LUNNON METALS

ABN 82 600 008 848 | ASX:LM8

Annual Report 2023

FOR THE YEAR ENDED 30 JUNE 2023

Corporate Directory

Board of Directors

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

Company Secretary

Mr. Hayden Bartrop

Registered Office and Principal Place of Business

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

Share Registry

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

Auditors

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

Securities Exchange

ASX

Website:	www.asx.com.au
ASX Code:	LM8

Contents

"Bring the best of Kambalda to the Clean Energy Transition"

Our Achievements in FY23

Shareholder Value

- 217% Total Shareholder Return since listing (June 2021)
- One of the top performing companies from the record number (204) of companies who listed in 2021.
- 20% Total Shareholder Return in FY23

217%
Total Shareholder Return

Growth

- Completion of the acquisition of the Fisher-Silver Lake Project, doubling our prospective exploration area in the heart of Kambalda
- Increase in Mineral Resources of 37% since FY22 to 2.9Mt averaging 3.1% Ni for 87.8kt of contained nickel[1]

37%
Increase in Mineral Resources

Exploration and Studies

- Drilled 9.4km of reverse circulation (RC) drilling and 14.3km of diamond drilling (DD) to total just under 61km since IPO, a 217% outperformance against the Company's Prospectus commitment
- Completion of the Baker Preliminary Feasibility Study and declaration of initial Probable Ore Reserve of 612kt averaging 2.86% Ni for 17.5kt contained nickel

9.4km
Reverse Circulation Drilling

14.3km
Diamond Drilling

Stakeholders

- **People:** Appointment of Hayden Bartrop as CFO and Helen Anderson as Manager, ESG
- **Social:** zero fatalities or lost time injuries
- **Community:** Progressed with Ngadju towards execution of a Heritage Protocol Agreement and Mining Rights Agreement

zero
Fatalities or Lost Time Injuries

[1] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit

Letter from Chair

Dear Fellow Shareholder,

We are pleased to present the 2023 Annual Report for Lunnon Metals Limited ("Lunnon Metals" or the "Company"), our third now as a listed company on the ASX.

Our listing back in June 2021 seems a distant memory as the Lunnon Metals team, at our Kambalda Nickel Project and back in the head office in West Perth, have powered ahead in the last 12 months. The Baker deposit, reported as a JORC compliant Mineral Resource in June 2022 for the first time, has readily advanced to take its place as the Company's cornerstone asset. The exploration team continued to drill the deposit out to approx. 400m below surface, and in so doing, enabled the size of the Mineral Resource to almost double to 30,800t of nickel metal just six months later.

Overall, the Company's Indicated and Inferred Resources now sit at 87,800t of nickel[2], compared to just 39,000t[2] declared at the time of listing, a fantastic endorsement of the prospectivity of our tenements and mineral rights in the amazing Kambalda nickel belt and of the hard work and dedication of our employees.

A feature of this financial year just gone has been the progressive de-risking of the Company's portfolio, both on the permitting front and the technical studies undertaken, particularly at Baker. In May 2023, this prudent methodical approach culminated in the Company proudly reporting the results of the Preliminary Feasibility Study at Baker, allowing the declaration of a first-time Ore Reserve along with a suite of impressive financial and operational data that demonstrated that Baker can be a robust, highly profitable potential future mine at Kambalda.

The study focus has now switched across to the nearly 2 million tonnes of Mineral Resource[2] hosted and accessible from the Foster underground nickel mine, which although it closed in 1994 (having produced over 61,000t of nickel during its 12-year life) is showing that there are plenty of opportunities for more discoveries, just as the other historical nickel mines in the immediate Kambalda nickel belt have done for the companies that purchased them from WMC Resources Ltd.

Metallurgy, geotechnical, mine planning and scheduling analysis and study activities are now in full swing and as we recently released to the market, we are confident that integrating Foster with the excellent physical and financial results from the Baker study will open up considerable value and opportunity for the Company and its shareholders.

All of these achievements have been made against the back drop of a significant up tick in M&A activity in the Australian nickel sulphide space; a number of ASX listed companies have disappeared this year from the bourse, acquired by significant companies vying to be key players in the supply of high-quality nickel sulphide and its derivatives into the clean energy transition.

Some 57 years since its discovery by Dr Roy Woodall, the spotlight once more fell on Kambalda in this regard with our nearest neighbour, Mincor Resources NL, being acquired by Wyloo Metals, a sure sign that Lunnon Metals' assets and discovery opportunity, in the very heart of Kambalda, loom large in this exciting time for this critical metal.

Once again, the support of our major shareholder, Gold Fields / St Ives is greatly appreciated. A vote of thanks to our Managing Director, Ed Ainscough, who has now assembled an impressive leadership and exploration team the envy of many. A warm welcome to Hayden Bartrop, who joined as our Chief Financial Officer and Company Secretary, bringing invaluable experience to the leadership team in how to successfully grow from explorer to aspiring producer.

I would also like to thank my fellow directors for their work during the year and as always, finally, I would like to extend my thanks and gratitude to the communities in which we operate, especially in Kambalda and Kalgoorlie and look forward to another exciting year ahead as Lunnon Metals sets out to prove that there is plenty more nickel left to be found in the heart of Kambalda!!!

Liam Twigger
Non-Executive Chairman
Lunnon Metals Limited

[2] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit.

Our Purpose & Values

"Bring the best of Kambalda to the Clean Energy Transition"

Our Purpose

Our purpose is to be successful together. Success to us means to grow the portfolio of nickel metal under ownership in sufficient quantity to enable the Company to be a key player in the Kambalda nickel district and the associated resurgence of the nickel sector in Western Australia – benefiting our employees, shareholders, the community we work in and the environment around us.

Our Values

People are at the centre of everything we do	The Company realises that our people are our business and through creating a culture of diversity, positivity and developing dedicated employees with the desire to succeed, we will stand out and rise above our competitors; an organisation who everybody is proud to work for and other companies are proud to work with.
We care	Lunnon Metals has a vision of a safe and incident free workplace built on the success of a system governing our safety, wellbeing, training and management, created by us for our people. We strive to cause no unnecessary harm to the environment, and seek to do not only less harm, but more good. We aim to make a difference in the communities where we work and live. We care about our integrity, always acting lawfully and ethically.
Act like an Owner	To be successful over the long term, it takes an entire work force who feels responsible, acts with empowerment and accountability, and is fully invested and aligned in our Purpose. If Lunnon Metals succeeds, we all exceed.
We Commit	We will commit in all that we do, work will be conducted with urgency and there will be no effort that is too great as we strive to achieve our Purpose.

Our Strategy

The Company aims to "Bring the best of Kambalda to the Clean Energy Transition". To us, that means to grow the portfolio of nickel metal under ownership in sufficient quantity to enable the Company to be a key player in the Kambalda nickel district and the associated resurgence of the nickel sector in Western Australia – benefiting our employees, shareholders, the community we work in and the environment around us through the clean energy transition.

The Company's strategy to deliver this is made up of three strategic imperatives:

1. **Define our Pathway** – being ready to make investment decisions by understanding our Mineral Resource assets and de-risking the foundation for future success
2. **Understand our Potential** – building upon our early success at Baker by defining the next generation of deposits from the exploration portfolio
3. **Secure our Future** – undertake the organisational, commercial and funding activities to achieve our goals, both now and in the future.

The Company plans to deliver on the three strategic imperatives over the short, medium and longer term as follows:

Table 1: Strategic Growth Plan

"Bring the best of Kambalda to the Clean Energy Transition"			
Strategic Imperatives	**Define our Pathway**	**Understand our Potential**	**Secure our Future**
Near Term Targets (0 to 2 years)	Define a pathway to production for priority development assets De-risking priority development (Ore Reserves at Foster and Baker / Permits in place for Baker and Foster to enable Financial Investment Decision)	Understand the full potential within our exploration portfolio Discover new deposits	Ensure sufficient capital to fund strategy and operations Create a culture to attract/ retain the right people to support future growth
Medium Term Targets (2 to 5 years)	Production at Baker and Foster	Increase Mineral Resources	Safely deliver production and growth
Long Term Targets (> 5 years)	Sustainable production pipeline (5 year Life of Mine)	Identify further opportunities to grow through organic and inorganic means	Enhance our ESG capability and capacity, so that we move towards our goal in a disciplined and safe manner Maximise long term returns to enhance our business

Operations Review

Operational Highlights FY23

Safety

LTIFR zero

TRIFR 23.9

Workforce

Grew our workforce to 25, with 36% female employees, including 2 (33%) in senior executive positions

Exploration

91 drill holes

23.8km drilled

Ore Reserves

Probable Ore Reserves added 612kt @ 2.86% Ni for 17,500t of nickel metal converted from Mineral Resource

Mineral Resources

Added 0.66Mt @ 3.6% Ni for 23,500t of nickel metal added[3]

[3] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit

Kambalda Nickel Project

Location

The Kambalda Nickel Project (**KNP**) (shown in **Figure 1**) features approximately 47km^2 of tenements in the Kambalda Nickel District. KNP is located approximately 570km east of Perth and 50-70km south-southeast of Kalgoorlie, in the Eastern Goldfields of Western Australia. KNP comprises two project areas, Foster and Baker (**FBA**) (19 contiguous mining leases) and Silver Lake and Fisher (**SLF**) (20 contiguous mining leases).

The world-renowned Kambalda Nickel District has produced in excess of 1.4 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, making the Kambalda/St Ives district a globally significant gold camp in its own right.

The KNP is assessed via public roads, well-established mine road infrastructure and the main St Ives causeway over Lake Lefroy. The KNP is broadly surrounded by tenements held by St Ives Gold Mining Co. Pty Ltd (**St Ives**), a wholly owned subsidiary of Gold Fields Limited (JSE:GFI) and the Company's major shareholder.

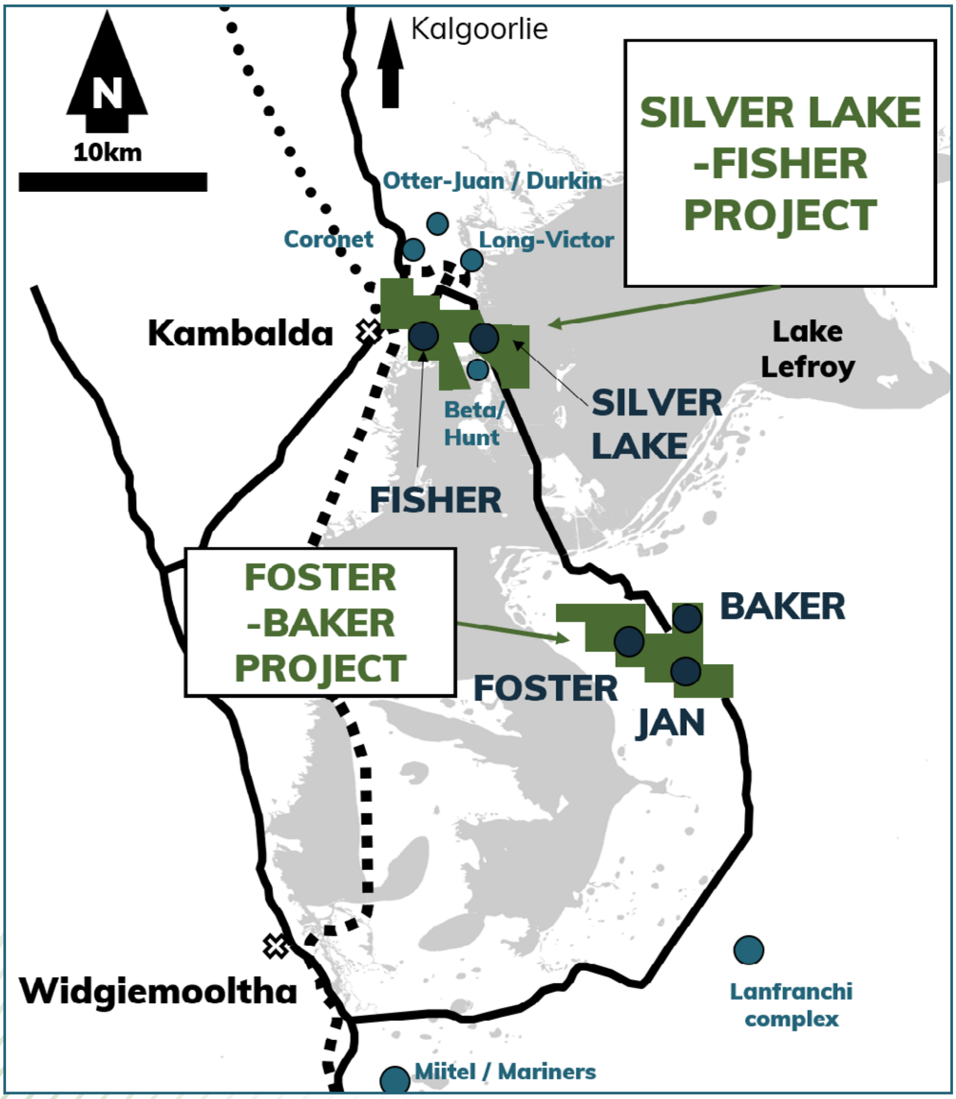

Figure 1: Regional Location of the Kambalda Nickel Project

Overview of Drilling Program

For the year ended 30 June 2023 (**Reporting Period**), a total of approximately 23,800m was drilled, comprising approximately 9,400m of Reverse Circulation (**RC**) in 41 drill holes and 14,300m of diamond drilling (**DD**) in 50 drill holes.

As at 30 June 2023, Lunnon Metals had completed approximately 61,000m of drilling compared to its Initial Public Offering (**IPO**) 2 year program of 28,000m. The significant increase in drilling metres has been primarily due to the discovery of Baker, which to 30 June 2023, has now seen approximately 148 holes and 29,300 metres of drilling completed at that deposit and its immediate surrounds. The Company now considers Baker to be its cornerstone asset.

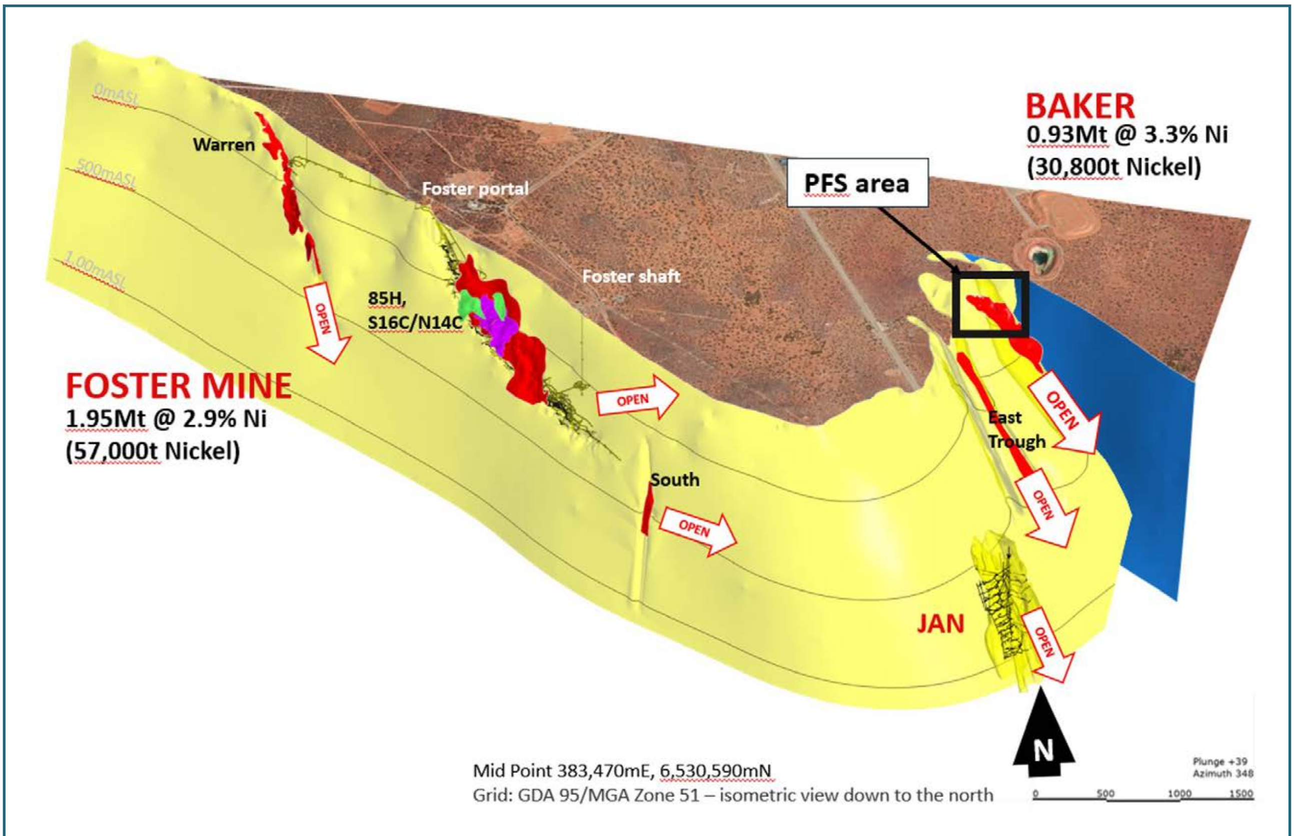

Figure 2: Isometric view of the Cooee Anticline within the Foster-Baker area showing location of Baker and the other deposits with the Company's Mineral Resource Estimate[4] aggregated by mine area

[4] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit.

Foster Baker Area

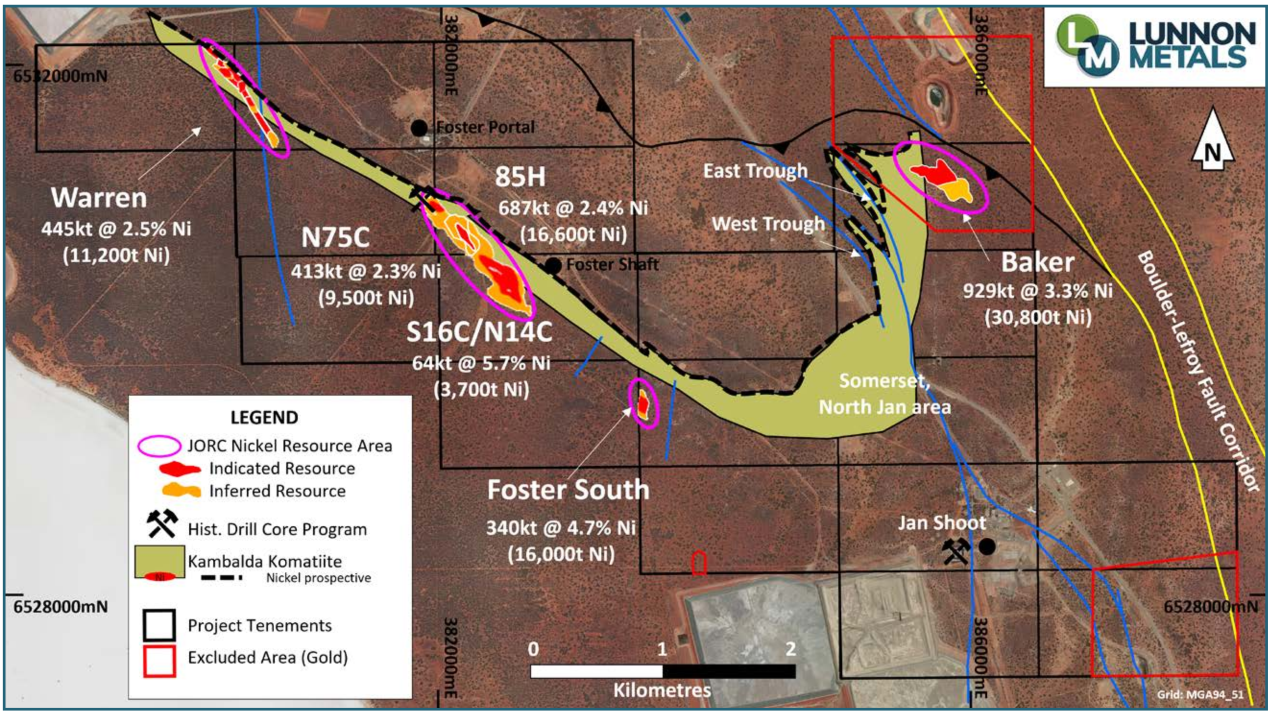

Figure 3: Plan of the Foster-Baker area showing location of Baker and the other deposits with the Company's Mineral Resource Estimate[5] for each area

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 Ltd) in 2008. The area in which it is hosted, termed East Cooee, had been drilled historically by WMC. However, 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. A planned program 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 program was also designed to convert mineralisation categorised as Inferred to an Indicated level of confidence, and extend the Inferred Resource if possible.

In general terms, the reported intercepts from the drilling program 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. A selection of the stand-out results during the year include:

- ECO22RC_048: 23.00m @ 6.78% Ni, 0.45% Cu, 0.12 % Co, 0.98g/t Pd, 0.26g/t Pt (from 134m);
- ECO22DD_010: 6.00m @ 10.95% Ni, 1.24% Cu, 0.18% Co, 2.6g/t Pd, 1.0g/t Pt (from 166.9m); and
- ECO22DD_018: 9.45m @ 6.94% Ni, 0.71% Cu, 0.15% Co, 1.24g/t Pd, 0.51g/t Pt (from 137.1m).

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.

[5] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit.

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. Despite the Baker deposit being still open down plunge to the south east beyond the limits of the Inferred Resource, Baker's down plunge potential is more accurately and efficiently targeted in a future underground development scenario, should it proceed.

On 22 May 2023, the Company announced the results of a Preliminary Feasibility Study for the Baker Project. The PFS confirmed that the Baker Project is a commercially robust high-grade nickel sulphide orebody (2.86% Ni Ore Reserve grade), with a modest pre-production capital cost ($18.6 million), located in a Tier 1 jurisdiction in the heart of Kambalda, Western Australia.

The PFS also confirmed that Baker will produce a premium nickel concentrate, the results of which now enable detailed offtake discussions for the Project. The PFS leaves significant future upside potential, with a depth of mining of less than 200m below surface and the deposit remaining open down plunge (**Figure 4**).

