration will result in a Mineral Resource.

Full details of the methodology adopted to estimate the Exploration Target and proposed related exploration activities are contained within the report lodged on the ASX on 25 October 2022.

⁷ Refer to ASX Announcement dated 11 January 2023. A full breakdown of the current KNP MRE is tabulated on page 14 of that announcement.

⁸ ASX Announcement dated 25 October 2022

OPERATIONS REVIEW CONTINUED

Kenilworth (WA EIS Programme)-Somerset-North Jan

Deep DD data collection and reporting at the Kenilworth target, part of the Western Australian (WA) government's Exploration Incentive Scheme (EIS) programme was completed during the Half Year Period. The Company acknowledges the contribution of the WA government's EIS Grant towards the funding of this hole.

Drill hole JAN22DD_004, drilled to a final depth of 1,529.1m, aimed to test and explain an 800m long, surface geophysical magnetic anomaly. It was suggested that the anomaly could be the result of either a massive sulphide deposit at depth on the nickeliferous komatiite-Lunnon Basalt contact, or a higher-level magnetic dolerite interpreted as a possible host rock for gold mineralisation within a structurally complex zone north of the historical Jan nickel mine.

Although extended beyond an initial design depth of 1,450m, the hole failed to intersect the komatiite-basalt contact before drilling difficulties ended the hole. Equally, no magnetic dolerite was intersected in the hole. As a result of this work, the most likely cause of the Kenilworth magnetic anomaly was suggested to be an easterly dipping magnetic dolerite (likely Defiance Dolerite) located immediately north of hole JAN22DD_004, which was intersected near surface in the sighter hole programme. Although not directly intersected in the EIS hole, the Defiance Dolerite remains a valid gold host rock in the area.

Mineral Resources

As mentioned above, an updated Baker MRE was announced on 7 December 2022.

As at 31 December 2022, the updated Baker MRE increased the Company's global MRE across the KNP to 2.6 million tonnes @ 3.1% nickel for 79,300 contained nickel tonnes⁹, a 23% increase since June 2022. Since the Company listed in June 2021, the global MRE at KNP has grown by 103% in contained nickel metal terms to 31 December 2022. The detailed breakdown of the Company's Mineral Resources as at 31 December 2022 was:

	Cut-off (Ni %)	Indicated Ni			Inferred Ni			Total Ni		
		Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes
FOSTER AREA										
85H	1.0	387,000	3.3	12,800	300,000	1.3	3,800	687,000	2.4	16,600
South	1.0	223,000	4.7	10,500	116,000	4.8	5,500	340,000	4.7	16,000
Warren	1.0	136,000	2.7	3,700	75,000	3.7	2,700	211,000	3.1	6,400
N75C	1.0	270,700	2.6	6,900	142,000	1.9	2,600	412,700	2.3	9,500
Sub total		1,016,700	3.3	33,900	633,000	2.3	14,600	1,650,700	2.9	48,500
BAKER AREA										
Baker	1.0	638,000	3.8	24,000	291,000	2.3	6,800	929,000	3.3	30,800
Sub total		638,000	3.8	24,000	291,000	2.3	6,800	929,000	3.3	30,800
TOTAL		1,654,700	3.5	57,900	924,000	2.3	21,400	2,579,700	3.1	79,300

Figure 5: Kambalda Nickel Project Mineral Resource Estimate as at 31 December 2022

Note: Figures have been rounded and hence may not add up exactly to the given totals. Post the Half Year Report, the Company announced an initial Mineral Resource for S16C and N14C surfaces, part of the Foster Area, by ASX announcement dated 11 January 2023. A full breakdown of the current KNP MRE is tabulated on page 14 of that announcement.

⁹ Refer to ASX announcement dated 7 December 2022 and Figure 5 for the details and breakdown of the Baker MRE.

OPERATIONS REVIEW CONTINUED

As noted above, following the end of the Half Year Period, the Company announced an Initial Mineral Resource for the Foster S16C.N14C surfaces of 64,000 tonnes @ 5.7% nickel for 3,700 contained nickel tonnes, increasing the global MRE across the KNP to 2.26 million tonnes @ 3.1% nickel for 83,000 contained nickel tonnes¹⁰.