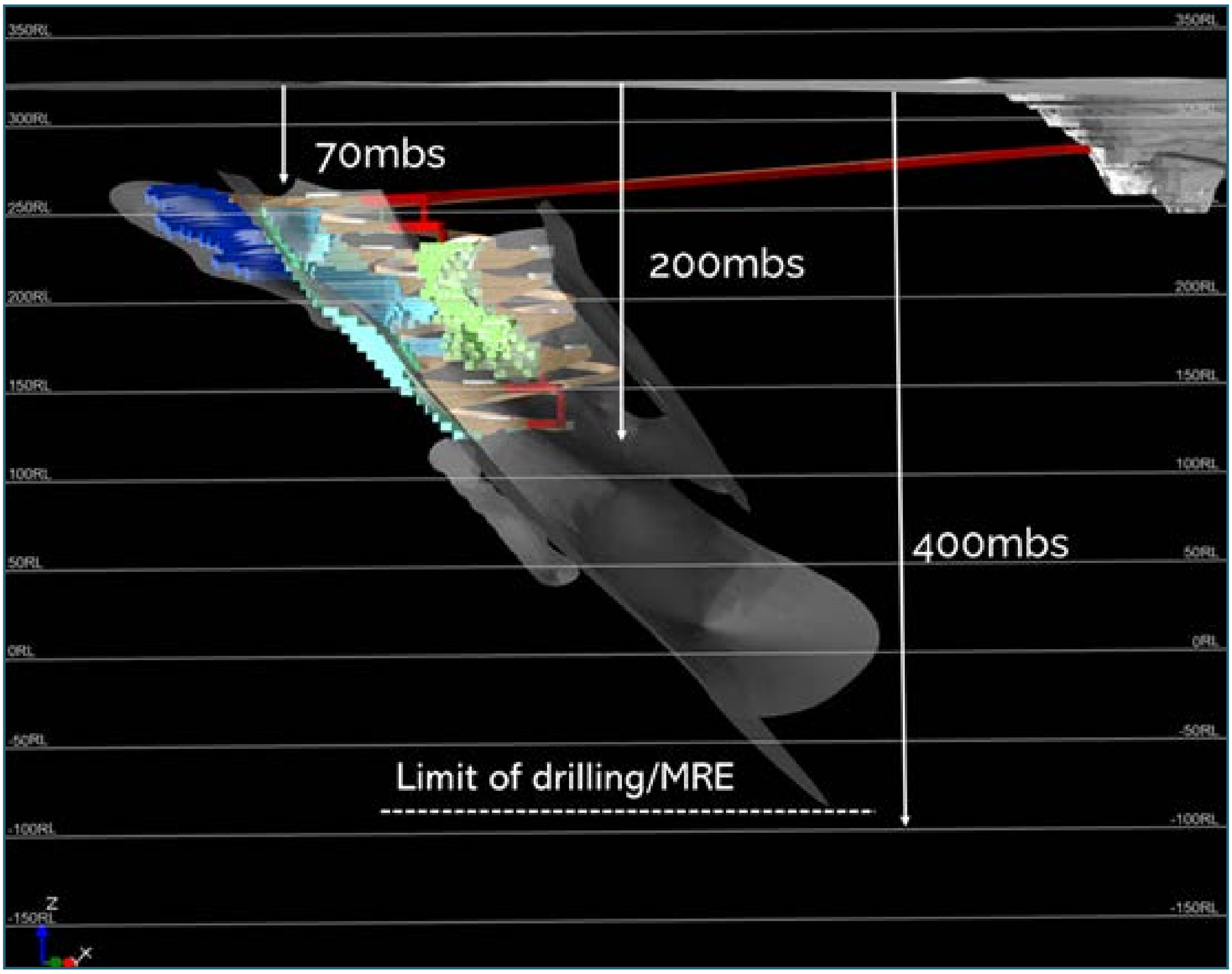

Figure 4: Isometric view of conceptual mine design for potential future Baker underground mine accessed from adjacent historical West Idough gold open pit (view looking north illustrating approximate depth below surface in metres - "mbs")

The highlights of the PFS were:

- Initial Probable Ore Reserve of 612kt averaging 2.86% Ni for 17.5kt contained nickel;
- 73% of the Indicated Mineral Resource converted to Ore Reserve;
- Pre-tax and post-tax free cash flow generation of $196 million and $145 million;
- Pre-tax net present value (NPV8%) of $164 million and 324% internal rate of return (IRR);
- Low pre-production capex of $18.6 million, maximum cash drawdown of $26.4 million including working capital;
- A premium sulphide concentrate, averaging ~14.6% Ni, Fe:MgO ratio of ~18.8 and low arsenic of ~440ppm; and
- Detailed offtake discussions can now commence for Baker's high grade nickel sulphide ore.

The study results also highlighted that significant upside potential remained from sources not considered in the initial base case outlined in the PFS, including:

- No Inferred Mineral Resources were included in the PFS (currently, these stand at 291,000 tonnes @ 2.3% Ni for 6,800 contained nickel tonnes);
- Likely future extensions to Baker with the deposit remaining open down plunge;
- Potential contribution from the East Trough deposit (approx. 450m from Baker); and
- Scale and synergies with Mineral Resources hosted at the Foster Nickel Mine.

A summary of the initial physical and financial evaluation of the Project is shown in **Table 2** and **Figure 5**.

Table 2: Key Production and Financial Outcomes and Assumptions

PARAMETER	UNIT	PROJECT TOTAL
Physicals		
Life of Mine Ore Mined	dmt	612,000
Average Head Grade of Ore	% Ni	2.86
Nickel Contained in Ore	t Ni	17,500
Average Metallurgical Recovery	%	91.2%
Average Concentrate Grade	% Ni	14.6%
Nickel Contained in Concentrate	t Ni	15,970
Average Mining Rate	dmt per month	17,500
Life of Mine[1]	months	35
Average Nickel Sold Per Annum	t Ni pa	4,100
Unit Costs (per tonne Ore Milled)		
C1 Cash Costs[2]	A$/t	279
Royalties	A$/t	30
Total Operating Costs	A$/t	309
Sustaining Capital (including rehabilitation)	A$/t	32
All-in Sustaining Costs	A$/t	340
Pre-Production Capex	A$/t	30
All-in-Costs	A$/t	371
Financial Metrics		
Gross Revenue[3]	A$ M	437
Operating Costs	A$ M	184
Pre-Production Capital Expenditure[4]	A$ M	18.6
Total Life of Mine Expenditure[5]	A$ M	241
Free Cash Flow – Pre-Tax[6]	A$ M	196

PARAMETER	UNIT	PROJECT TOTAL
Free Cash Flow – Post-Tax[6,7]	A$ M	145
EBITDA	A$ M	231
IRR (Pre-Tax)	%	324
NPV8% (Pre-Tax)[8]	A$ M	164
Payback (Pre-Tax)	years	0.7
Key Assumptions		
Nickel Price	US$/t	24,000
AUD:USD	A$1:US$	0.68
Inflation	%	0
Discount Rate	%	8
Corporate Tax Rate[9]	%	30

Notes to Table 1:

1) *Life of Mine is calculated from first stope ore, being approximately four months into Project commencement.*
2) *C1 Cash Costs includes Operating Costs, including mining, processing (excluding penalties), surface haulage, G&A, less byproducts, divided by ore tonnes for processing. Excludes pre-production and sustaining capital expenditure, rehabilitation cost and royalties.*
3) *Gross Revenue excludes deduction of penalties from revenue and excludes revenue credits to Pre-Production Capital.*
4) *Pre-Production Capital Expenditure is to first stope ore, not commercial production.*
5) *Total LOM Expenditure includes Operating Costs, Royalties, Sustaining Capital, Closure Costs and Pre-Production Capital. It excludes any by-product or revenue credits.*
6) *Free Cash Flow is Gross Revenue (less penalties) minus Operating Costs, Capital Expenditure (pre-production and sustaining), Royalties, and Closure Costs.*
7) *Post-Tax includes an assumption of $30 million in accumulated tax losses to 31 December 2023 and 30% Corporate Tax Rate.*
8) *NPV is based on real cash flow forecasts and represents value as at projected start date of 1 April 2024.*
9) *Corporate Tax Rate may be less, with a tax rate of 25% if aggregated turnover is less than $50 million in any financial year.*

Any necessary Aboriginal heritage clearances and a Mining Proposal/Mine Closure Plan (currently in preparation) remain the last key approvals for Baker.

Lunnon Metals will now continue further studies (including reviewing scale and synergy benefits with Foster's Mineral Resources), as the Company looks to build on its initial Ore Reserve for the Kambalda Nickel Project.

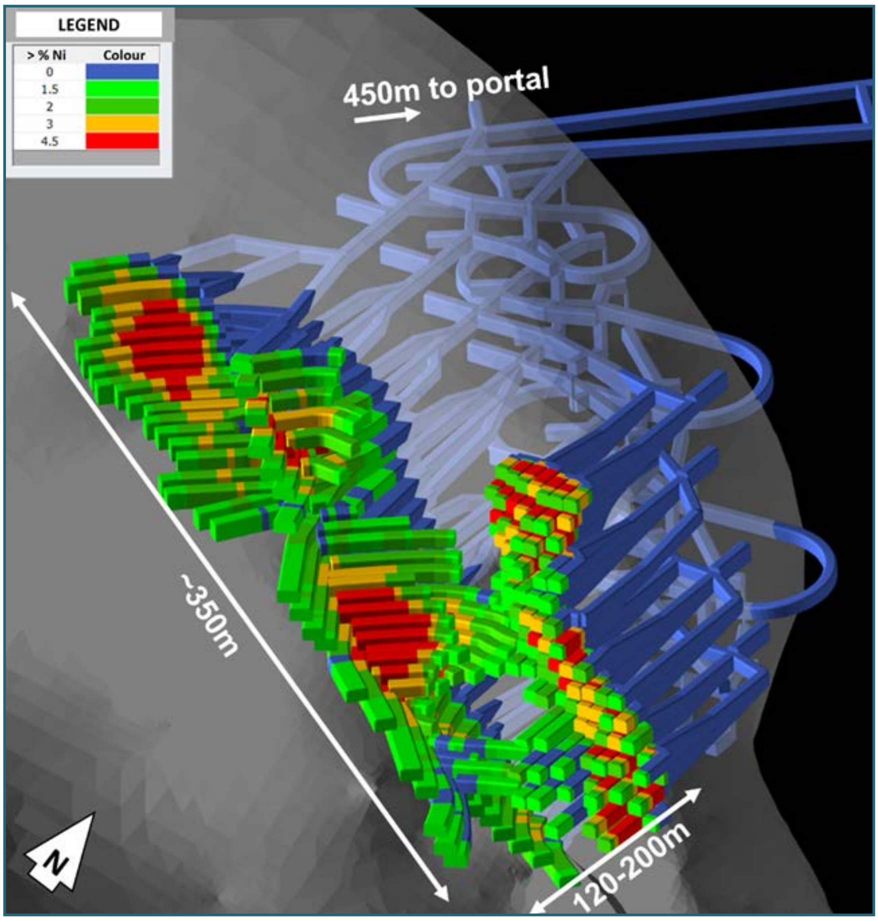

Figure 5: Isometric view of conceptual mine design for potential future Baker underground mine (view looking down to the north west coloured by diluted modelled nickel grade %).

East Trough

The East Trough prospect located just 300m to 450m to the south-west of the Baker deposit, has been interpreted to extend for at least 1.2km between historical holes drilled by WMC (see **Figure 6**). Over this distance, the depth to the mineralised basalt contact ranges from 100m to 680m below surface. The Company's first significant nickel intercept after its June 2021 Initial Public Offering was at East Trough, with an intersection of **2m @ 5.07% Ni in ECO21RC_005** (see announcement dated 28 September 2021).

This initial exploration program was surpassed by the subsequent discovery of Baker in December 2021, with the Company principally focussing on the rapid drill out of that deposit and subsequent Mineral Resource declarations in 2022. The focus for exploration activities in and around that discovery has now shifted to defining additional sources of nickel mineralisation in proximity to the potential future underground development.

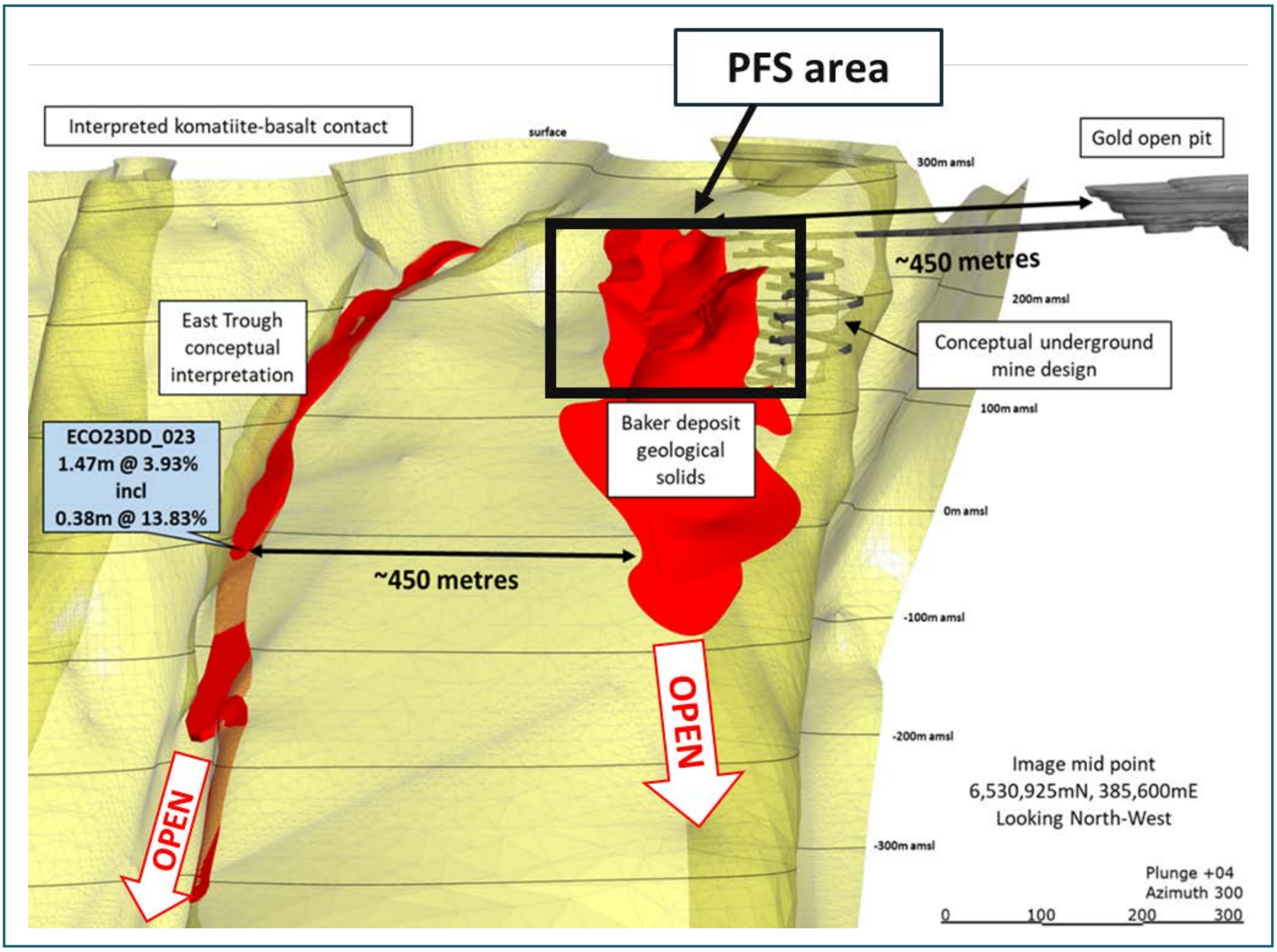

Figure 6: Isometric view of conceptual mine design for potential future Baker underground mine (view looking north) illustrating proximity of both the nearby West Idough open pit and the exciting potential on the East Trough prospect

The RC program at East Trough prospect recorded a number of significant RC intercepts (>1.0% Ni cut off), including[6]:

- ECO23RC_100 - **2.00m @ 2.03% Ni** (from 209.0m);
- ECO23RC_103 - **1.00m @ 5.01% Ni** (from 262.0m);
- ECO23RC_103 - **2.00m @ 4.96% Ni** (from 266.0m);
- ECO23RC_111 - **1.00m @ 3.53% Ni** (from 138.0m).

The Company also reported that DD hole ECO23DD_023 intersected **0.38m @ 13.83% Ni, 0.5% Cu, 0.2% Co, 1.49 g/t Pd, 0.73 g/t Pt** (from 298.29m above a 1.0% Ni cut-off).[7]

These intervals were returned from approximately 400m of plunge extent that was targeted in the interpreted trough, in the locality of, and extending up-plunge from, ECO23DD_023 and also broadly between a number of historical WMC DD holes.

These intercepts sit at the contact between the Kambalda Komatiite and Lunnon Basalt, the more traditional mineralisation setting associated with channel hosted "Kambalda style" nickel deposits, with structural complexity apparent at this East Trough prospect. The East Trough prospect remains open down plunge.

Subject to ongoing success and positive DD and RC results, the goal at East Trough is to complete a MRE exercise and seek to report an initial Inferred Mineral Resource. This will enable the East Trough nickel mineralisation to be factored into considerations for any potential future Baker underground operation.

Foster Nickel Mine

Warren

Lunnon Metals' programs at Warren since its 2021 IPO were designed to demonstrate that this separate channel had the potential to host substantially more nickel than the MRE reported at the time of listing, namely 6,400t contained nickel[8]. The Company successfully targeted the prospective nickel contact between the very broad drill spacing left by WMC when the mine closed in 1994, reporting significant new intercepts of nickel throughout 2021 and 2022.

Following the conclusion of the DD program, on 31 March 2023, the Company updated its nickel JORC (2012) MRE for the Warren deposit. The updated Warren MRE now stands at **445,000 tonnes at 2.5% nickel for 11,200 contained nickel tonnes**, comprising:

- 345,000 tonnes @ 2.6% Ni for 8,800 nickel tonnes in Indicated Resource; and
- 100,000 tonnes @ 2.4% Ni for 2,400 nickel tonnes in Inferred Resource.

This result increased Lunnon Metals' global MRE across its KNP to 2.9 million tonnes @ 3.1% nickel for 87,800 contained nickel tonnes[9], a 125% increase in contained metal since Lunnon Metals listed in June 2021. Key implications of the updated Warren MRE include:

- DD has increased the length of continuous nickel mineralisation at Warren to a plunge length of 1,200 metres;
- Nickel mineralisation has been proven across a significantly enlarged footprint compared to the narrow and limited channel width interpreted based solely on WMC's historical drilling at the time of the Company's IPO; and
- The quantity and grade of nickel mineralisation in the updated MRE confirms Warren as an important expansion to the scope of any potential future restart at Foster.

The ability for a significantly increased surface area able to play host to possible nickel sulphide mineralisation is a key enhancement of the Warren channel's potential to continue to host extensions over and above the JORC (2012) MRE reported on 31 March 2023 and the current MRE should be considered as an interim, not final, MRE in that light.

[6] Refer to ASX Announcement dated 4 July 2023.
[7] Refer to ASX Announcement dated 19 April 2023.
[8] Full details of the MRE reported at Warren were included in the Prospectus and associated ITAR lodged on the ASX on 11 June 2021.
[9] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit.

85H

A diamond drilling program was completed on the 85H nickel deposit designed to collect core samples for metallurgical and geotechnical test work whilst also intersecting, and thus assessing the accuracy of, the existing MRE. The 85H currently contains a JORC Code (2012) MRE of 687,000t @ 2.4% Ni for 16,600t of nickel metal[10] which is accessible off the historical Foster mine decline. Assay results yielded the following significant results (above a 1.0% Ni cut off, true widths are estimated to be approximately 95% of the drilled intercept – see **Figure 7**):

- 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 deposit.

Later in the year, metallurgical test work results were received for a further DD hole, FOS22DD_004W2, that was completed as a twin to the result in FOS22DD_004W3. The composited DD core for this DD hole returned head assays as follows:

- **6.8m @ 3.90% Ni**, 0.27% Cu, 0.08% Co, 0.51g/t Pd & 0.21g/t Pt (from 435.65m)

The MRE model for the 85H deposit in the locality of all three DD intervals reconciled well with this new drilling but will still be updated in the coming periods. For geotechnical study purposes, all DD holes in the program were drilled through to the Lunnon Basalt in the footwall of the 85H deposit to assess geotechnical aspects of the basalt in this locality. Hole FOS22DD_004W1 was geotechnically logged and also surveyed by acoustic televiewer methods for geotechnical data collection purposes.

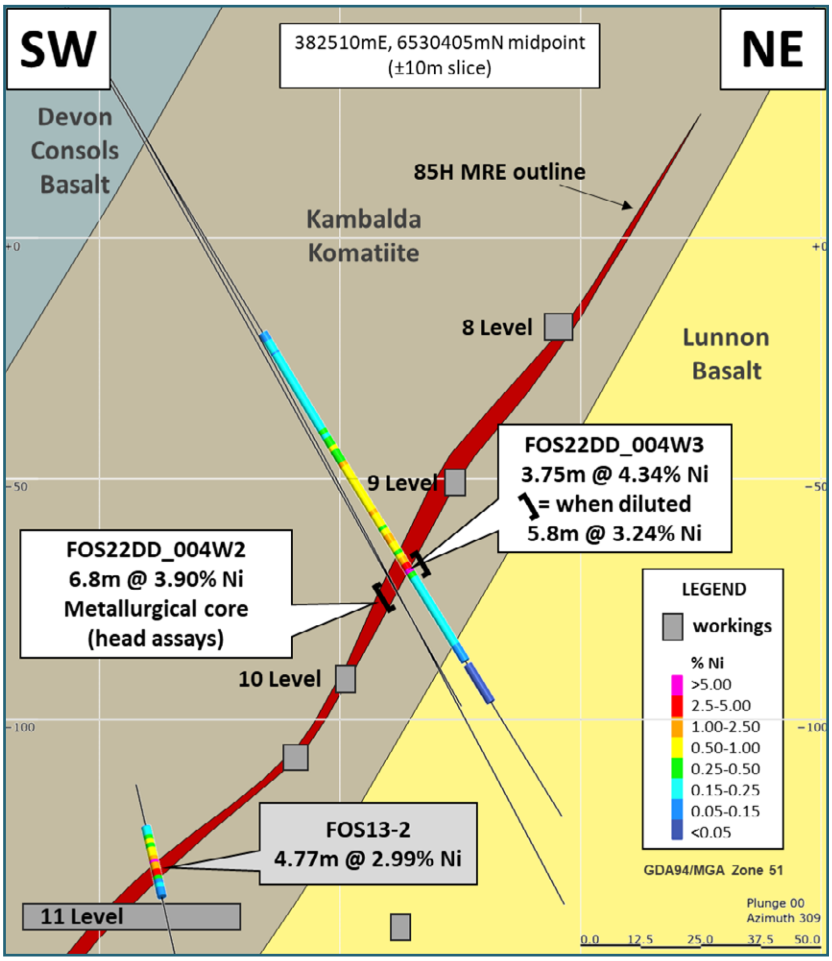

Figure 7: Geological cross section (looking north-west) at the approx. location of DD holes at the 85H nickel deposit at the historical Foster nickel mine

[10] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit.

Foster Historical Core Program: S16C/N14C

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

A MRE for S16C and N14C surfaces was reported on 11 January 2023, delivering an initial Inferred Mineral Resource of **64,000 tonnes at 5.7% nickel for 3,700 contained nickel tonnes**. Together with the MRE update for Warren reported above, the total MRE accessible from the Foster nickel mine decline as at 31 March 2023, has increased to 1.95Mt @ 2.9% Ni for 57,000 tonnes.[11]

The S16C and N14C 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. The S16C/N14C surfaces are on the footwall side of a later intrusive dyke which splits the surface from the N75C mineralisation (first-time MRE previously reported on 22 April 2022) which itself is on the hanging wall side of the same intrusive dyke. Both the N14C and S16C domains, while relatively narrow, are quite high-grade owing to their position at the base of the typical komatiite mineralisation profile, i.e. against the footwall where the massive sulphides tend to accumulate.

Both the S16C and N14C have been previously mined, the N14C more so, and both are mapped in detail in the underground development and workings (see **Figure 8**).

The Company will continue to apply the HCP at Foster, where approximately 40 surfaces remain to be investigated. There is also a multitude of surfaces at Jan Shaft, Fisher and Silver Lake historical nickel mines to which the HCP could be applied. The goal of this program is to update and report previous historical estimates in accordance with the JORC Code (2012) Guidelines.