Acquisition of Nickel Mineral Rights at Silver Lake and Fisher Project

On 12 April 2022, the Company announced that it had entered into an agreement with St Ives Gold Mining Co Pty Ltd (**St Ives**), a wholly owned subsidiary of Gold Fields Limited (JSE:GFI), for the acquisition of the exclusive rights to nickel on the whole, or portions, of 19 mining leases and related access rights on additional tenure held by St Ives (**Nickel Rights**). The Nickel Rights are located in the Kambalda Nickel District and include the historical Fisher and Silver Lake nickel mines.

Following shareholder approval at the General Meeting on 27 September 2022, as consideration for the Nickel Rights, Lunnon Metals issued 21,505,376 shares to St Ives on 4 October 2022. The shares have been escrowed for a period of 12 months to 4 October 2023.

The Silver Lake and Fisher nickel mines shut in 1986 and 1988 respectively having produced a total of over 161,000 tonnes of nickel metal up to that point. The mines and their associated prospective belts are located in the highly endowed Kambalda Dome, where over 1.1 million tonnes of nickel metal has been mined since discovery of the Kambalda Nickel District by Dr Roy Woodall in January 1966.

The Company plans to execute a three-tiered programme designed to maximise the discovery potential of this new tenure, involving 2D and 3D seismic surveys, direct targeting of potential high-grade shoots within nickel mineralisation previously defined by WMC's DD (seeking to emulate the success the Company has achieved with the discovery of the Baker deposit on its southern project area) and application of the Company's HCP. The objective is to define and then grow a JORC Code (2012) compliant MRE at the SLF. The Company has access to up to 260km of historical Silver Lake and Fisher DD core stored at WMC/Gold Fields' previous Kambalda Core Farm and will target conversion of nickel sulphide mineralisation documented on geological plans, cross-sections and past WMC Kambalda Nickel Operations "Ore Reserves" plans to JORC Code (2012) compliant MRE.

Permitting/Regulatory Framework

On the permitting and regulatory front, the status is as follows:

- For mine dewatering at the Foster Baker area, a 5C Licence to Take Water up to 4.0 gegalitres (**GL**) per annum was granted during the December quarter 2022;
- For discharge of the mine dewatering at the Baker Project, an Application for a Licence under Part V Division 3 of the *Environmental Protection Act 1986* was submitted to DWER for assessment in the September 2022 quarter;
- For discharge of the mine dewatering at the Foster Project, an Application for a Licence under Part V Division 3 of the *Environmental Protection Act 1986* was submitted to DWER assessment in the September 2022 quarter;
- For Warren/Foster dewatering, decline re-entry, rehabilitation and underground exploration, a draft Mining Proposal and Mine Closure Plan was prepared and is ready for submission to DMIRS following final plans being determined by the Company; and
- For mining and development of the Baker Project, a draft Mining Proposal and Mine Closure Plan for Development was being finalised for submission to DMIRS following the Baker Ore Reserve and Pre-Feasibility Study.

¹⁰ Refer to ASX announcement dated 11 January 2023. A full breakdown of the current KNP MRE is tabulated on page 14 of the announcement.

COMPETENT PERSONS STATEMENT

The information in this Half Year Report that relates to nickel geology, nickel Mineral Resources, Exploration Targets 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 Half Year Report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to reporting of nickel metallurgy, is based on, and fairly represents, information and supporting documentation prepared by Mr. Barry Clouff, who is a Member of the AusIMM. Mr. Clouff is an external and independent consultant to Lunnon Metals Ltd, and has sufficient experience that is relevant to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Clouff consents to the inclusion in this Half Year Report of the matters based on his information in the form and context in which it appears.