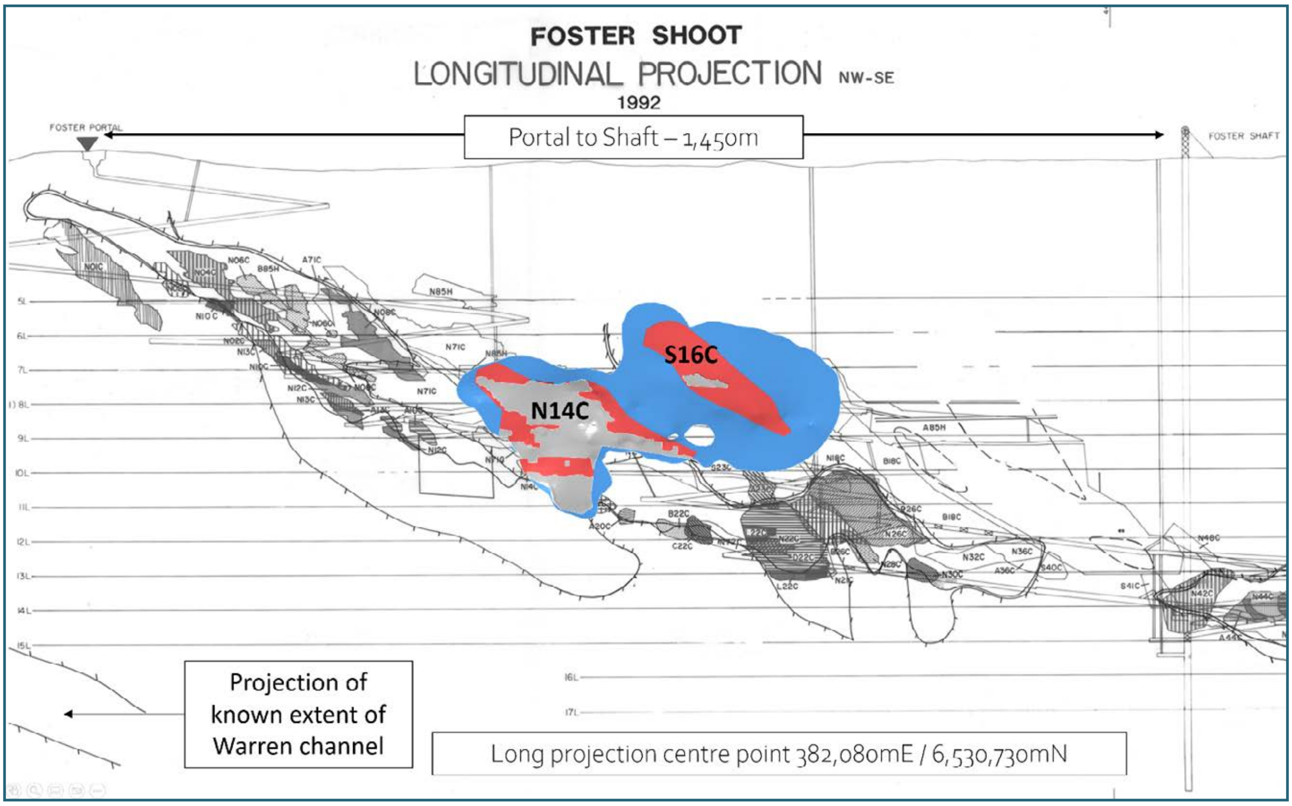

Figure 8: Schematic WMC era long projection of the Foster Mine (looking north-east) with current S16C/N14C geological solid model (red - S16C/N14C Inferred MRE, blue - S16C/N14C surface below nickel cut-off grade, grey – previously mined S16C/N14C) draped over historical workings

[11] See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit

Foster Studies and Permitting

Studies at Foster have commenced following completion of the Baker PFS.

There is obvious potential for increased scale and operational synergies if the Foster MRE is considered in combination with Baker, including reduced unit capital and/or operating costs (per tonne of ore mined). This potential scenario will be considered as part of further studies aimed at a future financial investment decision.

The key areas of focus at Foster are minor updates to the MRE at Foster South, upon completion of the planned metallurgical DD program there, and also the 85H surface following the DD holes reported above. A geotechnical review and material property testwork, mine design, metallurgical testwork program for the various mineralised surfaces/shoots and capital costs associated with Foster is also now being conducted.

Metallurgical results for nickel mineralisation accessible from the Foster mine were reported for 85H (8 February 2023) and again post the end of the financial year (1 August 2023) when the 85H results were updated with palladium and platinum assays and first results reported for Warren. All Foster metallurgical results demonstrated that a high quality nickel concentrate can be produced with nickel recoveries aligned with past production figures, recording high copper, cobalt, palladium and platinum credits and low arsenic levels. Summary results for the testwork are included in **Table 3** below:

Permitting activities to dewater the mine are substantially complete with approval of a Mining Proposal/Mine Closure Plan outstanding, as are any necessary aboriginal heritage surveys. The Company notes that the majority of such disturbance is re-disturbance of the original footprint of the Foster underground mine surface infrastructure and access (decline portal to underground workings).

Table 3: Updated Baker flotation test work program results highlighting latest Pd/Pt results

Foster Mine - result	Warren	85H
Head grade (% Ni)	3.51	3.70
Recovery (% Ni)	85.2	88.9
Concentrate grade (% Ni)	12.3	11.9
Concentrate grade (% Cu)	1.45	0.95
Concentrate grade (% Co)	0.29	0.26
Recovery (% Pd)	89.9	90.9
Concentrate grade (g/t Pd)	4.82	1.60
Concentrate grade (g/t Pt)	1.70	0.35
Pd+Pt (g/t) in concentrate	6.52	1.95
Fe:MgO ratio (n:1 in concentrate)	26.0	11.1
As (ppm) (in concentrate)	261	81

Early-stage FBA Exploration

Somerset

An anomalous aeromagnetic high in the Somerset area, representing a possible early-stage Baker look-a-like target, received first pass testing with over 4,300m of RC drilling in late 2022 (see **Figures 9 and 10**). Encouraging assay results were returned and reported on 6 February 2023. The assay results indicate that there may be anomalous nickel sulphide mineralisation in the immediate locality. Significant gold assay results were also received in multiple holes.

Further follow up drilling is being planned to investigate this nickel anomalism which all sits in the hanging wall position at the base of the second komatiite flow, which is in the same stratigraphic position as the Baker deposit.

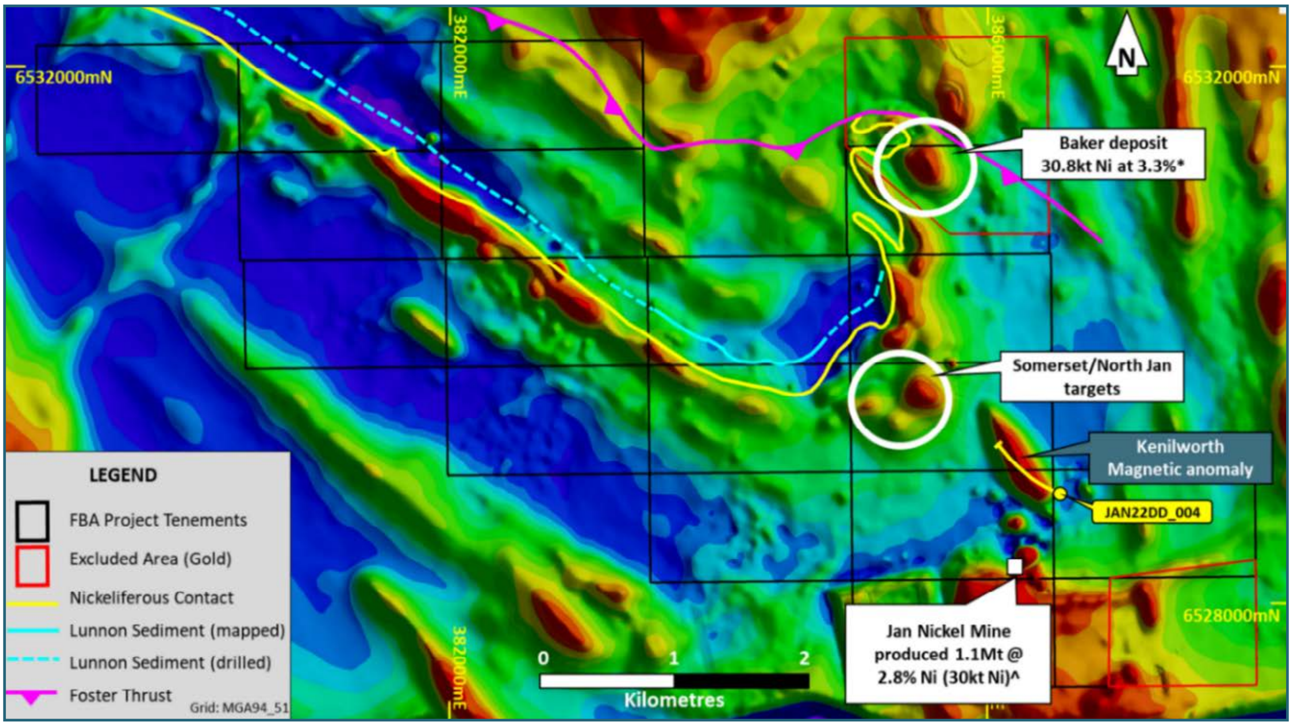

Figure 9: Aeromagnetic plan view image of the Foster Baker (FBA) project area highlighting Baker, Somerset aeromagnetic signatures and the location of both Jan Nickel Mine (^ historical production from WMC records)

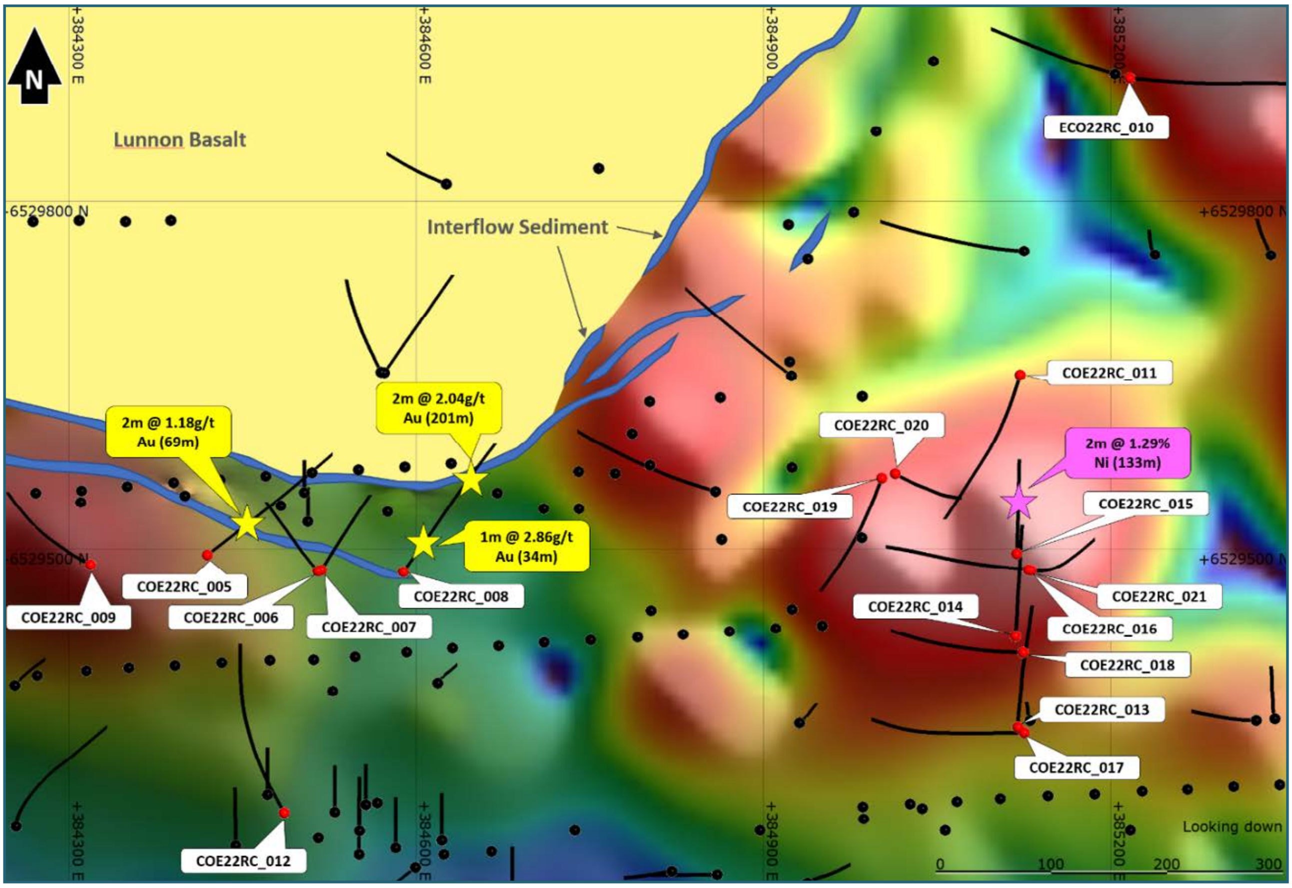

Figure 10: Aeromagnetic plan view image of the immediate Somerset aeromagnetic signature with significant results annotated above 1.0% Ni and 1.0g/t Au cut-offs

* See the Mineral Resource and Ore Reserve Statements on page 35 for a breakdown by resource classification and deposit

Silver Lake-Fisher Project

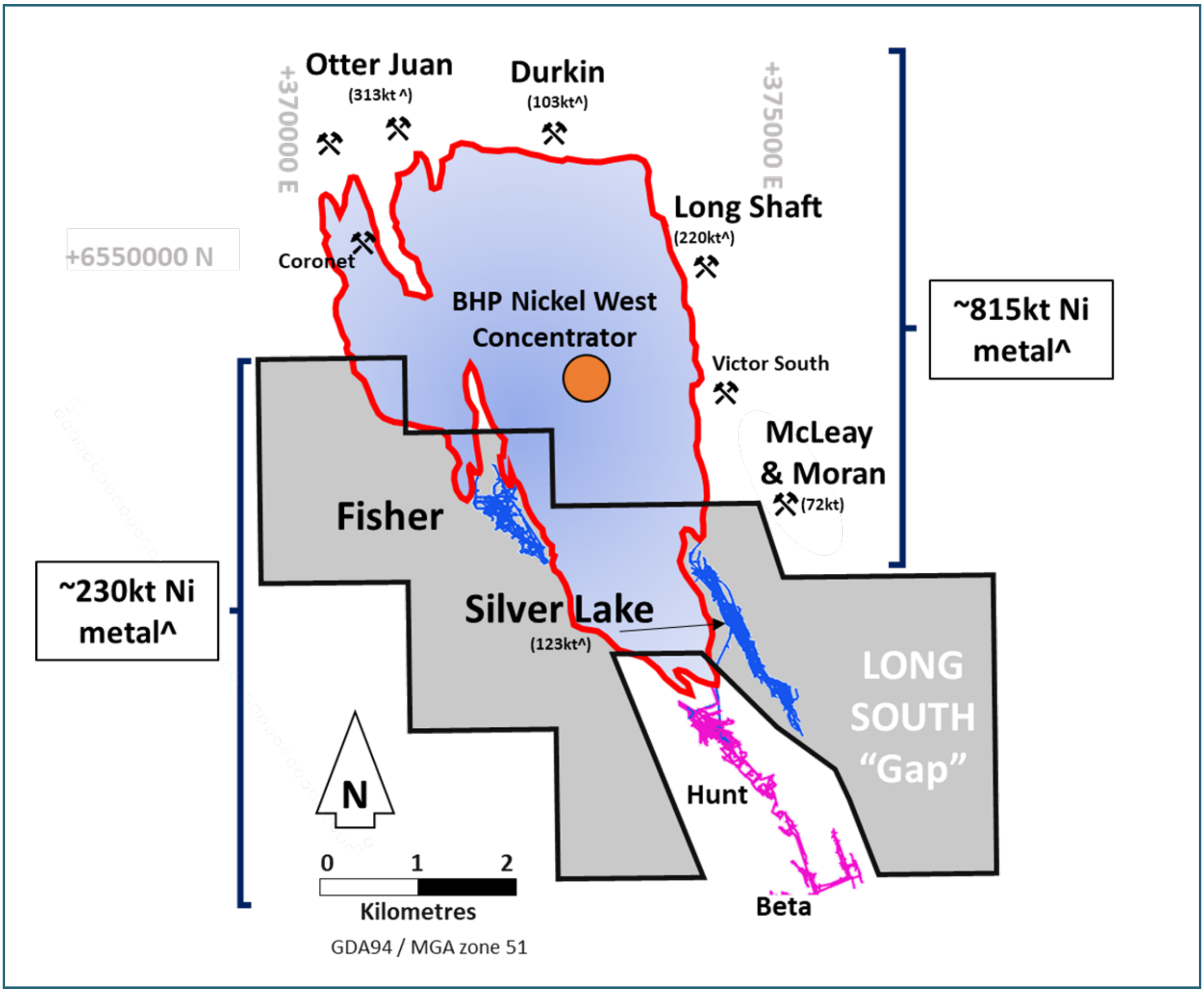

Figure 11: Plan view of the Silver Lake-Fisher area^

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, 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 an additional tenement 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 (see **Figure 11**).

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 the discovery of the Kambalda Nickel District by WMC's Dr Roy Woodall in January 1966.

^ Based on WMC historical production records

Silver Lake Hanging Wall Exploration Target

The Company identified the Silver Lake Hanging Wall (**SLHW**) prospect as displaying key characteristics that were present at the Baker deposit prior to its discovery in December 2021/January 2022 (see **Figure 12**). 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 December 2022 quarter[12].

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 are contained within the report lodged on the ASX on 25 October 2022.

Since mid-October 2022 the Company has located, re-logged, cut and re-sampled over 4,100 metres of historical WMC DD core[13], originally drilled at the historical Silver Lake and Fisher nickel mines. The amount of DD core processed relating directly to the SLHW prospect was 2,400 metres (from a total of 9,200 originally drilled by WMC in the relevant holes; a total equivalent to 7-9 months surface drilling by one rig at current advance rates).

This new data enabled planning of a surface DD program designed to vector towards potential high-grade shoots. During the June quarter, access arrangements were approved by Gold Fields, under the governing mineral rights agreement, a causeway was constructed and the drilling program at SLHW commenced. The program was well advanced at financial year-end and assay results will be reported as the program progresses in the coming periods.

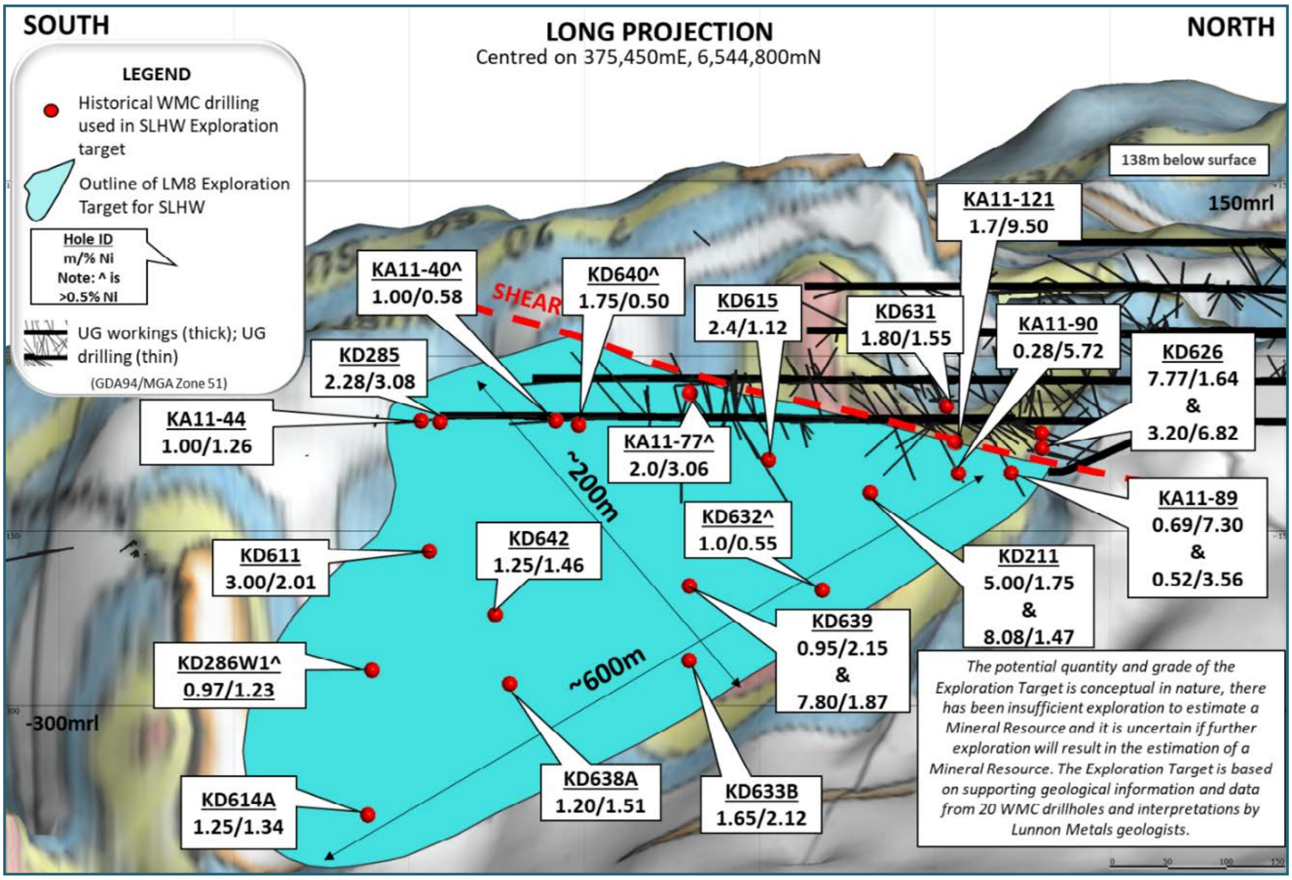

Figure 12: Long projection of the prospective SLHW Exploration Target with previous WMC approx. 100m x 100m DD coverage annotated with key assay results greater than 1.0% Ni unless otherwise labelled

[12] ASX Announcement dated 25 October 2022.
[13] In total approximately 260km of SLF historical DD core is stored at the St Ives/Kambalda Core Farm.

Seismic Survey Results – Long South Gap

In the June quarter, the Company completed a 2D survey using the "mini vibro-seis" seismic data collection method[14]. The survey was successful with two 2D seismic lines completed on the surface of Lake Lefroy, to the immediate east of the historical Silver Lake mine and to the immediate south of the Long Operation (see **Figure 13** for northern cross section example). Between these mined nickel channels (Silver Lake and Long Operation), approximately **13.5 million tonnes** of past ore production generated over **465,500 tonnes of nickel metal**[15] at an average grade of **3.45% Ni**.

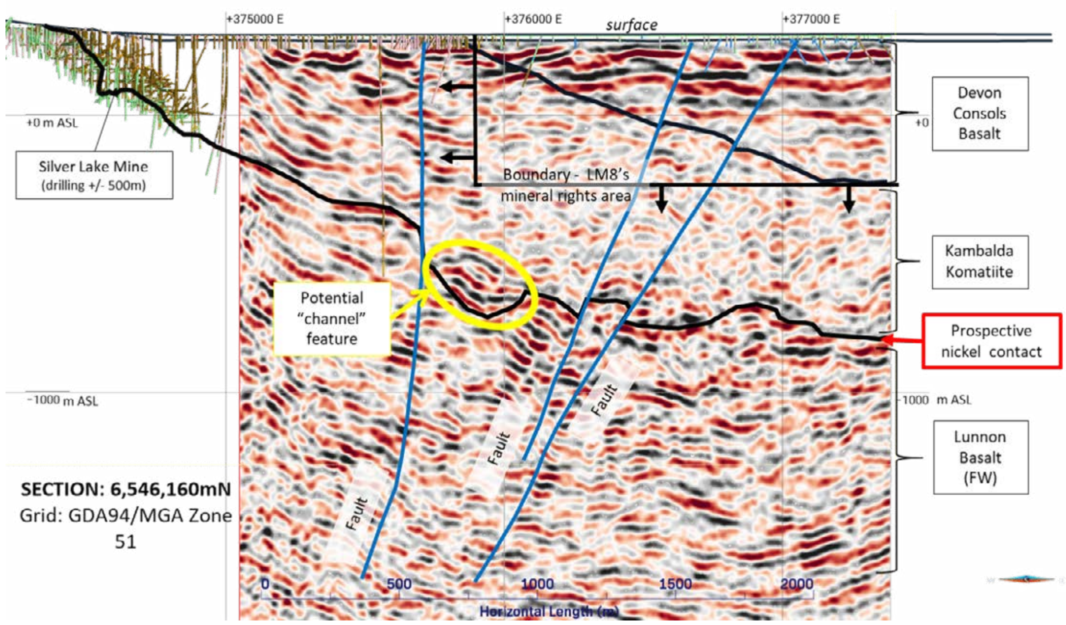

Figure 13: Cross sectional view of the northern 2D seismic line survey results combined with geological interpretation of lithology and structure of the Long South Gap project area and possible drill target (yellow ellipse)

Initial assessment of the survey results at the time indicated:

- Excellent representation of the key prospective komatiite-basalt contact, **notably shallower** than expected;
- Identification of **possible channel signatures** (reflectors) at the komatiite-basalt contact;
- One such possible channel signature, in particular, has the potential to be the down plunge and fault-offset extension of one of the mineralised channels present at the Long Operation which were successfully mined by IGO Ltd prior to the sale of Long Operation to Mincor Resources NL (Mincor) (namely the Long-Moran or Victor-McLeay channels); and
- Strong correlation between 3D structures interpreted by the Company and breaks in the seismic reflection data, validating the Company's preliminary geological model.

The results supported the design and costing of a full 3D seismic survey using the same mini vibro-seis methodology, which will be progressed in the coming quarters, subject to Gold Fields' approvals and access to the lake surface.

After the end of the reporting period, the Company secured access to a track-mounted lake rig and drilling commenced to test this initial target. The drill program will involve a series of holes up to 1,000+ metres deep, to directly target the possible channel features identified in the 2D survey.

The future program will also:

- Collect key litho-structural data that will improve the geological control on this northern section line;
- Provide stratigraphic physical property data to assist fine tuning the future 3D seismic survey; and
- Serve as platforms for Down Hole Transient Electro-Magnetic (**DHTEM**) surveys which will seek to identify near and off hole conductive responses that may indicate the presence of nickel sulphide mineralisation.

[14] Refer to ASX Announcement dated 21 April 2023.
[15] Source: historical WMC production records plus sum of relevant production from previous ASX:IGO announcements.

Fisher – Historical Core Programme

As reported in relation to the Foster mine, the HCP is a key part of the Company's growth strategy and offers potential Mineral Resource additions independent of the success of its discovery drilling program.

During the June quarter the Company received the assay results for 13 historical DD holes completed in the Fisher nickel mine area in the 1970s and 1980s by previous nickel mine operator, WMC. These holes were selected as "framework" holes to undergo re-logging and multi-element assaying to broadly assess the lithology, structure and geochemical signature over multiple potential nickel mineralised trends in the south Fisher area.

The following significant mineralised intercepts (above a 1.0% Ni cut-off) were generated after the re-logging, cutting and re-sampling of approximately 1,650m of historical DD core[16]:

- KD1022 1.75m @ 1.50%% Ni, 0.07% Cu, 0.04% Co, <10ppm As (from 396.60m downhole);
- KD1022 0.75m @ 2.95% Ni, 0.90% Cu, 0.10% Co, <10ppm As (from 409.20m downhole);
- KD4165 4.90m @ 2.28% Ni, 0.14% Cu, 0.06% Co, <10ppm As (from 393.60m downhole); and
- KD4165 1.00m @ 1.83% Ni, 0.12% Cu, 0.06% Co, <10ppm As (from 412.00m downhole).

A number of other intercepts above a 0.50% Ni cut-off were also recorded by assaying previously unsampled DD core highlighting either new zones of mineralisation or broadening zones of mineralisation sampled in the past by WMC.

The HCP then shifted its focus from "framework" holes towards historical drill core in support of potential MRE exercise (to be compiled under the guidelines of the JORC Code (2012)) within the Fisher mine environment.

Figure 14 shows an example area at Fisher mine where geo-referenced historical cross section, level plan mapping and longitudinal projections in 3D significantly enhance the Company's ability to quickly recreate previous WMC geological interpretations and consequently highlight broad areas of potential unmined nickel mineralisation as the focus for future activities, both resource estimation and extensional drill targeting.

These results confirmed Fisher as an important fifth front in the growth strategy of the Company to complement the more advanced Baker and Foster areas, the emerging Silver Lake Hanging Wall target currently being drill tested and the exciting new targets identified by the recent 2D seismic survey in the Long South Gap.

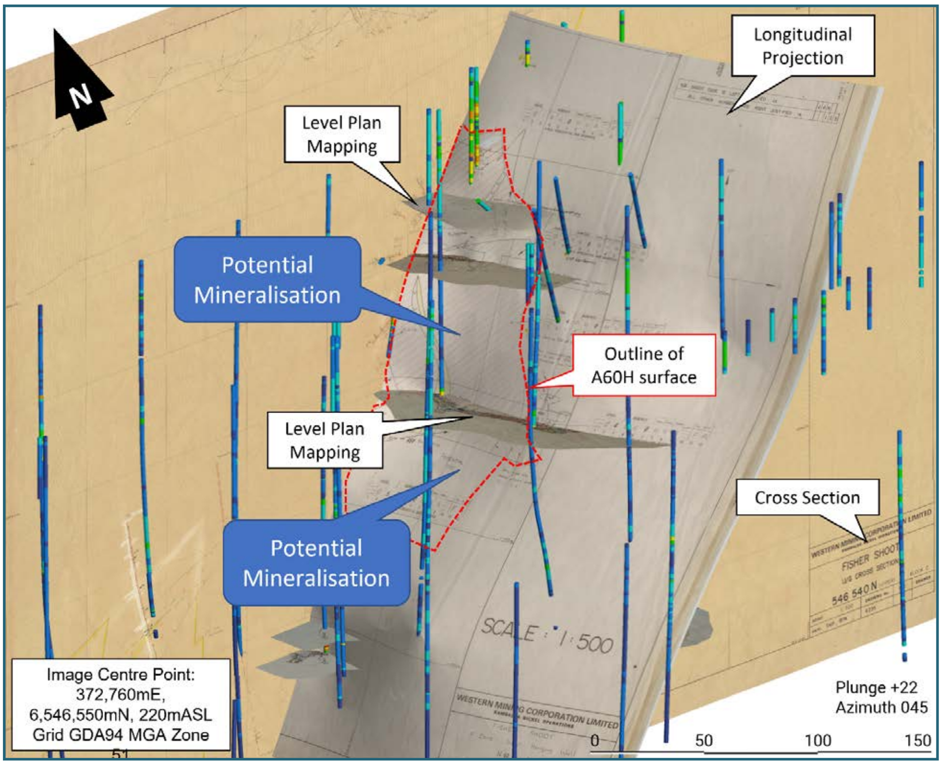

Figure 14: Perspective view looking downwards towards the northeast showing geo-referenced historical cross section, level plans, and longitudinal projection of the Fisher Mine A60H mineralised surface highlighting areas of potentially unmined nickel mineralisation

[16] Refer to ASX Announcement dated 19 May 2023.

FY24 Outlook

Discovery Program

During FY23, the Company completed a comprehensive, first-pass target generation and ranking exercise over both the FBA and SLF areas delivering a robust portfolio of early stage through advanced prospects (e.g. resource conversion targets) which are captured in an internal exploration management system. These targets have been prioritised to ensure that the currently highest ranked targets are tested first and during the FY24 period.

Supported by the recent $18 million placement[17] announced post financial year end, the Company will continue its aggressive exploration effort via executing a three-tiered program designed to maximise the discovery potential of its premium address in the heart of the Kambalda nickel district.

At SLF, this program involves:

- 2D and 3D seismic surveys and then testing of targets generated by surface DD methods;
- 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.

In the FBA project area, the discovery program is a balanced approach testing early stage to advanced targets as well as ensuring that successful prospects are progressed and converted to Mineral Resource where warranted. The HCP is also a key program at FBA, with nickel mineralisation on the historical 40, 50 and 60 surfaces at Foster mine a key focus.

Objectives for FY24 include defining, and then growing, a JORC Code (2012) compliant MRE at the SLF and steadily growing the MRE at FBA.

The FY24 Exploration Program and Budget totals approximately $15 million, or broadly $1.25 million per month on average. This spend level is aligned with the Company's strategic goal to aggressively advance our development, definition, PFS study and exploration spend to grow the Mineral Resource base and de-risk the existing inventory as quickly and efficiently as possible to increase the intrinsic value of the Company's portfolio.

The scheduled on-ground exploration spend at SLF and FBA project areas is $3.8 million and $5.6 million, respectively, which includes all drilling and related support costs, assays, and geophysics, targeting an on-ground to total spend of approximately 65%.

The HCP is forecast to provide on average 1,050m of historical core processing per month which is roughly equivalent to a third full time diamond drill rig in terms of metres of production. The Company has access to up to 560km of historical SLF and FBA DD core stored at WMC/Gold Fields' previous Kambalda Core Farm and can 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, as means of growth in the Company's assets independent of the "drillbit".

The Company's FY24 program is highly flexible and designed to adapt and pivot upon success, with the Long South Gap target generated by the recent 2D seismic survey a prime example of a prospect that can be readily expedited should drilling results and interpretation warrant such a response.

The FY24 program also accommodates the completion of the full 3D seismic survey in the broader Silver Lake-Long South area (an area 2.4 km x 3.2 km in extent with no testing of the basalt-komatiite contact).

Studies and Other Activities

As mentioned above, studies at Foster have commenced following completion of the Baker PFS.

The key areas of focus at Foster are minor updates to the MRE at Foster South (upon completion of the planned metallurgical DD program there) and the 85H surface. A geotechnical review and material property testwork, mine design, metallurgical testwork program for the various mineralised surfaces/shoots and capital costs associated with Foster is also now being conducted.

A combined Foster and Baker Preliminary Feasibility is targeted for late quarter 2 FY24 (quarter 4, calendar year 2023).

The Company will complete a powerline study for Foster and Baker and look at executing the construction in the second half of FY24. The Company will continue discussions with prospective ore tolling and concentrate purchase partners with respect to potential future Baker, and Foster, nickel sulphide production. In parallel, the Company will continue financing considerations for Baker and a combined Baker and Foster development scenario.

On the permitting and approvals front, the Company will continue to advance the Mining Proposal/Mine Closure Plan for Baker and Foster, and conclude negotiations with the Ngadju Native Title Corporation over the Foster-Baker Area.

[17] $1 million is subject to shareholder approval at the Annual General Meeting on 3 November 2023

Sustainability Report

The Company is pleased to report on its environmental, social & governance (ESG) progress in the year ending 30 June 2023. The Board and executive management acknowledge that the success of its discovery program has driven significant growth in the value of the Company, enabling positive outcomes aligned with its three strategic pillars, "Define our Pathway", "Understand our Potential" and "Secure our Future".

These outcomes included the settlement of the acquisition of the nickel rights to the Silver Lake-Fisher project, the completion of the Baker Preliminary Feasibility Study (PFS) and declaration of the Company's first Ore Reserve and, post the end of the financial reporting period, a well-supported capital raise to strengthen its balance sheet so that it may continue its aggressive exploration effort.

With this growth, the Company recognises that the expectations of its stakeholders, be they shareholders, the local or broader communities within which we operate, the regulators or our business partners, also change, particularly in relation to the important ESG factors that a modern, mineral resource sector company must be not only aware of, but manage and report in a transparent fashion.

The Company is committed to working towards developing and reporting a stand-alone Sustainability Report in future years, but in the interim has made significant progress in implementing the requisite management activities and initiatives to set a solid basis for achieving this reporting goal.

A strong and continued focus on ESG will be a fundamental part of the Lunnon Metals journey from being a successful nickel explorer to an aspiring nickel producer.

FY23 ESG Highlights

TRIFR 23.9 **LTIFR 0** Safety performance*	**90%** Psychosocial Survey (engagement rate)	**0.32%** Area of total tenure subject to disturbance
40% Area rehabilitated vs area disturbed	**Zero** Environmental Incidents	**65%** Employee Retention rate
36% Female participation	**30%** Female participation – Board and Executive Management	**Zero** Gender pay gap for like-for-like positions
Zero Whistle-blower cases	**87.4%** Procurement spend within Western Australia	**57.1%** Procurement spend within Goldfields region

*TRIFR (Total Reportable Injury Frequency Rate) And LTIFR (Lost Time Injury Frequency Rate)

Environment, Land Management And Rehabilitation

Land disturbance is an inevitable part of the mining process and as such, Lunnon Metals recognises the important role of land management and rehabilitation in responsible mining across the life of an operation. The Company's approach to environmental management is essential in maintaining our social licence to operate. We adopt a systematic approach to mitigate risk and identify management strategies to ensure we avoid unacceptable environmental impacts.

We are committed to excellence in environmental performance and this is implemented through our Environmental Management System. Some of the environmental aspects of our Environmental Management Plan includes land clearing, rehabilitation and hydrocarbon management. In FY23, the Company **rehabilitated 40%** of the total land area disturbed during the reporting period.

Our aim is to rehabilitate and close disturbed land in a manner that is physically safe to humans and animals, is geotechnically stable and geochemically non-polluting/ non-contaminating, and capable of sustaining an agreed post-mining land use without unacceptable liability to the government.

Biodiversity

Lunnon Metals recognises the nature of our projects has the potential to impact natural habitats and ecosystems in direct and indirect ways.

Lunnon Metals has undertaken ecological surveys of biodiversity values over **344 Ha of its properties**, including local flora and fauna, with the support of external consultants, to assist in the development of environmental impact assessment.

Our People, Diversity & Inclusion

To have the best people in our business, we must be a workplace people choose to join, stay and grow. For our continued growth, we must have a work culture that embraces diversity as a strength, recognises inclusion as a powerful driver of progress, and where people are confident to share their perspectives, opinions and ideas.

Our people strategy is to attract and retain outstanding talent through a high-performance and inclusive culture where everyone can thrive and be their best.

In FY23 we:

- Continued to build leadership capability to drive behaviours for an inclusive workplace
- Lunnon Metals has proudly maintained a zero gender pay gap for like-for-like positions
- Female employees comprise 36.0% of Lunnon Metals workforce – well above the mining industry average of 21.3%
- At the Board and Management level, Lunnon Metals female participation level was 30%

Our future focus is to continue to support diversity and inclusion principles by seeking to employ a greater representation of people from the community that we operate in.

Date Indicator	FY22	FY23
Total employees - male	15	16
Total employees - female	8	9
Total employees - Perth	10	12
Total employees - Goldfields	11	13
Total employees - FIFO	8	9
Total employees – DIDO	1	2
TOTAL EMPLOYEES	23	25

Employee Engagement & Retention

In FY23 Lunnon Metals created 2 new roles, taking our workforce to 25. Following the conclusion of FY23, Lunnon Metals created another 6 roles which have been or will be filled by 1 September 2023.

With a fly-in, fly-out workforce, we understand some work types and arrangements can bring additional challenges that can affect a person's mental health. We are committed to providing an environment where our people are treated fairly, have access to career development opportunities and have a positive employee experience. In that regard, the Company completed a Psychosocial Survey of its workforce at Kambalda, as part of its active response to the Department of Mines, Industry Regulation and Safety's (DMIRS) Code of Practice on Mentally Healthy Workplaces for FIFO Workers in the Resources and Construction Sectors.

Applying a risk management approach to identify psychosocial hazards and risk factors in our workplace, and thus to help protect mental health, an engagement rate of 90% ensured existing mental health concerns at work were surveyed and generated data that enabled the Company to plan for positive mental health outcomes for all workers.

A mentally healthy workplace is a shared responsibility between the Company and our employees. Lunnon Metals is committed to building an on-site culture that encourages and supports positive integration between work and leisure by linking mental health to social wellbeing.

A key element of employee attraction and retention is workplace culture, Lunnon Metals continues to embrace our 'can do' attitude and celebrate what makes our business different.

To improve employee retention, we undertook several initiatives during FY23:

- Maintained an understanding of market pay and conditions to ensure we remain competitive in the market and our employees are fairly rewarded in line with their skills, abilities, experience and behaviour
- Continued our strong focus on providing development and career progression opportunities for our people, inviting our employees to drive their own development in an environment that provides access to opportunities for growth through a mix of formal training, on the job learning and mentoring opportunities
- Continued to work in an inclusive manner where we could operate our business in a more flexible way. The use of technology, particularly video-based software keeps our workforce visually connected.

Our Approach to a Safe and Healthy Workplace

We believe that the most important measure of our success is creating a workplace where everyone goes home safe and healthy every day. Being a safe business remains paramount to Lunnon Metals and nothing is more important to us than each person returning home safely at the end of each shift.

In pursuit of this, during FY23 we:

- Provided highly engaged, visible and proactive leadership at all levels
- Ensured unwavering discipline and commitment to perform through training and awareness
- Improved and simplified the health and safety framework and processes to ensure they are fit for purpose
- Actively invested in the health and wellbeing of our people through education and initiatives. We have a clear focus on the wellbeing of our people, which encompasses physical and psychological health

Workplace Hygiene

We aim to reduce potential occupational exposures through health surveillance, and monitoring, education and training on the potential occupational exposure hazards in our workplaces. During FY23, we expanded our health surveillance programs at our site to facilitate early intervention for identified health issues and ensure effective workplace hazard controls.

We regularly monitor common health hazards our employees and contracting partners may be exposed to, which include:

- Noise from our operations
- Naturally occurring fibrous minerals encountered in mining operations
- Silica and general dust

Lunnon Metals undertakes baseline medical assessments of physical, hearing, and lung function to establish medical fitness for work prior to employment. Monitoring programs are in place and assess potential exposures to health hazards to help develop health exposure risk profiles, and associated controls, to prevent occupational illness. We address health hazards with controls documented in our Health and Hygiene Management Plan, which takes a risk-based approach to control health hazards specific to the work areas where our people are potentially exposed.

Lunnon Metals is committed to continuously enhancing our occupational health and hygiene risk assessment, monitoring efforts, and exposure controls to protect the health of our employees.

Our Stakeholders

Our range of stakeholders reflects the strong focus of our current activities in the immediate Kambalda district. Our approach is to identify our stakeholders, consider the impact of our activities on them, seek to understand their viewpoint and then ensure we include them in our consultation and reporting activities to maintain an active feedback cycle to them as we grow.

Our engagement approach aims to better understand their concerns and identify the topics that matter the most to them. We maintain open, inclusive and constructive dialogue, using both formal and informal processes, and review our engagement approach regularly to strengthen its effectiveness.

Lunnon Metals seeks to create value, not only for employees, shareholders and investors, but for the communities in which we operate. Where possible, we engage local contractors and suppliers. In FY23 87.4% of our procurement spend is right here in Western Australia and a sizeable proportion of that spend is directly within the Goldfields region, currently 57.1%.

Lunnon Metals recognises and respects the Traditional Owners of the land on which our project is located and their connection to culture and heritage. We seek a mutually beneficial relationship and are committed to the management, protection and preservation of cultural heritage.

This year, we significantly advanced our positive engagement with the Ngadju community and are in regular communication with the Ngadju Native Title Aboriginal Corporation (NNTAC). By the end of FY23, the Company and the NNTAC were on the verge of executing agreements that would govern a mutually beneficial relationship should the Company advance its projects through development into production.

We believe that a planned, transparent and constructive approach to community engagement and development is critical to maintaining our reputation and ensuring that the communities in which we operate benefit from our projects.

Building trust with local communities is critical for our success. Accordingly, we provide regular updates on current and future mining and exploration activities. Through this engagement, we strive to deliver sustainable long-term benefits to local communities.

Governance

The Board of Directors support the establishment, and continual development of, good corporate governance for the Company to ensure stakeholder's interests are identified, understood and appropriately met. The Board believes that high standards of governance create a corporate culture that values integrity and ethical behaviour, which are fundamental to maintaining our social license to operate and essential for the long-term sustainability of our business.

While the Board is responsible for establishing the corporate governance framework of Lunnon Metals, we believe good governance is the collective responsibility of all our management and staff. Lunnon Metals' governance framework supports our people to deliver our strategy and provides an integral role in effective and responsible decision making and business conduct. Integral to the framework is our Code of Conduct (**Code**), which is based on our values, in particular "We Care" – We care about our integrity, always acting lawfully and ethically. The Code guides our behaviour and reinforces the importance of carrying out our work responsibly. We use our values and Code to drive the best outcomes for our shareholders, employees, business partners, government, regulators and the broader community.

The Company regularly reviews its governance practices and corporate governance policies to reflect the growth and strategy of the Company, current legislation and best practice.

The policies and procedures within these systems of control and accountability are set out in the Corporate Policy section on the **Company's** website at www.lunnonmetals.com.au/corporate-governance/. The Board is committed to enacting the policies and procedures with openness and integrity, with the intent of providing a strong framework and practical means for ensuring good governance outcomes which meet the expectations of stakeholders.

Governance Changes

The Board undertakes a skills assessment annually to ensure that the Board has the skills to meet the current and evolving needs of the Company. The FY23 skills assessment acknowledged the need for an additional independent non-executive director, preferably with skills in accounting and tax to Chair the Company's recently instituted Audit and Risk Committee.

The Board also undertook a review of the evolving needs of the Company, including the increased focus that will be required on strategic, planning, operational, funding and sustainability matters as the Company moves towards development and production. To ensure the necessary time and focus on governance matters, the Company has expanded the role of the Remuneration Committee for the FY24 reporting period to include the responsibilities of a nomination committee, and has established an Audit and Risk Committee. The inaugural members of the Audit and Risk Committee are: Ian Junk (Chair, non-independent non-executive director), Liam Twigger (member, independent non-executive director) and Deborah Lord (member, independent non-executive director).

The Company has significantly increased its focus on internal controls and assurance following the appointment of two senior executives. Hayden Bartrop (Chief Financial Officer and Company Secretary) has focused on the financial and governance internal controls and assurances. Helen Anderson (Manager, ESG) has focused on the health, safety and well-being, environmental and community internal controls and assurances.

ASX Corporate Governance Council's Principles and Recommendations

The Company supports the intent of the 4th Edition of the ASX Corporate Governance Council's Principles and Recommendations (**Recommendations**). The Board has implemented governance policies and practices that are considered appropriate for the Company given its current size and complexity. The Company's corporate governance practices and 2023 Corporate Governance Statement are available on our website at www.lunnonmetals.com.au/corporate-governance/

As mentioned above in "'Governance Changes", the Board's process and practice is to review on an ongoing basis its governance practices and has developed a plan to comply with almost all of the Recommendations by the end of the FY24 reporting period. A summary of the compliance gaps with the Recommendations is provided in the 2023 Corporate Governance Statement.

Serious Misconduct Reporting

During the reporting period, there was a report of alleged bullying and harassment. The matter was investigated by an external independent professional, which resulted in the termination of an individual and formal recorded counselling sessions for two others. Otherwise, there were no matters reported or referred under the Corporate Code of Conduct, Whistleblower Policy or the Anti-Bribery & Corruption Policy.

Risk Management

Lunnon Metals views sound risk management systems as integral to the Company's sustainability. We are committed to continually improving how we identify, assess, mitigate and monitor risk. The Board and management work collaboratively to ensure that enterprise risk is aligned with the Company's strategy and the Board ensures that the Company's risk appetite is set appropriately to minimise risk and maximise opportunity.

The Company maintains a formal fit-for-purpose enterprise-wide risk management framework and internal control system that supports the achievement of its strategic objectives through the identification, analysis, evaluation, treatment and reporting of risk, and that describes the structure and activity requirements to give effect to the Company's Risk Management Policy. The risk management and internal control system is integrated into the Company's activities to ensure the timely recognition and management of risks.

The Board reviews, at least annually, the effectiveness of the enterprise-wide risk management framework and internal control system to ensure its ongoing effectiveness. In addition, the Board regularly reviews whether the Company is operating with due regard to the risk appetite and risk tolerance limits set by the Board and considers contemporary and emerging risks such as conduct risk (inappropriate, unethical or unlawful behaviour) and technology and innovation.

The Managing Director is ultimately responsible for ensuring risk management is appropriately adopted across the Company, and that management provides ongoing leadership to ensure that risk management is reflected in decision making, planning and day to day activities.

The highest ranked residual business risks are continually monitored and reviewed by the Board. The Board is engaged on emerging and common risks impacting the resources industry, including cultural heritage, cyber security, sustainability and climate change, and skills and talent supply.