The information in this Half Year Report that relates to the mining, metallurgical and environmental modifying factors or assumptions as they may apply to the Company's MREs is based on, and fairly represents, information and supporting documentation prepared by Mr. Max Sheppard, Mr. Wehrle and Mr. Edmund Ainscough, who are Competent Persons and Members of the AusIMM and full time employees of Lunnon Metals Ltd. Mr. Wehrle, Mr. Ainscough and Mr. Sheppard are shareholders and/or holders of employee options/performance rights. All three employees have sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration, the activity that they are undertaking and the relevant factors in the particular location of the Baker deposit and KNP generally, to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Sheppard, Mr. Wehrle and Mr. Ainscough consent to the inclusion in this Half Year Report of the matters based on their information in the form and context in which it appears.

DISCLAIMER

References in this report may have been made to certain previous ASX announcements, which in turn may have included exploration results 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 Half Year 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.

DIRECTORS REPORT

The Directors present their Half Year Report on Lunnon Metals Limited for the half-year ended 31 December 2022 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 Chair (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)
Deborah Lord	Non-Executive Director (appointed on 21 March 2022)

Company Secretary

Ms Jessamyn Lyons (appointed on 11 November 2020, resigned on 21 February 2023)

Mr Hayden Bartrop (appointed on 21 February 2023)

Principal Activities

The Company is a mineral resource exploration and development company. 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 year is discussed in the Operations Review section included in this report.

Profit or Loss

The Company had a net loss after interest expense for the half-year of \$11,182,993 (31 December 2021: \$4,202,593). The increased net loss after interest expense was primarily related to a share based payments expense of \$7,581,550, including a \$7,264,515 share based payment expense in connection with the acquisition of Nickel Rights at the Silver Lake and Fisher Project (refer to Note 8 for further details).

Financial Position

The net assets of the Company increased by \$7,198,557 for the six months ended 31 December 2022, further analysed below:

- Cash and equivalents decreased to \$25,062,711 (30 June 2022: \$32,873,486), mainly as a result of exploration and evaluation expenditure on the Company's Baker and Warren projects during the half year ended 31 December 2022.
- Exploration and evaluation of \$32,456,810 (30 June 2022: \$18,374,219) increased mainly as a result of the acquisition of Nickel Rights at the Silver Lake and Fisher Project. Drilling was also capitalised at Baker and Warren.
- Issued capital increased to \$81,886,326 (30 June 2022: \$63,821,811) due to the issuance of \$18,064,515 in shares to St Ives in consideration for the acquisition of the Nickel Rights at the Silver Lake and Fisher Project.

DIRECTORS REPORT CONTINUED

Cash Flows

Net cash outflow from operating activities for the period was \$2,298,957 (31 December 2021: \$3,521,869). The decrease reflects the fact that significant exploration and evaluation expenditure, particularly at the Baker deposit, is being capitalised.

Net cash outflow used in investing activities amounted to \$5,495,452 (31 December 2021: \$1,311,305). The increase reflects the significant exploration and evaluation expenditure, particularly at the Baker deposit.

Net cash outflow from financing activities totalled \$16,366 (31 December 2021: \$16,999), which related to the lease payments.

Corporate and Significant Changes in Affairs

On 13 December 2022, the Company announced the creation of a Short-Term Incentive (**STI**) and Long-Term Incentive (**LTI**) Scheme under which employees, and subject to shareholder approval, directors may receive performance rights. The announcement included STI and LTI targets.

On 21 November 2022, the Company announced a change of address of the Company's registered office.

On 15 November 2022, the Company announced the results of the Annual General Meeting. Ms. Lord was elected as Director and Mr. Junk was re-elected as a Director. The Employee Awards Plan was approved by shareholders and the Company refreshed its additional 10% placement capacity under Listing Rule 7.1A.

On 13 October 2022, the Company lodged a notice of Annual General Meeting, to be held on 15 November 2022. As part of the meeting, approval from shareholders would be sought for the issue of up to 30,000,000 securities under the Company's Employee Awards Plan for directors and employees.

On 4 October 2022, the Company announced the issue of 21,505,376 ordinary fully paid securities to St Ives, being consideration for the Company's acquisition of Nickel Rights at the Silver Lake and Fisher Project.

On 28 September 2022, the Company announced the issue of 950,000 unlisted options to Ms. Lord (475,000) and Mr. Junk (475,000) with an exercise price of \$1.18 expiring on 11 February 2026 following shareholder approval at the Extraordinary General Meeting.

On 28 September 2022, the Company announced shareholder approval of the issue of 21,505,376 ordinary fully paid securities to St Ives, being consideration for the Company's acquisition of Nickel Rights at the Silver Lake and Fisher Project.

On 9 September 2022, the Company announced the appointment of Mr. Hayden Bartrop as Chief Financial Officer, commencing on 3 January 2023.

On 26 August 2022, the Company lodged a notice of an Extraordinary General Meeting, to be held on 27 September 2022. As part of the meeting, the issue of 950,000 options to Directors, being Ms. Lord and Mr. Junk was to be considered for approval and the issue of 21,505,376 ordinary fully paid securities to St Ives as consideration for the Company's acquisition of nickel mineral rights at the Silver Lake and Fisher Project.

DIRECTORS REPORT CONTINUED

Events Occurring after the Reporting Date

On 1 March 2023, the Company announced a change of address of the Company's registered office and principal place of business.

On 27 February 2023, the Company announced the issue of 123,358 Performance Rights to Mr. Bartrop, with 80,899 vesting on 31 December 2023 (expiring 31 December 2024) and 42,459 vesting on 31 December 2024 (expiring 31 December 2025). Vesting is subject to Mr. Bartrop being employed on the vesting date. There was nil grant and exercise price for the Performance Rights.

On 24 February 2023, the Company lodged a notice of an Extraordinary General Meeting, to be held on 30 March 2023. As part of the meeting, the issue of 876,404 Performance Rights to Mr. Ainscough was to be considered for approval, involving 438,202 Performance Rights for short term incentives (vesting on 30 June 2024, subject to delivery of short term performance hurdles) and 438,202 Performance Rights for long term incentives (vesting 30 June 2026, subject to delivery of long term performance hurdles). There is a nil grant and exercise price for the Performance Rights.

On 21 February 2023, the Board approved the grant of up to 3,815,679 Performance Rights (including 876,404 Performance Rights to Mr. Ainscough, subject to shareholder approval), including 2,014,647 Performance Rights for short term incentives (vesting on 30 June 2024, subject to delivery of short term performance hurdles) and 3,815,679 Performance Rights for long term incentives (vesting on 30 June 2026, subject to delivery of long term performance hurdles). There is a nil grant and exercise price for the Performance Rights.

On 21 February 2023, the Company announced the appointment of Mr. Bartrop as Company Secretary effective on and from 21 February 2023 and the resignation of Ms. Jessamyn Lyons effective at the end of 21 February 2023.

On 11 January 2023, the Company announced an initial Mineral Resource for the Foster S16C/N14C surfaces.

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.

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 18.

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

A handwritten signature in black ink, appearing to read 'E. Ainscough'.

Edmund Ainscough
Managing Director

Dated on this day in Perth: 9 March 2023

**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 2022, 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 9 March 2023

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Note	31 December 2022	31 December 2021
		\$	\$
OTHER INCOME			
Interest income		279,492	5,964
Government grant		44,615	-
Other Income		12,940	-
		337,047	5,964
EXPENSES			
Share-based payment expense	8	(7,581,550)	(200,479)
Employee costs		(1,593,930)	(788,221)
Drilling expenses		(741,114)	(1,746,329)
Exploration site support		(621,790)	(534,947)
Samples and assays		(297,718)	(251,863)
Audit, company secretarial and accounting fees		(94,807)	(61,057)
Consultants, design and testing		(88,657)	(339,237)
ASX, ASIC and share registry fees		(65,847)	(41,415)
Depreciation and amortisation		(64,029)	(46,390)
Legal costs		(60,665)	(17,760)
Computer, software and database		(57,648)	(30,729)
Insurance		(39,934)	(42,329)
Exploration staff expenses		(38,641)	(12,494)
Rental expenses		(15,467)	(18,618)
Finance costs		(648)	(4,878)
Other expenses		(157,595)	(71,811)
TOTAL EXPENSES		(11,520,040)	(4,208,557)
Loss before income tax expense		(11,182,993)	(4,202,593)
Income tax expense		-	-
NET LOSS AFTER INCOME TAX EXPENSE		(11,182,993)	(4,202,593)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(11,182,993)	(4,202,593)
Basic and diluted loss per share (cents per share)		(6.20)	(2.98)