Material Risks

The Company's highest ranked residual business risks are summarised below:

Risks	Mitigating Actions
Takeover at less than inherent value	
The risk that an unsolicited takeover bid is successful which doesn't reflect the inherent value over the medium to long term	Marketing to investors and potential investors the inherent and strategic value of the Company's nickel endowment. Executing on strategic plans and maintaining a reputation for delivering long term shareholder value.
Offtake negotiations	
Offtake negotiations do not achieve, or improve on, assumptions assumed in Baker's Preliminary Financial Study, resulting in additional costs or lower revenues	Analysing all available options to ensure competitive tension with potential offtake partners, and before any financial investment decision, that the best outcomes of shareholders are considered over the medium to long term.
Mineral Resource or Ore Reserve not economic	
Estimates of Mineral Resources and Ore Reserves are imprecise and depend on interpretations, which may prove, inaccurate. In particular, estimates for grade or tonnage, payabilities, or the presence of deleterious materials if wrong may result in these estimates becoming uneconomic if subsequently mined.	Commitment to thorough technical analysis and honouring technical limitations. Employing and retaining experienced technical talent, and the use of external experts to provide independent advice. Thorough financial modelling, and review of financial models for calculation or logic errors, and the use of updated pricing from contractors. Balanced assessment of risk, acknowledging risks of bias, without eliminating risk at any cost.

Risks	Mitigating Actions
Loss of Social Licence to Operate	
Loss of stakeholder support, particularly due to proximity to Kambalda town, could result in the loss of social licence to operate, disrupting operations or delaying licence approvals	Maintaining a stakeholder engagement and management plan, leadership focus on the value of relations, and designing operating activities to minimise impact where reasonably practicable.
Contractor Risks	
The risk of a contractor failing to appropriately manage risks within its control and expertise, or additional layers of complexity in managing and communicating activities (particularly where the contractor may have competing demands or profit motives), impacts on cost, productivity or health and safety	Maintain strong contract selection procedures, structuring of contractual terms to incentivise and drive the appropriate behaviour, and a focus on partnering with contractors with similar values, and inclusivity of contractors in managing operations and communications.
Prolonged Nickel Price Weakness	
Increase in supply of nickel (particularly Indonesia), delay in nickel demand increase (particularly batteries) and no pricing divergence for ESG, location or quality of nickel product, results in prolonged nickel price weakness.	Maintain a strong financial position, positioned by a well-executed strategy which is aimed at minimising execution time from investment decision to production, and continual growth in the Company's pipeline of Mineral Resources and exploration projects.
Injury or death due to operations	
A permanent disabling injury to an employee, contactor or visitor due to a failure to appropriately identify or mitigate the hazard, comply with systems (including inability to maintain a safety focused culture), or insufficient resources (including training)	Appropriately resourcing a Health and Safety function, ensuring a safety focused culture willing to speak up on issues and ensure compliance with processes, and providing adequate resources and focus on continuous improvement, including up-to-date industry issues.
Loss of Key Management Personnel	
Loss of knowledge or expertise results in delays in production or productivity, and possible loss of other critical staff due to workload or changes in culture.	Focus on mitigating heavy dependence on any one individual, a leadership focus on culture and engagement, and ensuring active succession planning process, competitive remuneration and conditions.
Heritage Obligations	
Delays in receiving consent, risk of additional constraints, or inability to obtain consent to future exploration, development or mining activities.	Negotiation with native title party for heritage protection agreement, and ongoing engagement, and reference to prior heritage surveys and existing or prior disturbance.
Severe Climatic Events	
High intensity rainfall event resulting in inundation of the mine and loss of access and cost to dewater and rehabilitate, prolonged heatwave resulting in loss of productivity (equipment and personnel), or increase in average maximum temperatures increasing risk of dehydration or heat stroke	A focus on the design of operations (including flood protection bunds, pumping capacity, water freeboard, cooling and ventilation), design and selection of equipment, and management of working conditions and environments in greater than 1 in 100 year scenarios.

Mineral Resource and Ore Reserve Statements

Overview

Lunnon Metals' Mineral Resource and Ore Reserve statements are presented in the following pages of this report. The Company reviews and reports its Mineral Resources at least annually. The date of reporting is 30 June each year, to coincide with the Company's end of financial year.

The market announcements (ASX releases), including JORC Table 1 documentation, which detail the material assumptions and technical parameters for each estimate, and the JORC code competent person statements for Mineral Resources and Ore Reserves are available on the Company's website at https://lunnonmetals.com.au/mineral-resource/. The market announcements (public reports) relevant to Lunnon Metals' Mineral Resource and Ore Reserve estimates presented in this report are:

- Baker Preliminary Feasibility Study – A Rising Star (22 May 2023)
- Warren Mineral Resource Increases to 11,200t Contained Ni (31 March 2023)
- Historical Core Programme Adds to Foster Mineral Resource (11 January 2023)
- Fabulous Baker Buoys Lunnon to 79,300 tonnes of nickel metal (7 December 2023)
- N75C Demonstrates Upside of Historical Core Programme (22 April 2022)
- Prospectus (Independent Technical Assessment Report in Schedule 3) (11 June 2021)

Lunnon Metals is not aware of any new information or data as at 30 June 2023 that materially affects the information included in the respective relevant market announcements and all material assumptions and technical parameters underpinning the estimates in the respective relevant market announcement continue to apply and have not materially changed.

Mineral Resources

The detailed breakdown of the Company's Mineral Resources as at 30 June 2023 is as follows:

	Cut-off	Indicated Ni			Inferred Ni			Total Ni		
	(Ni %)	Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes
FOSTER MINE										
Warren	1.0	345,000	2.6	8,800	100,000	2.4	2,400	445,000	2.5	11,200
Foster Central										
85H	1.0	387,000	3.3	12,800	300,000	1.3	3,800	687,000	2.4	16,600
N75C	1.0	270,700	2.6	6,900	142,000	1.9	2,600	412,700	2.3	9,500
S16C / N14C	1.0	-	-	-	64,000	5.7	3,700	64,000	5.7	3,700
South	1.0	223,000	4.7	10,500	116,000	4.8	5,500	340,000	4.7	16,000
Sub total		1,225,700	3.2	39,000	722,000	2.5	18,000	1,948,700	2.9	57,000
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		**1,863,700**	**3.4**	**63,000**	**1,013,000**	**2.4**	**24,800**	**2,877,700**	**3.1**	**87,800**

Note: All figures have been rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding. Mineral Resources are inclusive of Ore Reserves.

Ore Reserves

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

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

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

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

Comparison Against Previous Year

	Cut-off	Mineral Resource - 30 June 2022			Mineral Resource - 30 June 2023			Difference		
	(Ni %)	Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes	Tonnes	%	Ni Tonnes
FOSTER MINE										
Warren	1	211,000	3.1	6,400	445,000	2.5	11,200	234,000	2.1%	4,800
Foster Central										
85H	1	687,000	2.4	16,600	687,000	2.4	16,600	-	-	-
N75C	1	412,700	2.3	9,500	412,700	2.3	9,500	-	-	-
S16C / N14C	1	-	-	-	64,000	5.7	3,700	64,000	5.7	3,700
South	1	340,000	4.7	16,000	340,000	4.7	16,000	-	-	-
Sub total		1,650,700	2.9	48,500	1,948,700	2.9	57,000	298,000	2.9%	8,500
BAKER AREA										
Baker	1	568,000	2.8	15,800	929,000	3.3	30,800	361,000	4.2%	15,000
Sub total		568,000	2.8	15,800	929,000	3.3	30,800	361,000	4.2%	15,000
TOTAL		**2,218,700**	**2.9**	**64,300**	**2,877,700**	**3.1**	**87,800**	**659,000**	**3.6%**	**23,500**

At Warren, the Company successfully targeted the prospective nickel contact between the very broad drill spacing left by WMC when the mine closed in 1994, reporting significant new intercepts of nickel throughout 2021 and 2022. Following the conclusion of the DD program, on 31 March 2023, the Company updated its nickel JORC (2012) MRE for the Warren deposit. Nickel mineralisation has been proven across a significantly enlarged footprint compared to the narrow and limited channel width interpreted based solely on WMC's historical drilling at the time of the Company's IPO. The quantity and grade of nickel mineralisation in the updated MRE confirms Warren as an important expansion to the scope of any potential future restart at Foster.

At Baker, a planned program 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 program was also designed to convert mineralisation categorised as Inferred to an Indicated level of confidence, and extend the Inferred Resource if possible. Frequently, better than expected widths and grades were recorded on the key higher-grade surfaces. The drilling 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.

A MRE for S16C and N14C surfaces was reported on 11 January 2023, delivering an initial Inferred Mineral Resource of 64,000 tonnes at 5.7% nickel for 3,700 contained nickel tonnes. The HCP was key to the announcement of the initial Inferred Mineral Resource. Both the N14C and S16C domains, while relatively narrow, are quite high-grade owing to their position at the base of the typical komatiite mineralisation profile, i.e. against the footwall where the massive sulphides tend to accumulate.

There was no Ore Reserve statement at 30 June 2022 with which to compare the current Ore Reserve statement.

Governance Arrangements and Internal Controls

Lunnon Metals reports its Mineral Resource and Ore Reserves estimates on an annual basis in accordance with the JORC Code (2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) and the ASX Listing Rules.

The Company has ensured that the Mineral Resources and Ore Reserves reported are subject to thorough governance arrangements and internal controls including sign off by senior technical staff on inputs used in the preparation of the estimates.

The Mineral Resource and Ore Reserve estimates have been prepared by an independent mining consulting group Cube Consulting Pty Ltd. The Company's reporting governance for Mineral Resource estimates consists of several assurance measures, including:

- Peer review by senior technical staff before being presented to the Company's Board for approval and subsequent public reporting.
- The Competent Persons responsible for the estimate are current members of professional organisations recognised by the JORC Code
- The Company received prior written consent from the Competent Persons to the issue of the Mineral Resource and Ore Reserve statements in the form and context in which they appear in this Annual Report.
- The Company has received supporting documentation for the estimates to a level consistent with standard industry practice.

Competent Person Statements

The information in this report that relates to nickel and gold geology, nickel Mineral Resources, Exploration Target 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/performance rights; he has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Wehrle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Information in this report that relates to metallurgical test results is based on and fairly represents information and supporting documentation compiled by Mr Barry Cloutt, a Competent Person who is principal of Cloutt Consulting, a company engaged by Lunnon Metals Ltd. Mr Cloutt is a Member of the Australasian Institute of Mining and Metallurgy. Mr Cloutt is a Lunnon Metals Ltd shareholder. Mr Cloutt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Cloutt consents to the inclusion in this report of all technical statements based on his information in the form and context in which they appear.

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

The information in this report that relates to nickel Ore Reserves at Baker is based on, and fairly represents, information and supporting documentation compiled by Mr. Sheppard, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Sheppard is a full-time employee of the Company and is the holder of employee options/performance rights. Mr. Sheppard has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sheppard consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Directors' Report

DIRECTORS' REPORT

The Directors present their report on Lunnon Metals Limited ("Lunnon Metals" or "the Company") for the year ended 30 June 2023 and the associated auditor's report.

Directors

The names and details of the Directors of Lunnon Metals during the year and until the date of this report are:

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

Liam Twigger

Non-Executive Chair

Liam is the Deputy Chair and Executive Director (and shareholder) of Argonaut Limited, a licensed and independent Western Australian based investment banking, funds management and stockbroking firm. Liam is also Chair of SolGold Plc, a London and TSX listed resources company focussed on the discovery, definition and development of copper and gold deposits in Ecuador.

Liam holds a Graduate Diploma in Business, a Bachelor of Economics and is a Certified Practicing Accountant.

The Board considers Liam is currently an independent Director.

Committee Memberships:	Remuneration Committee (Member)
Other Current Directorships:	Non-Executive Director of SolGold Plc (TSX and LSE: SOLG) from 17 June 2019 and Chair from 5 August 2020.
Former Directorships (in last 3 years):	Nil

Edmund Ainscough

Managing Director

Edmund led the acquisition of joint venture rights to the Foster/Jan Nickel Project (in 2014) and the acquisition of the Great Southern project (in 2016) from Silver Lake Resources, now owned by Medallion Metals Ltd, of which he is also a Non-Executive Director.

A geologist by training, he has extensive operational experience (gold, copper and tin) in Australia, Africa, the UK and New Zealand. He was previously a senior member of the Gold Fields executive team in Australia where he held a key business development role reporting to the Executive Committee until 2008. He was the last Chief Geologist for WMC at the St Ives Gold Mine, overseeing a $25 million per annum drill budget and the addition of over 2.0 million ounces to reserves during his tenure. Prior to founding Lunnon Metals Ltd's forebear, ACH Nickel, he was at PCF Capital Group where he advised resource sector companies on corporate, merger and acquisition, and valuation assignments.

DIRECTORS' REPORT (CONTINUED)

Edmund holds a Bachelor of Science (Geology)(Hons), is a Fellow of the Geological Society of London and a Member of the Australasian Institute of Mining and Metallurgy.

Committee Memberships:	Nil
Other Current Directorships:	Nil
Former Directorships (in last 3 years):	Non-Executive Director of Medallion Metals Ltd (ASX: MM8) from 10 November 2015 to 22 March 2023

Ian Junk
Non-Executive Director

Ian has a detailed understanding and long history with nickel mining in Kambalda. In the past, having worked as a Mine Manager at various Kambalda nickel mines for Western Mining Corporation (WMC), he then played an integral role in the revitalisation of many WMC Kambalda nickel mines when they were divested in the early 2000s. Ian, along with his brother Leigh, and their company Donegal Resources, initiated the joint venture with Mincor Resources at the Miitel, Mariners, Wannaway and Redross nickel mines, and subsequently executed another joint venture with Panoramic Resources at the Lanfranchi nickel mine. Donegal Resources also managed and operated the Carnilya Hill nickel mine when that was sold by WMC to View Resources.

Ian has played significant roles in the exploration, development and commissioning of various other mining operations around Australia, through his own mining entities and contracting companies.

Ian holds a Bachelor of Engineering (Mining) (Hons) from the WA School of Mines.

The Board considers Ian is not currently an independent Director.

Committee memberships:	Nil
Other Current Directorships:	Nil
Former Directorships (in last 3 years):	Nil

Ashley McDonald
Non-Executive Director

Ashley is the nominee for Gold Fields Limited. He is currently Vice President Corporate Development for Gold Fields and has played a key role in a number of the company's key growth transactions including acquiring the Granny Smith, Lawlers and Darlot gold mines from Barrick in 2013, acquiring a 50% interest in the Gruyere gold mine in 2016 and evaluating the various funding options for Gold Fields key development asset Salares Norte (capex US$830M) in Chile in 2020.

An experienced and skilled M&A practitioner with strong financial and analytical skills, Ashley is also a legal practitioner with more than 20 years' experience in Corporate and Resources Law and was part of the legal team that assisted Gold Fields in its acquisition of St Ives and Agnew in 2001.

Ashley is an admitted legal practitioner holding a Bachelor of Laws (Hons) and Bachelor of Commerce (Accounting) from Murdoch University.

The Board considers Ashley is not currently an independent Director.

Committee memberships:	Remuneration Committee (Member)
Other Current Directorships:	Nil
Former Directorships (in last 3 years):	Nil

Deborah Lord
Non-Executive Director

Deborah is currently a Non-Executive Director of E79 Gold Mines Limited; a director of VRM, the UWA Centre for Exploration Targeting (CET); and College Member of the Minerals Research Institute of WA (MRIWA).

Deborah has more than 30 years' experience in the resources sector in Australia, North and South America. She has worked in greenfields to near-mine exploration and resource development projects across a range of commodities within leadership, management, governance and research advisory positions. She has worked globally for major companies including BHP, Placer Dome and WMC Resources and within international consultancy firm SRK.

As Chair of the VALMIN Committee and formerly BHP Head of Resource Governance, Deborah brings a strong technical risk management focus as well as having broad experience in project review, valuation and technical assessment of mineral assets.

Deborah holds a Bachelor of Science (Geology) (Hons) from the University of Melbourne.

The Board considers Deborah is currently an independent Director.

Committee memberships:	Remuneration Committee (Chair)
Other Current Directorships:	E79 Gold Mines Limited (ASX:E79)
Former Directorships (in last 3 years):	Nil

Hayden Bartrop
Company Secretary (appointed on 21 February 2023)

Hayden is a lawyer with more than 15 years' experience in the gold industry in legal, commercial and business development roles. He joined Lunnon Metals in January 2023 in the position of Chief Financial Officer and was appointed Company Secretary on 21 February 2023.

Hayden's role as Chief Financial Officer is responsible for the accounting, finance, company secretarial and legal functions, and identifying business development and offtake opportunities for the future growth of the Company.

DIRECTORS' REPORT (CONTINUED)

Hayden was previously Company Secretary and General Manager – Corporate Development and Legal at Gold Road Resources Limited, and Director of Legal and Business Development at Barrick Gold Corporation.

Hayden holds an MBA (High Distinction), Bachelor of Law and Bachelor of Commerce (Finance and Banking).

Hayden is the responsible person for communications with ASX in relation to Listing Rule matters under ASX listing rule 12.6.

Directors' Interests

As at the date of this report, the Directors' interests in Shares, Options, and Performance Rights of the Company are as follows:

Directors	Interests in Ordinary Shares	Interests in Unlisted Options	Interests in Performance Rights
L Twigger	600,000	475,000[1]	-
E Ainscough	1,629,742	1,700,000[1]	876,404[3]
I Junk	9,678,565	475,000[2]	-
A McDonald	161,036	-	-
D Lord	35,000	475,000[2]	-

1 *Vested and exercisable at $0.05, expiring 22 March 2026*
2 *150,000 vested and exercisable at $1.18, expiring 11 February 2026. Remainder subject to vesting conditions*
3 *Subject to vesting conditions and exercisable for nil consideration*

Directors' Meetings

The number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the year ended 30 June 2023 and the number of meetings attended by each Director were:
Annual Report.

Director	Board of Directors		Remuneration Committee[2]	
	Held[1]	Attended	Held[1]	Attended[3]
Liam Twigger	6	6	2	2
Edmund Ainscough	6	6	-	-
Ian Junk	6	6	-	-
Ashley McDonald	6	6	2	2
Deborah Lord	6	6	2	2

Current Chair | Current Member

1 *Number of meetings held during the time the Director held office eligible to attend, or was a member of the Board Committee and was eligible to attend*
2 *Remuneration Committee was formed with the first meeting convened in February 2023 with D Lord appointed Chairperson, and L Twigger and A McDonald appointed members*
3 *All Non-Executive Directors have a standing invitation to the Remuneration Committees*

Nature of Operations and Principal Activities

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

Operating and Financial Overview

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

DIRECTORS' REPORT (CONTINUED)

Corporate

On 27 September 2022, at the Extraordinary General Meeting, shareholders approved:

- the agreement to acquire the mineral rights for nickel at two further historical nickel mines and the associated prospective exploration ground at Kambalda – the Silver Lake and Fisher nickel mines, and issue 21,505,376 ordinary fully paid shares in Lunnon Metal to St Ives as consideration for granting the mineral rights (representing at the time of the offer $20 million). These rights were acquired from the current major shareholder St Ives Gold Mining Co. Pty Ltd ("St Ives"), a wholly owned subsidiary of Gold Fields Ltd; and
- the issue of 450,000 options each to Deborah Lord and Ian Junk, exercisable at $1.18 and expiring 11 February 2026 and subject to vesting conditions.

On 4 October 2022, 21,505,376 ordinary fully paid shares in Lunnon Metals were issued to St Ives (escrowed for 12 months from the issue date), resulting in completion of the acquisition of the mineral rights. The closing share price on 4 October 2022 was $0.84, therefore the shares issued were valued at $18,064,515.

On 15 November 2022, at the Annual General Meeting, shareholders approved the Employee Awards Plan, enabling up to 30,000,000 securities to be issued under the Employee Awards Plan.

On 13 December 2022, the Company announced the rollout of strategic incentives in the form of Performance Rights for Lunnon Metals employees and, subject to shareholder approval, directors. The objectives in creating the incentive scheme are outlined in the Remuneration Report.

On 3 January 2023, Hayden Bartrop, was appointed to the position of Chief Financial Officer to contribute to the Company's transition from pure explorer to a potential developer.

On 30 March 2023, at an Extraordinary General Meeting, shareholders approved an update of the Company's constitution and approved the grant of 876,404 performance rights to Edmund Ainscough.

On 22 May 2023, the Company published the Baker Preliminary Feasibility Study which reported strong financial returns with low start-up capital requirements, initial Probable Ore Reserve of 612kt averaging 2.86% Ni for 17.5kt contained nickel (refer to Mineral Reserves and Resources Statement for a full breakdown of the Ore Reserve).

Profit or Loss

The operating loss of the Company for the financial year after providing for income tax amounted to $17.7 million (2022: loss $6.6 million).

Financial Position

The net assets of the Company increased by $2.2 million during the year. As at 30 June 2023, the Company had:

(a) Cash and cash equivalents of $19.5 million (2022: $32.9 million), which decreased as a result of payments made for exploration and studies activities, partly offset by cash received from the exercise of Options and interest income.

(b) Exploration and evaluation capitalised of $33.6 million (2022: $18.4 million), which increased as a result of the acquisition of mineral rights from St Ives and investment in exploration and studies.

(c) Trade and other payables of $2.0 million (2022: $2.3 million), which was largely unchanged.

Cash Flows

Cash and cash equivalents decreased during the year by $13.3 million to $19.5 million as at 30 June 2023 (2022: $32.9 million).

The Net cash outflow from operating activities for the year was $7.4 million (2022: $5.9 million), with the increase attributable to ongoing exploration and studies activities which have been expensed.

Similarly, the net cash outflow used in investing activities amounted to $6.6 million (2022: $3.7 million), the increase attributable to ongoing exploration and studies activities which have been capitalised.
The Net cash inflow from financing activities was $0.6 million (2022: $28.4 million), relating to proceeds from the exercise of Options. A total of 21,505,376 ordinary fully paid shares in Lunnon Metals were issued to St Ives as consideration for mineral rights acquired, and there was no additional requirement to raise capital during the year.

Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

COVID-19 response

There have been no material impacts resulting from the COVID-19 pandemic during the year.

Share Options and Performance Rights Over Unissued Capital

The following changes in Options and Performance Rights occurred during the year:

	Share Options		Performance Rights	
	30 June 2023	**30 June 2022**	**30 June 2023**	**30 June 2022**
Granted	-	1,322,389	3,901,270	-
Exercised	(1,450,914)	-	-	-
Forfeited or cancelled	(48,352)	-	(86,209)	-

Since 30 June 2023 to the date of this report:

- 150,000 options vested to Mr Junk on 11 August 2023 having satisfied the service vesting requirement
- 150,000 options vested to Ms Lord on 11 August 2023 having satisfied the service vesting requirement

At the date of this report, Options and Performance Rights to acquire ordinary shares are as follows:

Options

Outstanding[1]	Unvested[2]	Vested and unexercised	Exercise price $	Expiry
3,875,000	-	3,875,000	0.05	22-Mar-26
61,500	-	61,500	-	16-Oct-26
216,965	-	216,965	-	25-Oct-26
21,396	14,264	7,132	-	28-Mar-27
950,000	633,332	316,668	1.18	11-Feb-26
5,124,861	647,596	4,477,265		

Performance Rights

Outstanding[1]	Unvested[2]	Vested and unexercised	Incentive Plan	Expiry
80,899	80,899	-	Onboarding	31-Dec-24
42,459	42,459	-	Onboarding	31-Dec-25
1,890,671	1,890,671	-	STI – 2023	31-Dec-29
1,801,032	1,801,032	-	LTI - 2023	31-Dec-29
3,815,061	3,815,061	-		

1 None of the Options or Performance Rights on issue entitles the holder to participate in any share issue of the Company or any other body corporate
2 Subject to vesting conditions

Events Subsequent to Reporting Date

Subsequent to reporting date:

- On 17 August 2023, the Company announced a non-underwritten two-tranche placement to new and existing investors to raise up to approximately $18 million (before costs) (**Placement**) and a non-underwritten Share Purchase Plan (**SPP**) for eligible shareholders, seeking to raise up to a maximum of $2.5 million (before costs), both at an issue price of $0.90 per share.
- On 25 August 2023, the Company received $16,251,999 (after broker costs) in funds following completion of the first tranche of the Placement, and on 28 August 2023 issued 18,888,888 new ordinary fully paid shares to tranche one investors.
- On 18 September 2023, the Company announced the results of the SPP, with the issue on 20 September 2023 of 533,322 new shares, raising $479,990 (before costs). The second tranche of the Placement to issue 1,111,112 shares to St Ives (a wholly owned subsidiary of Gold Fields Limited) raising approximately 1 million (before costs) is subject to shareholder. Approval of shareholders will be sought at the Annual General Meeting on 3 November 2023.
- On 21 September 2023, the Company announced the Directors' subscription and allotment of Shares under the SPP at the issue price of $0.90 per Share. Mr Twigger received 33,333 Shares, Mr Ainscough received 33,333 Shares, Mr Junk received 33,333 Shares, Mr McDonald received 22,222 Shares and Ms Lord received 22,222 Shares.

No other matters or circumstances have arisen since 30 June 2023 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

The Company will continue its mineral exploration and development activity at and around its principal exploration projects at KNP, focussing on the Baker Shoot, Warren channel and Foster nickel mine with the addition of the new mineral rights at the Silver Lake and Fisher nickel mines.

Environmental Regulation and Performance

Exploration and development activities are subject to environmental regulations under both Commonwealth and State Legislation. Permitting activities with the various relevant departments of the Western Australian government are ongoing in regard to the Company's plans relating to a potential future development of the Baker Shoot and re-entry and rehabilitation following dewatering of the Foster nickel mine workings.

DIRECTORS' REPORT (CONTINUED)

So far as the Directors are aware, all exploration activities are being undertaken in compliance with all relevant environmental regulations.

Proceedings on behalf of the Company

No persons have applied for leave pursuant to s.237 of the *Corporation Act 2001* to bring, or intervene in, proceedings on behalf of the Company.

Indemnification of Directors and Auditors

Since the end of the previous financial year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report. The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

Audit and Non-Audit Services

During the year the following fees were paid or payable for services provided by the auditor of the Company, including any related practices:

	2023	**2022**
	$	**$**
Audit services	35,500	28,100
Non-audit services	-	-
Total remuneration of Armada Audit and Assurance Pty Ltd	35,500	28,100

The Company may engage Armada on assignments additional to their statutory audit duties where their expertise and experience with the Company are important.

Armada continues in office in accordance with section 327 of the *Corporations Act 2001*.

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 76.

REMUNERATION REPORT (AUDITED)

1. Remuneration report overview

The Directors of Lunnon Metals Limited present the Remuneration Report (the **Report**) for the Company for the year ended 30 June 2023. This Report for the Company forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Report details the remuneration arrangements for the Company's key management personnel (**KMP**) and include:

- the Company's Non-Executive Directors (**NEDs**); and
- the Company's Managing Director and Senior Executives (collectively the **Executives**).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company.

The table below outlines the KMP of the Company for the period 1 July 2022 to 30 June 2023 (**FY2023**).

Table 1 – KMP of the Company

Name	Position	Term as KMP
Non-Executive Directors		
Liam Twigger	Independent Non-Executive Chairman	Full financial year
Ian Junk	Non-Executive Director	Full financial year
Ashley McDonald	Non-Executive Director	Full financial year
Deborah Lord	Independent Non-Executive Director	Full financial year
Executives		
Edmund Ainscough	Managing Director and Chief Executive Officer	Full financial year
Hayden Bartrop	Chief Financial Officer	Appointed 3 January 2023
Aaron Wehrle	Exploration and Geology Manager	Full financial year

There were no changes in KMP after the reporting date and before the financial report was authorised for issue.

2. Company Performance

Since the Initial Public Offer (IPO) of the Company in June 2021, the Company has consistently delivered against its key strategic objectives, including a total shareholder of return of 217% from IPO date to 30 June 2023, drilled 117% more metres than planned in the IPO, increased contained nickel tonnes in Mineral Resource by 125% and announced an initial Probable Ore Reserve at Baker of 17,500t of contained nickel.

2.1. FY2023 Company Performance

During FY2023, the Company drilled 91 holes for approximately 23.8km drilled. As part of the results of that drilling, the Company added 0.66Mt @ 3.6% Ni for 23,500 tonnes of contained nickel in Mineral Resource, an increase of 36.5% in Mineral Resources. The increase in Mineral Resources was primarily due to the increase in Mineral Resources at the Baker Project announced in December 2022.

The updated Baker Mineral Resource, which included 78% of the Mineral Resource in Indicated category (and 22% Inferred), enabled the Company to announce in May 2022 an initial Ore Reserve at the Baker Project, being 0.61Mt @ 2.86% Ni for 17,500 tonnes of contained nickel.

The Company completed the acquisition of the Fisher-Silver Lake Project, doubling the Company's exploration area in the heart of Kambalda.

The Company improved its management capability with the appointment of Hayden Bartrop as CFO and Helen Anderson as Manager, ESG.

On the social front, the Company had zero fatalities or lost time injuries and progressed discussions with the Ngadju for a Heritage Protocol Agreement and Mining Rights Agreement.
The successful growth and derisking of the Company's portfolio resulted in a total shareholder return of 20% in FY2023, against the backdrop of a falling nickel price.

2.2. Five Year Company Performance

A summary of Lunnon Metals performance for the current and previous four financial years is provided below.

Table 2 – Performance over the last 5 years

	2023	2022	2021	2020	2019
Loss for the year[1]	$17,735,108	$6,647,497	$2,531,887	$1,448,577	$1,110,600
Loss per share (cents)	9.57	4.52	5.59	8.55	6.56
Share price at year end	$0.95	$0.790	$0.455	N/A*	N/A*
Total Shareholder Return (% p.a.)	20%	74%	52%	N/A*	N/A*
JORC 2012 Mineral Resource (contained nickel)	87,800	64,300	39,000	N/A+	N/A+
JORC 2012 Ore Reserve (contained nickel)	17,500	-	-	-	-

1 Net loss has been calculated in accordance with Australian Accounting Standards.
* Lunnon Metals listed on 16 June 2021 at 30c per share.
\+ Lunnon Metals did not publicly report a JORC 2012 Mineral Resource prior to listing on 16 June 2021.

3. New Performance Incentive Scheme

Following a detailed review of the Company's strategic priorities for the next three and half years, in December 2022, the Board refined the remuneration structure to ensure it aligns with and aids the achievement of its short-term and long-term objectives, including changing the Total Fixed Remuneration (**TFR**) and introducing short and long-term incentive schemes.

The Board resolved to create a Short-term Incentive (**STI**) and Long-term Incentive (**LTI**) scheme under which employees, and subject to shareholder approval, the Managing Director may receive performance rights. Each performance right represents the right to subscribe for, for no consideration, one fully paid ordinary Lunnon Metals share. The performance rights will vest partially or wholly on the achievement of specified vesting criteria.

The Company's Employee Awards Plan (approved by shareholders on 15 November 2022) will govern the terms of the performance rights. The number of performance rights issued to a participant will be determined based on their total fixed remuneration multiplied by a total incentive opportunity (**TIO**), divided by the 30 trading day volume weighted average price of the Company's shares prior to the commencement of the STI/LTI performance period.

The STI performance period will be 12 months (except the inaugural period will be 18 months) and the LTI performance period will be 36 months (except the inaugural period will be 42 months). As the period between the inaugural performance period and the next performance period is 18 months and not the usual 12 months, the maximum TIO was multiplied by 1.5 to ensure the granting of an annual equivalent amount of performance rights for the inaugural scheme.

The table below outlines the current and future STI and LTI scheme performance periods.

Table 3 – STI and LTI Scheme Performance Periods

Scheme	STI performance period	Scheme	LTI performance period
STI - 2023	1 January 2023 – 30 June 2024	LTI - 2023	1 January 2023 – 30 June 2026
STI – 2024	1 July 2024 – 30 June 2025	LTI - 2024	1 July 2024 – 30 June 2027
STI - 2025	1 July 2025 – 30 June 2026	LTI - 2025	1 July 2025 – 30 June 2028

4. Reward Outcomes for FY2023

4.1 Incentive Option Outcomes

The table below sets out the Options that vested during the year resulting from the achievement of the performance measure attached to the Options.

KMP	Options vested[1,2] No.
Liam Twigger	158,334
Edmund Ainscough	566,667
Aaron Wehrle	566,667

1 Options vested on 11 January 2023 on achieving a global Mineral Resource of >80,000t of contained nickel (increased from 39,000t of contained nickel at the time of issue of the options)
2 Options are exercisable at $0.05, expiring 22 March 2026

As at 30 June 2023, the global Mineral Resource was 87,800t of contained nickel. The performance measure attached to the Options was achieved as a result of the increase in Mineral Resources due to the discovery of Baker (30,800t), and increases in Mineral Resources associated with the Foster mine complex, including N75C (9,500t), S16C/N14C (3,700) and an increase in Warren from 6,400t to 11,200t.

There were no other incentive option outcomes for KMPs in FY2023.

4.2 STI and LTI Performance and Outcomes

There were no STI outcomes for FY2023, as the STI Scheme commenced on 1 January 2023 with the first performance period ending on 30 June 2024.

There were no LTI outcomes for FY2023, as the LTI Scheme commenced on 1 January 2023 with the first performance period ending on 30 June 2026.

DIRECTORS' REPORT (CONTINUED)

4.3 Salary and Fee Changes FY2023

In September 2022, due to the recent growth of the Company, the Board reviewed the remuneration of Executives, having regard to external benchmark information provided by BDO Reward, and the ongoing competitiveness for talent in the Western Australian market. In determining the appropriate peer 'market' the Remuneration Committee requested BDO Reward to consider both "Producers" and "Developers" in the provision of benchmark information, which reflected where executive talent may be 'recruited from' or 'lost to'. After consideration of the benchmarking and advice from BDO Reward, the Board determined and implemented the following changes:

Name	TFR[1] as at 30 June 2023 $	Effective date of change	TFR[1] as at 30 June 2022 $
Edmund Ainscough	400,000	From 1-Sep-22	302,500
Hayden Bartrop[2]	350,000	From 3-Jan-23	-
Aaron Wehrle	298,350	From 1-Jul-22	279,400

1 Total fixed remuneration (TFR) includes based salary and superannuation
2 Mr Bartrop commenced employment on 3 January 2023

NED fees remained unchanged during FY2023, except for the legislated increase in the superannuation guarantee rate from 10.0% (FY2022) to 10.5% (FY2023).

No changes were made to the non-executive directors' remuneration pool of $300,000 per annum.

5. Statutory Remuneration

5.1. Executive Statutory Remuneration

Table 4 sets out Executive KMPs remuneration calculated in accordance with statutory accounting requirements.

Table 4 – Executive Statutory Remuneration
For the year ended 30 June 2023

	Short-term benefits			Share-based payments[1]				
Directors	Salaries and fees $	Super-annuation $	Other short-term benefits $	Performance Rights (STI) $	Performance Rights (LTI) $	Options $	Total $	At risk %
Edmund Ainscough	347,492	36,487	2,091	152,249	56,911	59,321	654,551	41%
Hayden Bartrop[2]	158,371	16,629	-	103,061	86,651[3]	-	364,712	52%
Aaron Wehrle	270,000	28,350	-	87,852	32,431	59,321	477,954	38%
	775,863	81,466	2,091	343,162	175,993	118,642	1,497,217	

DIRECTORS' REPORT (CONTINUED)

For the year ended 30 June 2022

	Short-term benefits			Share-based payments[1]				
Directors	Salaries and fees $	Super-annuation $	Other short-term benefits $	Performance Rights (STI) $	Performance Rights (LTI) $	Options $	Total $	At risk %
Edmund Ainscough	275,000	27,500	-	-	-	156,802	459,302	34%
Aaron Wehrle	254,000	25,400	-	-	-	156,802	436,202	36%
	529,000	52,900	-	-	-	313,604	895,504	

1 Share-based payments are calculated in accordance with Australian Accounting Standards and is the amortised fair value at the grant date

2 Mr Bartrop commenced 3 January 2023

3 Includes $48,605 for Onboarding Rights received by Mr Bartrop on commencement with the Company, which vest based on 12 month and 24 month service conditions

5.2. NED Statutory Remuneration

Table 5 sets out NED remuneration calculated in accordance with statutory accounting requirements.

Table 5 – NED Statutory Remuneration

Year ended 30 June 2023

Directors	Salaries and fees $	Super-annuation $	Options $	Total $	At risk %
Liam Twigger	75,000	7,875	16,575	99,450	17%
Ian Junk	45,000	4,725	62,806	112,531	56%
Deborah Lord	45,000	4,725	62,806	112,531	56%
Ashley McDonald[1]	-	-	-	-	-
	165,000	17,325	142,187	324,512	

Year ended 30 June 2022

Directors	Salaries and fees $	Super-annuation $	Options $	Total $	At risk %
Liam Twigger	75,000	7,500	43,811	126,311	35%
Ian Junk	13,185	1,319	37,835	52,339	72%
Deborah Lord	12,581	1,258	37,835	51,674	73%
Ashley McDonald[1]	-	-	-	-	-
	100,766	10,077	119,481	230,324	

1 Mr McDonald waived his right to receive NED fees as a nominee, and employee of a related party of, St Ives Gold Mining Company Pty Ltd (a wholly owned subsidiary of Gold Fields Limited).

6. Remuneration Governance and Decision Making

6.1. Role of the Board

The Board is responsible for setting the Company's remuneration framework and remuneration policy to ensure that it is aligned with the Company's strategic objectives, values, and risk appetite. This includes approving the remuneration arrangements of Non-executive Directors and Executives, including approval of all performance targets set for Short-term and Long-term incentives granted to the Executives.

Under a formal charter, the Board has established a Remuneration Committee to review and make recommendations to the Board on remuneration arrangements, including recommending the performance targets set for incentives, the amount of incentives that vest based on achievements against the performance targets, any changes to the non-executive fee pool and general remuneration strategy.

6.2. Remuneration Committee

The Remuneration Committee assists the Board with the Company's remuneration policies and framework and is primarily responsible for the consideration and recommendation of remuneration practices in relation to Executives, as well as recommending the level of NED fees.

The Remuneration Committee comprises three Non-Executive Directors, the majority of who are independent. The table below outlines the composition of the Remuneration Committee during the year ended 30 June 2023.

Table 6 – Remuneration Committee Composition

Deborah Lord	Independent Non-Executive Director	Chair
Liam Twigger	Independent Non-Executive Director	Member
Ashley McDonald	Non-Executive Director	Member

The responsibilities of the Remuneration Committee's role, objectives and responsibilities are outlined in its charter, which is available at https://lunnonmetals.com.au/corporate-governance/.

The Managing Director attends relevant Remuneration Committee meetings by invitation, where management input is required, however, has no vote in relation to matters before the Committee. The Managing Director provides recommendations to the Remuneration Committee on the remuneration arrangements of his direct reports and all other employees.

The Remuneration Committee has implemented processes to ensure conflicts of interest are managed appropriately.

6.3. Alignment of Remuneration Framework to the Strategic Growth Plan

The key elements of the Company's Strategic Growth Plan are detailed in **Table 7**. The strategy is targeted at delivering sustainable returns to our shareholders over the long term as the organisation moves into production in Kambalda.

The remuneration framework, in particular the introduction of the STI scheme and LTI scheme, was designed to support the execution of the Strategic Growth Plan. The framework links the remuneration outcomes for Executives to the achievement of key objectives and targets of the Strategic Growth Plan to drive long term creation for shareholders, including commencing production and maintaining a sustainable production profile.

Table 7 – Strategic Growth Plan

"Bring the best of Kambalda to the Clean Energy Transition"

Strategic imperatives:	Define our pathway	Understand our potential	Secure our future
Near term targets (0 to 2 years)	Define a pathway to production for priority development assets	Understand the full potential within our exploration portfolio	Ensure sufficient capital to fund strategy and operations
	De-risking priority development (Ore Reserves at Baker / Permits in place for Baker and Foster to enable Financial Investment Decision)	Discover new deposits	Create a culture to attract/retain right people to support future growth
Medium term targets (2 to 5 years)	Production at Baker and Foster	Increase Mineral Resources	Safely deliver production and growth
Long term targets (> 5 years)	Sustainable production pipeline (5 year Life of Mine)	Identify further opportunities to grow through organic and inorganic means.	Enhance our ESG capability and capacity, so that we move towards our goal in a disciplined and safe manner
			Maximise long-term returns to enhance our business

6.4. Remuneration Consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions and recommendations to the Board, the Remuneration Committee may seek external advice, as it requires, on remuneration policies and practices. Remuneration consultants can be engaged by, and report directly to, the Remuneration Committee.

In selecting remuneration consultants, the Remuneration Committee will consider potential conflicts of interest and independence from the Company's KMP. Given the recent growth of the Company, during the year ended 30 June 2023, the Remuneration Committee engaged BDO Reward (WA) Pty Ltd (**BDO Reward**) to undertake a review of the remuneration framework for Executives and other direct reports to the Managing Director, including assisting with remuneration benchmarking, remuneration mix, quantum and retention strategies. The advice received from BDO Reward is considered to constitute the provision of remuneration recommendations as defined by the *Corporations Act 2001*.

The Board is satisfied that appropriate arrangements were implemented and followed to ensure that BDO Reward would be free from undue influence by members of the KMP about whom their recommendations may relate. These arrangements include BDO Reward:

- being engaged directly by the Chairman of the Board;
- regularly updating the Chairman on progress;
- obtaining approval to interact with Executives and reporting on the outcomes of those interactions; and
- declaring that their recommendation is free from any undue influence from any KMP to whom the advice relates.

Fees paid to BDO Reward for the remuneration recommendations was $24,500 (exclusive of GST). In addition to providing remuneration recommendations, BDO provided:

- consulting, tax and valuation services for securities issued under the Employee Awards Plan and was paid $10,044 (exclusive of GST); and
- consulting to provide an Independent Experts Report in relation to the acquisition of Nickel Rights from St Ives and was paid $31,027 (exclusive of GST).

In making their recommendations to the Board, the Remuneration Committee utilised the remuneration recommendations from BDO Reward as an input in developing their own independent assessment and decision to propose changes made to the quantum and structure of KMP remuneration.

6.5. Remuneration report approval at 2022 Annual General Meeting (AGM)

The Remuneration Report for the financial year ended 30 June 2022 received positive shareholder support at the 2022 AGM with a vote of 99.86% in favour. The Company received no specific feedback on its Remuneration Report at the 2022 AGM.

6.6. Employee Awards Plan

In September 2022, the Company replaced the Employee Incentive Option Scheme dated 1 October 2020 with the Employee Awards Plan (**Plan**). The board considered it was desirable to establish a new incentive plan to increase the range of potential incentives available to them, in particular the use of performance rights. The Plan allows the Company to offer shares, options or performance rights to persons who are employees or directors of, or individuals who provide services to, the Company.

Shareholders were provided with an opportunity to approve the Plan at the 2022 AGM, with shareholders voting 99.65% in favour of the Plan. A summary of the terms of the Plan were provided in the Notice of Meeting released on the ASX on 13 October 2022.

At the AGM, and prior to the AGM, there were some queries from shareholders regarding the maximum number of securities that may be issued under the 3 year term of the Plan, being 30,000,000 securities. The Company clarified its intentions of the Plan in an ASX announcement dated 13 December 2022, stating that the maximum amount of securities would unlikely be reached during the 3 year term based on the share price of the Company at the time and the size of its current workforce.

During the year, 3,901,270 securities had been issued under the Plan, nil vested, 86,209 were forfeited. As at 30 June 2023, 3,815,061 remain unvested.

6.7. *Director Security Issues*

At an Extraordinary General Meeting on 27 September 2022, shareholders approved the issue of incentive options to Ms Lord (99.76% in favour) and Mr Junk (99.85% in favour). For details of these incentive options, please refer to section 9.1 of the Remuneration Report.

At an Extraordinary General Meeting on 30 March 2023, shareholders approved the issue of Performance Rights to Mr Ainscough (99.83% in favour) in connection with STI Plan and LTI Scheme. For details of these and other Performance Rights issued to KMP, please refer to section 7.3 of the Remuneration Report.

6.8. *Securities Trading Policy*

All of the Company's KMP and employees are subject to the Company's Securities Trading Policy which sets out the governance approach for dealing in the Company's securities including when and how KMP and employees can deal in company securities. A copy is available at https://lunnonmetals.com.au/corporate-governance/.

7. Executive Remuneration

7.1. *Executive Cash Value of Remuneration Realised in FY2023*

The actual remuneration earned during the year in accordance with the Corporations Act 2001 and accounting standards is outlined in section 5.1 of the Report.

Table 8 Realised Pay Received details the cash and other benefits actually received by the Executive KMP. This disclosure is voluntary and aims to provide shareholders with a better understanding of the cash and other benefits received by our Executive KMP. It includes fixed remuneration (inclusive of superannuation), non-monetary benefits received, and share-based payments which vested during the year. This table has not been prepared in accordance with Australian Accounting Standards.

Table 8 – Total Realised Pay Received

For the year ended 2023

Executive	Total fixed remuneration[1] $	Benefits and allowances $	Vested Performance Rights (STI) $	Vested Performance Rights (LTI) $	Vested Options[2] $	Total Realised Pay Received $
Edmund Ainscough	383,979	2,091	-	-	79,531	465,601
Hayden Bartrop	175,000	-	-	-	-	175,000
Aaron Wehrle	298,350	-	-	-	79,531	377,881
	857,329	2,091	-	-	159,062	1,018,482

For the year ended 2022

Executive	Total fixed remuneration[1] $	Benefits and allowances $	Vested Performance Rights (STI) $	Vested Performance Rights (LTI) $	Vested Options[2] $	Total Realised Pay Received $
Edmund Ainscough	302,500	-	-	-	148,977	451,477
Aaron Wehrle	279,400	-	-	-	148,977	428,377
	581,900	-	-	-	297,954	879,854

1 Total fixed remuneration includes based salary and superannuation
2 Vested Options is the fair value of the Options at grant date, that vested

DIRECTORS' REPORT (CONTINUED)

7.2. Policy and approach

The Company has adopted the following key principles in its remuneration framework for Executives:

- Setting total aggregate remuneration at a level which provides the Company with the ability to attract and retain Executives of a quality calibre at a cost which is considered acceptable to shareholders based on accountability, location, skill-set and experience;
- Align Executives interests with those of key stakeholders by incorporating in the remuneration framework variable remuneration consisting of short and long-term incentives linked to the strategic goals and performance of the Company;
- Short-term incentives focuses efforts on measurable "line of sight" results that are a priority in the financial year, and paid in the form of equity to align interests with those of shareholders; and
- Long-term incentives further aligns Executives interests with shareholders over the long term through positive returns measured by market and non-market based measures.

7.3. Overview of Remuneration Framework

The following table provides an overview of the elements of the remuneration framework for Executives:

Table 9 – Overview of Remuneration Framework

Element	Purpose	Section
Total Fixed Remuneration (TFR)		
Comprises of a base salary and superannuation	Provides a competitive cash salary, determined by the scope of the role and benchmarked to ensure it remains competitive to attract and retain required capability	4.5, 4.6
Variable Remuneration		
Short-Term Incentives (STI)		
Granted as Performance Rights vesting over a 12-month period upon meeting performance objectives (18 months[1] performance period for initial performance period)	Rewards performance in executing the 12-month strategic priorities of the Company (or 18 months for the first performance period). STI outcome can range from 0% to 100% of target depending on performance relative to targets agreed.	4.5, 4.7
Long-Term Incentives (LTI)		
Granted as Performance Rights vesting over a 36-month[2] period upon meeting performance objectives (42 months[2] performance period for initial performance period)	To reward longer term performance and achievement of strategic objectives aligned with shareholder interests. LTI outcome can range from 0% to 100% of target depending on performance relative to targets agreed.	4.5, 4.8

1 An initial 18-month STI performance period (1 January 2023 to 30 June 2024) will apply to the first tranche to align with the Company's financial year (and thereafter will be a 12-month performance period).