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 2022**

	Note	31 December 2022	30 June 2022
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	2	25,062,711	32,873,486
Trade and other receivables	3	422,266	460,257
Prepayments		20,901	60,835
Other current assets		105,954	50,000
		25,611,832	33,444,578
NON-CURRENT ASSETS			
Exploration and evaluation asset	4	32,456,810	18,374,219
Property, plant and equipment	5	370,181	395,076
Right-of-use of asset		5,178	20,713
		32,832,169	18,790,008
TOTAL ASSETS		58,444,001	52,234,586
CURRENT LIABILITIES			
Trade and other payables	6	1,301,048	2,326,756
Lease liability		5,755	22,121
Provision for employee benefits		277,612	228,875
		1,584,415	2,577,752
NON-CURRENT LIABILITIES			
Provision for employee benefits		15,694	11,499
		15,694	11,499
TOTAL LIABILITIES		1,600,109	2,589,251
NET ASSETS		56,843,892	49,645,335
EQUITY			
Issued capital	7	81,886,326	63,821,811
Options reserve	8	1,280,481	963,446
Accumulated losses		(26,322,915)	(15,139,922)
TOTAL EQUITY		56,843,892	49,645,335

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 2022**

	Note	ISSUED CAPITAL	OPTIONS RESERVE	ACCUMULATED LOSSES	TOTAL
		\$	\$	\$	\$
Balance at 30 June 2021		35,359,311	473,792	(8,492,425)	27,340,678
Loss for the half-year		-	-	(4,202,593)	(4,202,593)
Total comprehensive loss for the half-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
Balance at 30 June 2022		63,821,811	963,446	(15,139,922)	49,645,335
Loss for the half-year		-	-	(11,182,993)	(11,182,993)
Total comprehensive loss for the half-year		-	-	(11,182,993)	(11,182,993)
Transactions with owners in their capacity as owners:					
Issue of shares (Acquisition of Exploration Assets)	4	10,800,000	-	-	10,800,000
Share based payments	8	7,264,515	317,035	-	7,581,550
Balance at 31 December 2022		81,886,326	1,280,481	(26,322,915)	56,843,892

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 2022**

	Note	Half-year to 31 Dec 2022	Half-year to 31 Dec 2021
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,357,489)	(929,832)
Payments for exploration and evaluation expensed		(1,164,782)	(2,692,076)
GST received from ATO		3,100,791	146,753
Government grant		44,615	-
Payment for term deposit		-	(50,000)
Interest received		78,542	5,964
Interest paid		(634)	(2,678)
Net cash used in operating activities		<u>(2,298,957)</u>	<u>(3,521,869)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Stamp duty on exploration assets		-	(318,025)
Exploration and evaluation acquired	4	(1,158,812)	-
Payments for exploration and evaluation capitalised		(4,310,682)	(797,494)
Purchase of plant and equipment		(25,958)	(195,786)
Net cash used in investing activities		<u>(5,495,452)</u>	<u>(1,311,305)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Lease payments		(16,366)	(16,999)
Net cash used in financing activities		<u>(16,366)</u>	<u>(16,999)</u>
Net decrease in cash held		(7,810,775)	(4,850,173)
Cash at beginning of period		<u>32,873,486</u>	<u>13,962,873</u>
CASH AT END OF REPORTING PERIOD	2	<u><u>25,062,711</u></u>	<u><u>9,112,700</u></u>

The above 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 2022

NOTE 1: BASIS OF PREPARATION

a) Corporate Information

The interim financial report covers Lunnon Metals Limited. 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 and Principal Place of Business

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

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 2022 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 2022 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 2022

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 financial report for the year ended 30 June 2022.