2 An initial 42-month LTI performance period (1 January 2023 to 30 June 2026) will apply to the first tranche to align with the Company's financial year (and thereafter will be a 36-month performance period).

7.4. Target Remuneration Mix

The table below represents the Total Incentive Opportunity (**TIO**) for Executives in the current year, being the maximum amount only if the Executive meets all of their demanding performance hurdles. In setting the TIO, the Board engaged external independent consultants to benchmark a group of Lunnon Metals' peers to assist the Board with determining an appropriate level.

Table 10 – Total Incentive Opportunity

			At risk		
	Effective Date	**TFR as at 30 June 23**	**STI** as a percentage of annual TFR	**LTI** as a percentage of annual TFR	**Total at risk** as a percentage of annual TFR
Edmund Ainscough	1-Sep-22	$400,000	65%	65%	130%
Hayden Bartrop[1]	3-Jan-23	$350,000	55%	55%	110%
Aaron Wehrle	1-Jul-22	$298,350	55%	55%	110%

1 Hayden Bartrop commenced employment on 3 January 2023.

7.5. Total Fixed Remuneration

TFR comprises of a base salary and superannuation. The level of TFR is set to provide a base level of remuneration which is both appropriate for the position and competitive in the market.

The Company aims to set TFR in accordance with market rates. However, the Board may use its discretion to pay above this to attract and retain key employees in achieving the Company's strategic goals.

TFR is reviewed on no less than an annual basis by the Remuneration Committee and approved by the Board having regard to the Company and individual performance, relevant comparable remuneration for similarly capitalised companies in the mining industry and independently compiled market data.

7.6. Short-Term Incentive Plan

Key questions and answers on how the STI scheme works

Question	Answer
Why does the Board consider a STI Plan is appropriate?	The purpose of the STI Plan is to make a proportion of the total remuneration package subject to meeting various short-term performance measures aligned with the Company's Strategic Plan, thereby strengthening the link to remuneration and performance.
How is it paid?	STI awards for Executives are paid in performance rights, which vest according to the extent of achievement of the applicable performance measures. Performance rights are granted for no consideration to Executives.
What is a performance right?	A performance right is an entitlement to one fully paid ordinary share on exercise of that performance right. No consideration is payable on exercise. A performance right is only exercisable if the vesting conditions (performance measures) have been met. Partial vesting may occur for partial achievement of vesting conditions. Performance rights which do not vest after performance testing lapse. Performance rights expire 7 years after grant (unless lapsed or cancelled earlier).

What is the performance period?	STI awards are assessed over a 12-month period aligned with the Company's financial year. For the inaugural STI award, the period will be 18 months (1 January 2023 to 30 June 2024) to align with the Company's financial year.
How much can the Executives earn?	The maximum STI opportunity as a percentage of TFR for the Managing Director is 65% and other Executives is 55%. As the inaugural STI is an 18 month (1.5 years) period, the maximum STI opportunity was multiplied by 1.5 to ensure an annual equivalent STI amount.
What is the methodology for allocating performance rights	The number of performance rights issued to each Executive is determined by dividing the maximum STI opportunity by the 30 trading day volume weighted average price of the Company's shares prior to the commencement of the performance period. This amount was $0.890.
Are there Company and Individual Performance Measures?	STI Performance Measures include Company and Individual Key Performance Indicators (**KPIs**) that align with the Company's Strategic Growth Plan and the Company's values. Company KPIs apply to all Executives, however, the weighting will vary depending on the accountability and responsibility of the Executive. Individual KPIs are specifically set for that individual and are typically targets aligned with one or more of the Company KPIs. The weighting of STI Performance Measures for each Executive is as follows:

KMP	Company Weighting (% of STI)	Individual Weighting (% of STI)
Edmund Ainscough	100%	0%
Hayden Bartrop	90%	10%
Aaron Wehrle	70%	30%

How is performance assessed?	The Board, with the assistance of the Remuneration Committee, sets and assesses achievement of the Company KPIs at the end of the financial year. If performance against any measurement objective is assessed as not being met or below threshold, no outcome is awarded for that measure. The determination as to whether the performance measures have been met by the Company and the calculation of the amount payable under the STI Plan is at the absolute discretion of the Board. The Managing Director sets and assesses the individual KPIs for the other Executives at the end of the financial year, with the Committee reviewing the KPIs and the outcomes of the assessment and recommending to the Board to accept, reject or modify the individual KPIs or assessment of those KPIs.

DIRECTORS' REPORT (CONTINUED)

Is there a gateway or link to ESG?	Yes. The STI contains an environmental social governance (**ESG**) performance hurdle gateway, namely: *"No ESG catastrophic consequence at a Company managed operation in the Performance Period or of which the Company becomes aware of in the Performance Period."* In the event of a catastrophic ESG related event in the Performance Period, the Board has discretion to reduce the whole or part of the level of vesting on consideration of the individual's accountability and responsibility in mitigating the impacts to the Company.
What are the performance measures for FY2023?	The Company Performance Measures for Executives are:

Performance Hurdle	Weighting
First time Proven and Probable Ore Reserve for Baker deposit (and any extensions) of 15kt contained nickel metal	30%
Finalise commercial terms for ore tolling and concentrate purchase agreement, and regulatory approval to commence development at the Baker deposit	35%
Discovery of a new nickel deposit on any of the Company's properties (a discovery being defined as at least one significant RC/DDH intercept (>9.0%Ni metre) which must not be <200m from an existing >9.0% metre intercept or known Mineral Resource)	20%
Grant of regulatory approval of the Mining Proposal or plan for the Foster Nickel Mine including the dewatering programme	15%
Total	**100%**

The measurement date for the FY2023 STI is 30 June 2024.

Vesting of the performance rights under the Plan will also be conditional on the holder remaining an employee or director as at the date the vesting condition is satisfied (subject to the exercise of any discretion by the Board to waive a vesting condition or to allow an employee or director who retires in certain circumstances to retain their performance rights as provided for by the rules of the Plan).

How are the performance hurdles measured?

The KPIs generally have a range of pre-determined performance levels, which are detailed below:

Performance Hurdle	Level of Vesting	Example
First time Proven and Probable Ore Reserve for Baker deposit (and any extensions) of 15kt contained nickel metal	<10kt Ni = 0% >10kt-15kt = Straight line pro rata 50% to 100% >15kt = 100%	12.5kt Ni = [50% + (2.5kt/5kt x 50%)] =**75%**
Finalise commercial terms for ore tolling and concentrate purchase agreement, and regulatory approval to commence development at the Baker deposit	By 30 June 24 = 100%	29 July 24 = **0%**
Discovery of a new nickel deposit on any of the Company's properties (a discovery being defined as at least one significant RC/DDH intercept (>9.0%Ni metre) which must not be <200m from an existing >9.0% metre intercept or known Mineral Resource)	One discovery: 50% Two discoveries: 75% 3 or more discoveries: 100%	2 discoveries = **75%**
Grant of regulatory approval of the Mining Proposal or plan for the Foster Nickel Mine including the dewatering programme	By 30 June 24 = 100%	27 June 24 = **100%**

If the ESG Gateway Hurdle is not met, the weighted average of the above Performance Hurdles, the Board may reduce the whole or part of the level of vesting on consideration of the individual's accountability and responsibility in mitigating the impacts to the Company. For example, if the weighted average performance was 75% and the Board determined a 50% reduction for the individual based on the ESG Gateway Hurdle not being met, the vesting amount would be 37.5% (75% x 50%).

Rationale for performance hurdles and link to Strategic Growth Plan	The rationale for the selected performance hurdles is as follows:

Performance Hurdle	Rationale
Baker Ore Reserve	Imperative to progressing the Company to operations, and generating future cash flow. The Ore Reserve size is the targeted size based on Baker's December 2022 Mineral Resource. Links to strategic imperative of "Define Our Pathway"
Offtake Terms and Regulatory for Baker	Critical to progressing a financial investment decision to commence mining Baker and generating future cash flow. Links to strategic imperative of "Define Our Pathway"
Discovery of new nickel deposits	Maximises long-term capital growth by developing, and sustaining, a production pipeline of assets or growing future production. Links to the strategic imperative of "Understand our Potential"
Regulatory approval for Foster	Critical to progressing a financial investment decision for Foster, to provide multiple operations and potential cost and operating synergies with Baker. Links to strategic imperative "Define Our Pathway"
ESG Gateway Hurdle	Crucial to maintaining the Company's reputation and social licence to operate. Links to the strategic imperative "Secure our Future".

What are the STI performance measures for FY2022 or prior?	There was no STI incentive scheme for FY2022 or prior.
Who is eligible to participate in the STI Plan?	The Managing Director and all other Executives are eligible to participate in the STI Plan. All permanent and fixed term employees of the Company are also eligible to participate, at the discretion of the Board.
What happens to STI awards when an Executive ceases employment?	Vesting of the performance rights under the Plan is conditional on the holder remaining an employee or director as at the date the vesting condition is satisfied (subject to the exercise of any discretion by the Board to waive a vesting condition or to allow an employee or director who retires in certain circumstances to retain their performance rights as provided for by the rules of the Plan).

Are there malus or clawback provisions	Yes. If the Board determines at any time that an Executive has committed fraud, an offence of the Corporations Act, a material breach of duties to the Company or an act which brings the Company into disrepute, the Board may lapse some or all performance rights which have not been exercised. If the Board becomes aware of an event which, as a result, means vested performance rights should not have been, or determined to have been, satisfied, the Board may require the Executive to pay to the Company the after tax value of the affected performance rights which have been converted into Shares or adjust fixed remuneration, incentives or participation in the Plan in the current year or any future year to take account of the after tax value of the affected performance rights
Is there a deferral mechanism?	No.
What happens in the event of a change of control?	If a Change of Control Event occurs, subject to applicable law and the ASX Listing Rules, the Board will exercise its discretion that any unvested performance rights held will immediately vest.

Summary of STI Performance Rights Granted to Executive KMP

Table 11 – STI Performance Rights Granted to Executive KMP

Scheme[1]	Quantity	Grant date	Vesting date	Expiry date	Status
STI - 2023	600,997	23-Feb-23	30-Jun-24	31-Dec-29	Unvested
STI - 2023	438,202	30-Mar-23	30-Jun-24	31-Dec-29	Unvested

1 Vesting performance conditions are set out at above in this section

7.7. Long-Term Incentive Plan

Key Questions and answers on how the LTI Plan works

Question	Answer
Why does the Board consider a LTI Plan is appropriate?	The Board believes that a LTI Plan which is well designed and aligned to the strategic objectives of the Company can drive performance and optimise long-term shareholder value. A LTI Plan can create an immediate ownership mindset among Executive participants, linking a substantial portion of potential reward to the Company's share price and returns to shareholders. The award of LTI's is an important component of remuneration to attract and retain the most talented Executives in a highly competitive market.
How is it paid?	LTI awards for Executives are paid annually in performance rights (subject to shareholder approval), which vest according to the extent of achievement over the applicable performance measures. Performance rights are granted for no consideration to Executives.

DIRECTORS' REPORT (CONTINUED)

What is a performance right?	A performance right is an entitlement to one fully paid ordinary share on exercise of that performance right. No consideration is payable on exercise. A performance right is only exercisable if the vesting conditions (performance measures) have been met. Partial vesting may occur for partial achievement of vesting conditions. Performance rights which do not vest after performance testing lapse. Performance rights expire 7 years after grant (unless lapsed or cancelled earlier).
What is the performance period?	LTI awards are assessed over a 36-month period aligned with the Company's financial year. For the inaugural LTI award, the period will be 42 months (1 January 2023 to 30 June 2026) to align with the Company's financial year.
How much can the Executives earn?	The maximum LTI opportunity as a percentage of TFR for the Managing Director is 65% and other Executives is 55%. As the inaugural LTI is a 42 month period and the next LTI award will be issued after 18 months (1.5 years) rather than the usual 12 month period, the maximum LTI opportunity was multiplied by 1.5 to ensure an annual equivalent LTI amount.
What is the methodology for allocating performance rights	The number of performance rights issued to each Executive is determined by dividing the maximum LTI opportunity by the 30 trading day volume weighted average price of the Company's shares prior to the commencement of the performance period. This amount was $0.890.
Are there Company and Individual Performance Measures?	No. The LTI Plan consists of only Company Performance Measures, unlike the STI Plan which may include a mix of both Individual Performance Measures and Company Performance Measures.
How is performance assessed?	The Board, with the assistance of the Remuneration Committee, sets and assesses achievement of the Company KPIs at the end of the financial year. If performance against any measurement objective is assessed as not being met or below threshold, no outcome is awarded for that measure. The determination as to whether the performance measures have been met by the Company and the calculation of the amount payable under the LTI Plan is at the absolute discretion of the Board.
Is there a gateway or link to ESG?	Unlike the STI Plan, there is no link to ESG. However, the Board may utilise malus and clawback provisions (see further below).

What are the performance measures for FY2023?

The Company Performance Measures for Executives are:

Performance Hurdle	Weighting
Absolute total shareholder return equivalent to 20% per annum or better	35%
Relative total shareholder return at the 75th percentile or better (assessed against a peer group of ASX listed companies, the recommended peer group is further below)	35%
Achieve annualised Company production rate of at least 10kt nickel metal	15%
Total Mineral Resources >150kt of contained nickel metal, after depletion, above a 1.0% Ni cut-off	15%
Total	**100%**

The measurement date for the FY2023 LTI is 30 June 2026.

Vesting of the performance rights under the Plan will also be conditional on the holder remaining an employee or director as at the date the vesting condition is satisfied (subject to the exercise of any discretion by the Board to waive a vesting condition or to allow an employee or director who retires in certain circumstances to retain their performance rights as provided for by the rules of the Plan).

How are the performance hurdles measured?

The KPIs generally have a range of pre-determined performance levels, which are detailed below:

Performance Hurdle	Level of Vesting	Example
Absolute total shareholder return equivalent to 20% per annum or better	<10% per annum (39.7% over 3.5 years) TSR: 0% Between 10% - 20% per annum TSR: Straight-line pro-rata between 50% and 100% >20% per annum (90.1% over 3.5 years) TSR or better: 100%	15% per annum (63.5% over 3.5 years) TSR. 50% + [(5%/10%) x 50%] = 75%
Relative total shareholder return at the 75th percentile or better (to be assessed against a minimum 10 strong peer group of ASX listed companies, the recommended peer group is below)	Less than 50th percentile: 0% Between 50th percentile and 75th percentile: Straight-line pro-rata between 50% and 100% 75th percentile or better: 100%	Percentile = x/y, where the lowest return is 1 and highest return y, where x is position of the Company and y is total number of parties (including the Company). If there are 10 parties (9 peers), and Company is 5th highest TSR, then 5/10 = 50th percentile = 50% vest

Achieve annualised Company production rate of 10kt contained nickel metal in ore (over a period of at least one quarter).	Less than 5kt annualised: 0% Between 5kt and 10kt annualised: Straight-line pro-rata between 50% and 100% >= 10kt annualised: 100%	8kt Ni annualised = 50% + [(3kt/5kt) x 50%] = 80%
Total Mineral Resources >150kt of contained nickel metal, after depletion, above a 1.0% Ni cut-off	<100kt Ni: 0% 100kt Ni – 150kt Ni: Straight-line pro-rata between 50% and 100% 150kt Ni or better: 100%	130kt Ni = 50% + [(30kt/50kt) x 50%] = 80%

What is the rationale for the performance hurdles

Performance Hurdle	Rationale
Absolute total shareholder	Market based performance measure directly align participants' outcomes with shareholders, enforcing discipline and longer term focus when executing strategic objectives. Links to the strategic imperative "Secure our Future"
Relative total shareholder return	Market based performance measure focused on long-term growth but removing macroeconomic drivers of the share price (e.g. commodity price, equity markets) to balance absolute total shareholder return to ensure participants do not benefit (or are penalised) for matters outside of their control. Links to the strategic imperative "Secure our Future"
Annualised production rate	Critical to the execution of the Company's long-term strategy of becoming a producer. An annualised production rate has been selected as the Company may be ramping up production and not yet in steady state production. Links to strategic imperative "Define Our Pathway"
Increase in Mineral Resources	Replacement of mined Mineral Resources and growth of Mineral Resources is a crucial component of the Company's sustainable operating strategy and focus on long-term growth. Links to strategic imperative "Understand our Potential"

What is the peer group for relative total shareholder return?

The peer group of companies for the relative TSR measure determined by the Board is set out in the table below:

#	Entity	ASX Code	Market Cap ($A) -30 Dec 22	Comments
1	Ardea Resources Limited	ARL	$122 million	Nickel developer in Western Australia
2	Centaurus Metals Limited	CTM	$478 million	Nickel developer in Brazil
3	Duketon Mining Limited	DKM	$50 million	Nickel exploration in Western Australia
4	Galileo Mining Limited	GAL	$169 million	Nickel exploration in Western Australia
5	Alliance Nickel Limited	GME	$58 million	Nickel developer in Western Australia
6	Legend Mining Limited	LEG	$110 million	Nickel exploration in Western Australia
7	Lunnon Metals Limited	LM8	$175 million	Nickel exploration in Western Australia
8	Mincor Resources NL*	MCR	$796 million	Nickel producer in Western Australia
9	NiCo Resources Limited	NC1	$56 million	Nickel developer in Western Australia
10	Panoramic Resources Limited	PAN	$359 million	Nickel producer in Western Australia
11	Poseidon Nickel Limited	POS	$136 million	Nickel developer in Western Australia
12	Widgie Nickel Limited	WIN	$83 million	Nickel exploration in Western Australia

* Mincor Resources NL was removed following the close of the takeover by Wyloo Metals Pty Ltd on 5 July 2023

What are the performance measures for FY2022?

There was no LTI Plan for FY2022 or prior. Incentive Options outcomes are detailed in section 4.1 of this Report.

Who is eligible to participate in the LTI Plan?	The Managing Director and all other Executives are eligible to participate in the LTI Plan. Other senior permanent and fixed term employees of the Company are also eligible to participate, at the discretion of the Board.
What happens to LTI awards when an Executive ceases employment?	Vesting of the performance rights under the Plan is conditional on the holder remaining an employee or director as at the date the vesting condition is satisfied (subject to the exercise of any discretion by the Board to waive a vesting condition or to allow an employee or director who retires in certain circumstances to retain their performance rights as provided for by the rules of the Plan).
Are there malus or clawback provisions?	Yes. If the Board determines at any time that an Executive has committed fraud, an offence of the Corporations Act, a material breach of duties to the Company or an act which brings the Company into disrepute, the Board may lapse some or all performance rights which have not been exercised. If the Board becomes aware of an event which, as a result, means vested performance rights should not have been, or determined to have been, satisfied, the Board may require the Executive to pay to the Company the after tax value of the affected performance rights which have been converted into Shares or adjust fixed remuneration, incentives or participation in the Plan in the current year or any future year to take account of the after tax value of the affected performance rights
Is there a deferral mechanism?	No.
What happens in the event of a change of control?	If a Change of Control Event occurs, subject to applicable law and the ASX Listing Rules, the Board will exercise its discretion that any unvested performance rights held will immediately vest.

Summary of LTI Performance Rights Issued to Executives

Table 12 – LTI Performance Rights Issued to Executives

Scheme[1]	Quantity	Issue Date	Vesting Date	Expiry Date	Status
LTI – 2023	600,992	23-Feb-23	30-Jun-26	31-Dec-29	Unvested
LTI – 2023	438,202	30-Mar-23	30-Jun-26	31-Dec-29	Unvested

1 Vesting performance conditions are set out above in this section

7.8. *Onboarding Performance Rights*

On 3 January 2023, Mr Bartrop commenced as CFO. To compensate him for the forfeiture of incentives by resigning from his former employer, Mr Bartrop was issued with 123,358 onboarding performance rights, detailed below.

Scheme	Quantity	Issue Date	Vesting Date	Expiry Date	Status
Onboarding	80,899[1]	23-Feb-23	31-Dec-23	31-Dec-24	Unvested
Onboarding	42,459[1]	23-Feb-23	31-Dec-24	31-Dec-25	Unvested

1 Vesting service condition that Mr Bartrop remains employed on the vesting date

7.9. *Executive Contracts*

Remuneration arrangements for Executives are formalised by executive service agreements, which contain the following termination provisions:

Table 13 – Termination Provisions of Executives

Name	Resignation Notice	Termination notice for cause[1]	Termination notice without cause	Diminution of responsibility (severance pay)
Edmund Ainscough	3 months	1 month	6 months	6 months
Hayden Bartrop	3 months	1 month	3 months	6 months
Aaron Wehrle	3 months	1 month	6 months	6 months

1 No notice is required if the Executive becomes bankrupt, convicted of any criminal offence involving dishonesty or fraud, a court has made an order prohibiting the Executive from being a director or involved in the management of the Company.

All employment agreements with Executives are for an unlimited duration. For all or part of the Executive's notice period, the Company may direct the Executive not to attend for work, to attend but work at a different location, to perform no work or elect to pay in lieu of the notice period. All Executives are entitled to any accrued but untaken annual and long-service leave on cessation of employment.

The Company did not make any termination payments to Executives during FY2023. All contractual termination benefits comply with the provisions of the Corporations Act 2001.

7.10. *Executive TFR changes in FY2024*

As part of the annual remuneration review at the end of FY2023, the Board approved a total fixed remuneration increase of 4.0% for Mr Ainscough and Mr Wehrle and 2.2% for Mr Bartrop (both figures include the legislated superannuation increase), effective on and from 1 July 2023. The increases are modest and less than increases of Consumer Price Index and Australian Weekly Earnings in the financial year.

8. Non-executive Director Remuneration

8.1. Policy and approach

The Company's Constitution and the ASX Listing Rules specify that the maximum aggregate fees paid to non-executive directors for their roles as directors is determined by shareholders.

The Constitution set the initial total aggregate fixed sum as $300,000 (excluding salaries of executive Directors). The Company has not sought shareholder approval to increase this fee pool since listing on 16 June 2021 and does not intend to at the 2023 Annual General Meeting.

The fee structure for non-executive directors is reviewed annually by the Remuneration Committee and approved by the Board. The fee structure is set to:

- attract and retain highly qualified directors with appropriate skills and experience;
- reflect the time commitment and responsibilities of the role; and
- be competitive with comparator companies.

Other than the payment of statutory superannuation benefits, non-executive directors are not entitled to receive any other retirement benefits.

All non-executive directors enter into a letter of appointment with the Company. The letter summarises the Company's policies, terms of appointment, including remuneration relevant to the office of non-executive director.

The Company may issue options or performance rights to non-executive directors to supplement Board fees, with the aim to conserve cash and align the interest of NEDs with the investors they represent.

8.2. Summary of non-executor director fees

Table 14 – Summary of NED fees

Base fees per annum remained unchanged. The table below sets out the Non-executive Directors' Board fees during the year.

Fees per annum[1]	Chair $	Member $
Board	75,000	45,000
Committee	-	-

1 Superannuation guarantee is payable in addition to the above fees

2 Superannuation guarantee rates have increased from 10.0% in FY2022 to 10.5% in FY 2023

8.3. NED fee changes in FY2024

NED fees will remain the same, except the legislated superannuation increase from 10.5% to 11.0%.

From 1 July 2023, the Board has determined that the Chairs of the Audit and Risk Committee and Nomination and Remuneration Committee will receive $10,000 per annum each for their role as chair, in addition to their existing NED fees.

9. Equity Instruments

9.1. Options issued as compensation

During the financial year, there were no Options over ordinary shares issued as compensation under the Employee Share Incentive Plan (**ESIP**).

In the prior financial year, the Company issued 475,000 "Out of the Money" Options (subject to shareholder approval) as compensation under the ESIP to both Ms Lord and Mr Junk, exercisable at a premium of 30% to the 30 day volume weighted average price (**VWAP**), being $1.18, and expiring 4 years after grant (11 February 2026).

The Options were approved by shareholders on 27 September 2022. The Options contained a service vesting requirement, vesting as follows:

- 150,000 on the individual remaining a director of the company on 11 August 2023;
- 150,000 on the individual remaining a director of the company on 11 August 2024; and
- 175,000 on the individual remaining a director of the company on 11 August 2025.