(i) Share-based payments

The fair value of share-based payments is discussed in Note 8 Options Reserve. The share-based payment in relation to the Acquisition of Nickel Rights is discussed in Note 4. 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 fair value of Nickel Rights in relation to the Silver Lake and Fisher Project is discussed in Note 4. 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.

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 2022. 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 2: CASH AND CASH EQUIVALENTS

	31 December 2022	30 June 2022
	\$	\$
Cash at bank	15,090,077	99,507
Cash at bank - Investment	9,972,634	32,773,979
Cash and cash equivalents	<u>25,062,711</u>	<u>32,873,486</u>

NOTE 3: TRADE AND OTHER RECEIVABLES

	31 December 2022	30 June 2022
	\$	\$
GST receivable	183,281	260,749
Other receivables	238,985	199,508
	<u>422,266</u>	<u>460,257</u>

NOTE 4: EXPLORATION AND EVALUATION ASSET

	31 December 2022	30 June 2022
	\$	\$
Opening balance	18,374,219	13,731,344
Exploration asset acquired ¹	11,958,812	-
Exploration expenditure capitalised	2,123,779	4,642,875
Closing balance	<u>32,456,810</u>	<u>18,374,219</u>

¹ On 4 October 2022, the Company completed the acquisition of the St Ives Mineral Rights. The acquisition includes the exclusive rights to nickel on the whole, or portions, of 19 mining leases (and related access rights on an additional tenement) (**Nickel Rights**) held by St Ives in relation to the Silver Lake and Fisher Project.

As consideration for the Nickel Rights, Lunnon Metals issued 21,505,376 shares to St Ives. The transaction was completed on 4 October 2022, which is the measurement date of the shares. The closing share price on 4 October 2022 was \$0.84, therefore the shares were valued at \$18,064,515 on this date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 4: EXPLORATION AND EVALUATION ASSET (CONTINUED)

The acquisition has been treated as an asset acquisition. The cost of the acquisition was attributed as follows:

	31 December 2022
	\$
Exploration asset ²	10,800,000
Other acquisition costs ³	1,158,812
Net assets acquired	<u>11,958,812</u>
Consideration paid	
Cash (other acquisition costs)	(1,158,812)
Shares issued (Note 7)	(18,064,515)
Total consideration	<u>(19,223,327)</u>
Net assets acquired	11,958,812
Less consideration	(19,223,327)
Share based payment expense ⁴ (Note 8)	<u>(7,264,515)</u>

² As per Independent Expert Report (**IER**) as announced to the ASX on 26 August 2022.

³ Consists of stamp duty, legal and consultant fees.

⁴ As noted by AASB 2:13A, if the identifiable consideration received (being the \$10,800,000 assessed by the IER), is less than the fair value of the equity instruments granted (being \$18,064,515), this indicates that other consideration has been received by the entity (unidentifiable goods or services). According to the standard, the unidentifiable goods or services should be valued at the fair value of the equity instruments granted, less the fair value of any identifiable goods or services. In accordance with AASB 2, the unidentifiable goods or services received of \$7,264,515 has been expensed to the Statement of Profit or Loss and Other Comprehensive Income as a share based payment.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	31 December 2022	30 June 2022
	\$	\$
Plant and equipment at cost	505,164	473,772
Less accumulated depreciation	(134,983)	(78,696)
	<u>370,181</u>	<u>395,076</u>
Reconciliation:		
Opening balance	395,076	139,569
Additions	23,599	326,638
Depreciation	(48,494)	(71,131)
Closing balance	<u>370,181</u>	<u>395,076</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 6: TRADE AND OTHER PAYABLES

	31 December 2022	30 June 2022
	\$	\$
Trade payables	1,052,474	1,162,537
Accruals	17,500	1,076,162
Employee costs payable	221,156	81,052
Other payables	9,918	7,005
	1,301,048	2,326,756

NOTE 7: ISSUED CAPITAL

(a) Share Capital

	31 December 2022		30 June 2022	
	No.	\$	No.	\$
Fully paid ordinary shares	195,010,505	81,886,326	173,505,129	63,821,811

(b) Movement in Issued Capital

	Date	No.	\$
Balance as at 31 December 2021		141,247,065	35,359,311
Placement	26 April 2022	32,258,064	30,000,000
Capital raising costs		-	(1,537,500)
Balance as at 30 June 2022		173,505,129	63,821,811
Shares issued for acquisition of exploration assets (Note 4)	4 October 2022	21,505,376	18,064,515
Balance as at 31 December 2022		195,010,505	81,886,326

(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 2022**

NOTE 8: OPTIONS RESERVE

	31 December 2022		30 June 2022	
	No.	\$	No.	\$
Beginning balance	6,624,127	963,446	5,301,738	473,792
Options granted on 23 Mar 2021	-	143,460	-	357,405
Options granted on 12 Oct 2021	-	24,570	216,965	33,129
Options granted on 16 Nov 2021	-	9,004	61,500	10,532
Options granted on 18 Mar 2022	-	114,892	950,000	75,760
Options granted on 28 Mar 2022	-	25,109	93,924	12,828
Closing balance	6,624,127	1,280,481	6,624,127	963,446

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

	31 December 2022	31 December 2021
	\$	\$
Share-based payments recognised: In the Statement of Profit or Loss and Other Comprehensive Income		
Options granted	317,035	200,479
Acquisition of Nickel Rights (Note 4)	7,264,515	-
	<u>7,581,550</u>	<u>200,479</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 March 2023, the Company announced a change of address of the Company's registered office and principal place of business.

On 27 February 2023, the Company announced the issue of 123,358 Performance Rights to Mr. Bartrop, with 80,899 vesting on 31 December 2023 (expiring 31 December 2024) and 42,459 vesting on 31 December 2024 (expiring 31 December 2025). Vesting is subject to Mr. Bartrop being employed on the vesting date. There was nil grant and exercise price for the Performance Rights.

On 24 February 2023, the Company lodged a notice of an Extraordinary General Meeting, to be held on 30 March 2023. As part of the meeting, the issue of 876,404 Performance Rights to Mr. Ainscough was to be considered for approval, involving 438,202 Performance Rights for short term incentives (vesting on 30 June 2024, subject to delivery of short term performance hurdles) and 438,202 Performance Rights for long term incentives (vesting 30 June 2026, subject to delivery of long term performance hurdles). There is a nil grant and exercise price for the Performance Rights.

On 21 February 2023, the Board approved the grant of up to 3,815,679 Performance Rights (including 876,404 Performance Rights to Mr. Ainscough, subject to shareholder approval), including 2,014,647 Performance Rights for short term incentives (vesting on 30 June 2024, subject to delivery of short term performance hurdles) and 3,815,679 Performance Rights for long term incentives (vesting on 30 June 2026, subject to delivery of long term performance hurdles). There is a nil grant and exercise price for the Performance Rights.

On 21 February 2023, the Company announced the appointment of Mr. Bartrop as Company Secretary effective on and from 21 February 2023 and the resignation of Ms. Jessamyn Lyons effective at the end of 21 February 2023.

On 11 January 2023, the Company announced an initial Mineral Resource for the Foster S16C/N14C surfaces.

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.

NOTE 10: RELATED PARTY ARRANGEMENTS

On 4 October 2022, following shareholder approval on 27 September 2022, the Company completed the acquisition of Nickel Rights with its major shareholder St Ives, which held a 25.77% interest in the Company's issued share capital immediately prior to completion of the transaction and a 33.96% interest immediately after completion of the transaction. The acquisition includes the exclusive rights to nickel on the whole, or portions, of 19 mining leases (and related access rights on an additional tenement) held by St Ives in relation to the Silver Lake and Fisher Project. Refer to Note 4 for the full details of the transaction.

DIRECTOR'S DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The Directors of the Company declare that:

- (a) the condensed financial statements and notes, as set out on pages 19 to 29 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 2022 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)(a) of the *Corporations Act 2001*.

On behalf of the Directors:



Edmund Ainscough
Managing Director

Dated this day in Perth: 9 March 2023

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 2022, 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 2022 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*;

Basis for Conclusion

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

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

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 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*

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NIGEL DIAS

DIRECTOR

Perth, Dated 9 March 2023