The fair value of these options was provisionally valued at $0.4574, and subsequently valued at the date of shareholder approval (27 September 2022) at $0.3920. The adjustment in the life-to-date expense of the Options as a result of the valuation was recorded in the Statement of Profit or Loss and Other Comprehensive Income in the current period.

9.2. Options exercised during the year ended 30 June 2023

There were no options exercised by KMP during the year ended 30 June 2023.

9.3. Performance rights granted as compensation

During the financial year, the following performance rights were issued as compensation under the 2023 Onboarding, STI and LTI Schemes to KMP:

Executive	Performance rights granted No.	Grant date	Fair value of performance rights granted $	Weighted average fair value per right $	Expiry date	Performance rights vested No.
Edmund Ainscough	876,404[1]	30-Mar-23	861,636	0.9831	31-Dec-29	-
Hayden Bartrop	772,231[2]	23-Feb-23	698,305	0.9043	31-Dec-29	-
Aaron Wehrle	553,116[3]	23-Feb-23	494,306	0.8937	31-Dec-29	-

1 Mr Ainscough was granted:
- 438,202 performance rights under the STI-2023 Scheme; and
- 438,202 performance rights under the LTI-2023 Scheme

2 Mr Bartrop was granted:
- 123,358 onboarding rights on commencement with the Company;
- 324,438 performance rights under the STI-2023 Scheme; and
- 324,435 performance rights under the LTI-2023 Scheme

3 Mr Wehrle was granted:
- 276,559 performance rights under the STI-2023 Scheme; and
- 276,557 performance rights under the LTI-2023 Scheme

9.4. *Performance rights exercised during the year ended 30 June 2023*

There were no performance rights exercised by KMP during the year ended 30 June 2023.

9.5. *Equity holdings of key management personnel*

The following table discloses a summary of shareholdings held directly, indirectly or beneficially by KMP and their closely related parties, including movements, as at 30 June 2023.

	Balance at 1 July 22 or date becoming a KMP No.	Purchases No.	Received on the vesting of Options/ Performance Rights No.	Other net movements[1] No.	Balance at 30 June 23 No.
Non-executive directors					
Liam Twigger	600,000	-	-	-	600,000
Ian Junk	9,678,565	-	-	-	9,678,565
Ashley McDonald	61,036	100,000	-	-	161,036
Deborah Lord	-	35,000	-	-	35,000
Executives					
Edmund Ainscough	1,629,742	-	-	-	1,629,742
Aaron Wehrle	515,773	-	-	-	515,773
Hayden Bartrop	87,180[2]	59,901	-	-	147,081

1 Other net movements includes purchases and sales of shares

2 Mr Bartrop commenced employment and became an Executive KMP on 3 January 2023

9.6. *Option holdings of key management personnel*

The following table discloses a summary of Options over Lunnon Metals shares held by KMP, including movements, as at 30 June 2023

	Balance at 1 July 22 or date becoming a KMP No.	Granted as comp-ensation No.	Exercised, forfeited or cancelled No.	Balance at 30 June 23 No.	Vested during the year No.	Vested and exercisable at 30 Jun 2023 No.	Vesting date
Non-executive directors							
Liam Twigger	**475,000**	**-**	**-**	**475,000**	**158,334**	**475,000**	
	158,334	-	-	158,334	158,334	158,334	11-Jan-23
	158,333	-	-	158,333	-	158,333	23-Jan-21
	158,333	-	-	158,333	-	158,333	19-Jan-22
Ian Junk	**475,000[1]**	**-**	**-**	**475,000**	**-**	**-**	
	150,000	-	-	150,000	-	-	11-Aug-23
	150,000	-	-	150,000	-	-	11-Aug-24
	175,000	-	-	175,000	-	-	11-Aug-25
Deborah Lord	**475,000[1]**	**-**	**-**	**475,000**	**-**	**-**	
	150,000	-	-	150,000	-	-	11-Aug-23
	150,000	-	-	150,000	-	-	11-Aug-24
	175,000	-	-	175,000	-	-	11-Aug-25
Ashley McDonald	**-**	**-**	**-**	**-**	**-**	**-**	

	Balance at 1 July 22 or date becoming a KMP No.	Granted as comp-ensation No.	Exercised, forfeited or cancelled No.	Balance at 30 June 23 No.	Vested during the year No.	Vested and exercisable at 30 Jun 2023 No.	Vesting date
Executive							
Edmund Ainscough	**1,700,000**	-	-	**1,700,000**	**566,667**	**1,700,000**	
	566,667	-	-	566,667	566,667	566,667	11-Jan-23
	566,667	-	-	566,667	-	566,667	23-Jan-21
	566,666	-	-	566,666	-	566,666	19-Jan-22
Aaron Wehrle	**1,700,000**	-	-	**1,700,000**	**566,667**	**1,700,000**	
	566,667	-	-	566,667	566,667	566,667	11-Jan-23
	566,667	-	-	566,667	-	566,667	23-Jan-21
	566,666	-	-	566,666	-	566,666	19-Jan-22
Hayden Bartrop	-	-	-	-	-	-	

1 Ian Junk and Deborah Lord received invitation letters for 475,000 Options each (subject to shareholder approval) on 18 March 2022. Shareholder approval was received on 27 September 2022.

9.7. Performance Rights holdings of key management personnel

The following table discloses a summary of Performance Rights over Lunnon Metals shares held by Executive KMP, including movements, as at 30 June 2023.

Executive KMP	Balance at 1 July 22 or date becoming a KMP No.	Granted as comp-ensation No.	Exercised, forfeited or cancelled No.	Balance at 30 June 23 No.	Vested during the year No.	Vested and exercisable at 30 Jun 2023 No.	Vesting date
Edmund Ainscough	-	**876,404**	-	**876,404**	-	-	
STI – 2023	-	438,202	-	438,202	-	-	30-Jun-24
LTI – 2023	-	438,202	-	438,202	-	-	30-Jun-26
Hayden Bartrop	-	**772,231**	-	**772,231**	-	-	
Onboarding	-	80,899	-	80,899	-	-	31-Dec-23
Onboarding	-	42,459		42,459			31-Dec-24
STI – 2023	-	324,438	-	324,438	-	-	30-Jun-24
LTI – 2023	-	324,435	-	324,435	-	-	30-Jun-26
Aaron Wehrle	-	**553,116**	-	**553,116**	-	-	
STI – 2023	-	276,559	-	276,559	-	-	30-Jun-24
LTI – 2023	-	276,557	-	276,557	-	-	30-Jun-26

10. Transactions with Related Parties

During the year the following transactions occurred with related parties:

(i) the Company incurred $59,442 (2022: $59,670) to lease an office from an entity controlled by Director, Ian Junk, on normal commercial terms and conditions and at market rates; and

(ii) 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 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.

There were no other transactions, other than the remuneration set out in this Report, between KMP or their related parties during the year.

There are no amounts payable to or receivable from any KMP at 30 June 2023.

THIS IS THE END OF THE REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors

Edmund Ainscough
Managing Director

Dated on this day in Perth: 21 September 2023

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

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

LUNNON METALS LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit of Lunnon Metals Limited for the financial year ended 30 June 2023 there have been:

i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Armada Audit & Assurance

ARMADA AUDIT & ASSURANCE PTY LTD

Nigel Dias
Director
Perth, 21 September 2023

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Financial Statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Note	2023 $	2022 $
Other income			
Government grant		44,615	160,000
Other income		7,500	660
		52,115	160,660
Share-based payment expense	22	(8,507,616)	(489,654)
Employee expenses	6(a)	(3,353,981)	(1,876,568)
Exploration and evaluation expensed	6(b)	(5,276,918)	(3,393,323)
Audit, company secretarial and accounting		(223,770)	(188,301)
Computer, software and database		(183,776)	(143,854)
ASX, ASIC and share registry fees		(117,511)	(93,275)
Legal costs		(78,409)	(233,050)
Insurance		(69,569)	(81,429)
Depreciation and amortisation	11,12	(137,011)	(102,202)
Other expenses		(543,311)	(214,191)
Loss before finance and income tax		(18,439,757)	(6,655,187)
Finance income	5	708,573	13,979
Finance expense	6(c)	(3,924)	(6,289)
Loss before income tax		(17,735,108)	(6,647,497)
Income tax expense	20(a)	-	-
Loss for the year		(17,735,108)	(6,647,497)
Other comprehensive income		-	-
Total comprehensive loss for the year attributed to the owners of the Company		(17,735,108)	(6,647,497)
Basic and diluted loss per share (cents per share)	7	(9.57)	(4.52)

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	2023	2022
		$	$
Current assets			
Cash and cash equivalents	8	19,540,382	32,873,486
Term deposits		161,090	50,000
Receivables and other assets	9	426,849	460,257
Prepayments		137,590	60,835
		20,265,911	33,444,578
Non-current assets			
Exploration and evaluation	10	33,587,059	18,374,219
Property, plant and equipment	11	371,379	395,076
Right-of-use of asset	12	124,376	20,713
		34,082,814	18,790,008
Total assets		54,348,725	52,234,586
Current liabilities			
Trade and other payables	13	2,028,572	2,326,756
Provisions	14	321,823	228,875
Lease liability	15	53,731	22,121
		2,404,126	2,577,752
Non-current liabilities			
Provisions	14	13,142	11,499
Lease liability	15	71,583	-
		84,725	11,499
Total liabilities		2,488,851	2,589,251
Net assets		51,859,874	49,645,335
Equity			
Contributed equity	17	82,528,358	63,821,811
Reserves	18(a)	2,206,546	963,446
Accumulated losses	18(b)	(32,875,030)	(15,139,922)
Total equity		51,859,874	49,645,335

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

	Note	Contributed equity	Share-based payment reserve	Accumulated losses	Total
		$	$	$	$
Balance at 30 June 2021		35,359,311	473,792	(8,492,425)	27,340,678
Loss for the year		-	-	(6,647,497)	(6,647,497)
Total comprehensive loss for the year		-	-	(6,647,497)	(6,647,497)
Transactions with owners in their capacity as owners:					
Issue of shares (net of transaction costs)		28,462,500	-	-	28,462,500
Issue of Options		-	489,654	-	489,654
Balance at 30 June 2022		63,821,811	963,446	(15,139,922)	49,645,335
Loss for the year		-	-	(17,735,108)	(17,735,108)
Total comprehensive loss for the year		-	-	(17,735,108)	(17,735,108)
Transactions with owners in their capacity as owners:					
Issue of shares (net of transaction costs)	17(b)	18,064,515	-	-	18,064,515
Exercise of Options	17(b)	642,032	-	-	642,032
Share based payments		-	1,243,100	-	1,243,100
Balance at 30 June 2023		82,528,358	2,206,546	(32,875,030)	51,859,874

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

STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

	Note	2023	2022
		$	$
Cash flow from operating activities			
Payments to suppliers and employees		(6,974,101)	(3,702,796)
Payments for exploration and evaluation expensed		(4,882,192)	(3,472,262)
Net GST		3,956,654	1,144,058
Government grant received		44,615	160,000
Interest received		492,275	13,979
Interest paid		(3,910)	(3,612)
Net cash outflow used in operating activities	8(a)	(7,366,659)	(5,860,633)
Cash flow from investing activities			
Payments for exploration and evaluation capitalised		(6,437,336)	(3,048,866)
Purchase of plant and equipment		(79,412)	(293,975)
Investments in term deposits		(55,000)	-
Stamp duty on exploration assets		-	(318,025)
Net cash outflow used in investing activities		(6,571,748)	(3,660,866)
Cash flow from financing activities			
Lease payments	15	(36,729)	(30,388)
Proceeds from exercise of Options	17(b)	642,032	-
Proceeds from issue of shares		-	30,000,000
Payments for share issue transaction costs		-	(1,537,500)
Net cash inflow from financing activities		605,303	28,432,112
Net (decrease)/increase in cash and cash equivalents		(13,333,104)	18,910,613
Cash and cash equivalents at the beginning of the year		32,873,486	13,962,873
Cash and cash equivalents at the end of the year	8	19,540,382	32,873,486

Non-cash transactions

During the year, Lunnon Metals issued 21,505,376 shares in the Company as consideration for acquiring Exploration Assets (refer Note 10).

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

Corporate Information and Basis of Preparation

Note 1: Corporate information

The Financial Report of Lunnon Metals Limited ("Lunnon Metals" or the "Company") consists of the financial statements, notes to the financial statements and the directors' declaration.

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

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

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

Note 2 : Basis of preparation

The Financial Report was authorised for issue in accordance with a Resolution of the Directors on 19 September 2023.

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Historical cost convention

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates

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

Estimates and assumptions are reviewed on an ongoing basis and are based on the latest available information at each reporting date. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are found in the following notes:

(i) Note 20 Income tax and 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 entity in which the deferred tax asset has been recognised.

(ii) Note 10 Exploration and evaluation

The application of the exploration and evaluation accounting policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Note 22 Share-based payments

The fair values of Options and Performance Rights are determined using option pricing models that take into account the exercise price, the term of the option or right, the impact of dilution, the share price at valuation date, 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 the performance metrics related to the Options and Performance Rights.

(e) Reclassification of comparative information

Some of the comparative information for the year ended 30 June 2022 has been reclassified to align with the current year presentation. The reclassification has no impact on the Company's financial position as at 30 June 2022, or its performance for the financial year ended on that date.

Note 3: Summary of significant accounting policies

(a) Revenue

(i) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Government grants

Government assistance revenue is recognised when it is received or when the right to receive payment is established.

(b) Employee benefits

(i) Short-term employee benefits

Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount.

(ii) Long-term employee benefits

Contributions are made to employee superannuation funds and are charged as expenses when incurred. Contributions are made in accordance with the statutory requirements of each jurisdiction.

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability.

(iii) Share-based payments

The Company may provide benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an appropriate Options Pricing Model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Lunnon Metals Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The amount charged or credited to the statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding Options and Performance Rights is reflected as additional share dilution in the computation of diluted earnings per share.

(c) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(d) Income taxes

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the statement of financial position date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised. The amount of benefits brought to account or which may be released in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(f) Exploration and evaluation expenditure

(i) Assets acquired

Exploration and evaluation assets acquired are capitalised and typically comprise the fair value of mineral rights acquired at the acquisition date. As the assets are not yet ready for use, they are not depreciated.

(ii) Expenditure incurred

Exploration and evaluation expenditure incurred is expensed in respect of each identifiable area of interest until such a time where a JORC 2012 compliant resource is announced in relation to the identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

(iii) Transfer of capitalised exploration and evaluation to mine development

Once the technical feasibility and commercial viability of the assets are demonstrable, exploration and evaluation assets are first tested for impairment and then reclassified to mine properties as development assets.

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the result of future exploration; and
- the recoupment of cost through successful development and exploitation of the areas of interest, or alternatively, by their sale.

(iv) Impairment

Capitalised mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and are assessed for indicators of impairment during each reporting period.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written down to recoverable amount in the year in which that assessment is made.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit is not larger than the area of interest.

The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it expects to successfully recover the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of Mineral Resources and Ore Reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, an impairment expense is recognised in the period in which the determination is made.

There has been no capitalised exploration and evaluation written off for the year ended 30 June 2023 (2022: Nil).

(g) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment – 5 years

(h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease being the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(j) Trade and other payables

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(l) Lease liabilities

The Company, as a lessee, will assess whether a contract is, or contains, a lease under AASB 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the contract is assessed to be, or contains, a lease, the Company will recognise a right-of-use asset (refer Note 3(i)) and a lease liability at the lease commencement date.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(m) Issued capital

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Financial instruments

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

(i) Financial assets

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price (excludes estimates of variable consideration) as defined in AASB 15 *Revenue*, as the contracts of the Company do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for de-recognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

A liability is derecognised when it is extinguished (i.e., when the obligation in the contract is discharged, cancelled, or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and service tax, except:

(i) where the amount of GST incurred is not recoverable from the Australian Tax Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of the expense; and

(ii) trade receivables and trade payables are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Financial Performance

Note 4: Segment information

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 Western Australia.

Note 5: Revenue

	2023	2022
	$	$
Finance income:		
Interest income	708,573	13,979

Note 6: Expenses

(a) Employee expenses

	2023	2022
	$	$
Salaries and wages	3,030,644	1,710,012
Superannuation	307,303	142,109
Other expenses	16,034	24,447
	3,353,981	1,876,568

(b) Exploration and evaluation expensed

	2023 $	2022 $
Drilling expenses	2,643,970	1,577,233
Exploration site support	1,199,934	1,020,049
Samples and assays	968,591	301,136
Consultants, design and testing	464,423	494,905
	5,276,918	3,393,323

(c) Finance expenses

	2023 $	2022 $
Finance lease interest	3,924	6,289

Note 7: Earnings per share

	2023 $	2022 $
(a) Basic and diluted loss per share		
Loss attributable to ordinary equity holders of the Company	Cents (9.57)	Cents (4.52)
(b) Loss used in calculation of basic and diluted loss per share		
Loss for the year	(17,735,108)	(6,647,497)
(c) Weighted average number of shares used as the denominator	**Number**	**Number**
(i) used in calculating basic earnings per share	185,272,601	147,080,030
(ii) adjustments for calculation of diluted earnings per share:		
▪ Options[1]	-	-
▪ Performance Rights [2]	-	-
(iii) used in calculating diluted earnings per share	185,272,601	147,080,030

1 There were 5,124,861 Options outstanding at 30 June 2023 (2022: 5,674,127) which were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive

2 There were 3,815,061 Performance Rights outstanding at 30 June 2023 (2022: nil) which were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive

Operating Assets and Liabilities

Note 8: Cash and cash equivalents

	2023	2022
	$	$
Cash at bank	115,296	99,507
Short term deposits (classified as cash or cash equivalents)	19,425,086	32,773,979
Cash and cash equivalents	19,540,382	32,873,486

(a) Cash flows from operating activities reconciliation

	2023	2022
	$	$
Loss after income tax	(17,735,108)	(6,647,497)
Adjustments for non-cash items:		
Share-based payments	8,507,616	489,654
Depreciation and amortisation	137,012	102,202
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables and other assets	369,030	(364,822)
Increase in trade and other payables	1,313,129	559,830
Increase in provisions	41,662	-
Net cash outflow used in operating activities	(7,366,659)	(5,860,633)

Note 9: Receivables and other assets

	2023	2022
	$	$
GST receivable	191,960	260,749
Other receivables	234,889	199,508
	426,849	460,257

Note 10: Exploration and evaluation

	2023	2022
	$	$
Opening balance	18,374,219	13,731,344
Exploration Asset acquired	11,958,812	-
Exploration and evaluation capitalised	3,254,028	4,642,875
Closing balance	33,587,059	18,374,219

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.

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

	2023 **$**
Asset acquisition:	
Exploration asset acquired[1]	10,800,000
Other acquisition costs[2]	1,158,812
Exploration Asset acquired	11,958,812
Consideration:	
Fair value of equity instruments granted (refer Note 17)	(18,064,515)
Cash (other acquisition costs)	(1,158,812)
Total consideration	(19,223,327)
Exploration assets acquired:	
Identifiable exploration assets acquired	11,958,812
Less consideration	(19,223,327)
Exploration costs expensed[3] (refer Note 22)	(7,264,515)

1 *Valuation based on the Independent Expert Report (as announced to the ASX on 26 August 2022) being $10,800,000*

2 *Consists of stamp duty, legal and consultant fees*

3 *As noted by AASB 2:13A, if the value of identifiable assets (i.e. the Nickel rights acquired) $11,958,812 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 11: Property, plant and equipment

	2023	2022
	$	$
Plant and equipment at cost	558,619	473,772
Less accumulated depreciation	(187,240)	(78,696)
	371,379	395,076
Reconciliation:		
Opening balance	395,076	139,569
Additions	77,053	326,638
Depreciation	(100,750)	(71,131)
Closing balance	371,379	395,076

Note 12: Right-of-use assets

	2023	2022
	$	$
Right-of-use asset at cost	139,923	51,784
Less accumulated amortisation	(15,547)	(31,071)
	124,376	20,713
Reconciliation:		
Opening balance	20,713	51,784
Additions	139,924	-
Amortisation	(36,261)	(31,071)
Closing balance	124,376	20,713

Note 13: Trade and other payables

	2023	2022
	$	$
Trade payables	1,773,845	1,162,537
Accruals	122,684	1,076,162
Employee costs payable	112,513	81,052
Other payables	19,530	7,005
	2,028,572	2,326,756

Note 14: Provisions

(a) Provision for employee entitlements

	2023	2022
	$	$
Provision for annual leave	207,709	140,347
Provision for long service leave	114,114	88,528
Current employee entitlements	321,823	228,875
Provision for long service leave	13,142	11,499
Non-current employee entitlements	13,142	11,499
	334,965	240,374

Capital and Financial Risk Management

Note 15: Lease liability

	2023	2022
	$	$
Opening balance	22,121	52,509
Additions	139,922	-
Interest expense	3,301	3,612
Lease payments	(40,030)	(34,000)
Closing balance	125,314	22,121
Current	53,731	22,121
Non-Current	71,583	-
	125,314	22,121

The lease liability relates to contractual obligations for office premises.

Note 16 Financial risk management

Risk management is carried out at a corporate level under policies approved by the Board who maintain overall responsibility for the establishment and oversight of the risk management framework. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

The Company has exposure to the following risks from their use of financial assets:

- Market risk (which includes currency risk, interest rate risk and commodity risk)
- Credit risk
- Liquidity risk

The overall financial risk management strategy focuses on the unpredictability of the equity markets and seeks to minimise the potential adverse effects due to movements in financial liabilities or assets. The Company holds the following financial instruments at the end of the year:

	2023	2022
	$	$
Financial assets		
Cash and cash equivalents	19,540,382	32,873,486
Term deposits	161,090	50,000
Receivables and other assets	426,849	460,257
	20,128,321	33,383,743

	2023	2022
	$	$
Financial liabilities		
Trade and other payables	2,028,572	2,326,756
Lease liability	125,314	22,121
	2,153,886	2,348,877

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return. There were no changes in the Company's market risk management policies from previous years.

(i) Currency risk

At reporting date, the Company has minimal exposure to foreign currency risk. The Company's operations are all located within Australia and material transactions are denominated in Australian dollars, the Company's functional currency.

(ii) Interest rate risk

The Company's income and operating cash flows are exposed to changes in market interest rates in respect of interest-bearing assets. These assets are a combination of cash balances on hand which earn interest at variable interest rate and interest-bearing term deposits which mitigate the variable interest rate risk. At the reporting date the interest profile of the Company's interest-bearing financial instruments was as follows:

	Interest rate	2023 $	2022 $
Variable rate instruments:			
Cash at bank	-	2,440,382	99,507
Fixed rate instruments:			
Term deposits – Short term (classified as cash and cash equivalents)	4.32%	17,100,000	32,773,979
Term deposits	3.97%	161,090	50,000
		19,701,472	32,923,486

No disclosures on the sensitivity check as any reasonable movement in the variable interest rate would not have any material impact to the financial statements.

(iii) Commodity price risk

At reporting date the Company holds no instruments linked to the nickel price, therefore it has no exposure to the risk of fluctuations in the prevailing market prices for nickel.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash at bank and deposits. The carrying amount of financial assets represents the maximum credit exposure. The Company has adopted the policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Cash is deposited only with institutions approved by the Board. The Company has determined that it currently has no significant exposure to credit risk as at reporting date. There were no changes in the Company's credit risk management policies from previous years.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by monitoring immediate and forecasted cash requirements and ensures adequate cash reserves are maintained to pay debts as and when due.

Management is cognisant of the future demands for liquid financial resources to finance the Company's current exploration and studies activities, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment.

There were no changes in the Company's liquidity risk management policies from previous years.

The following tables detail the Company's contractual maturity for its financial liabilities:

30 June 2023	Carrying Amount	Contractual Cash Flows	Less than 1 Year	2-5 Years	>5 Years
Trade and other payables	2,028,572	2,028,572	2,028,572	-	-
Lease liability	125,314	143,283	53,731	89,552	-
Total	2,153,886	2,171,855	2,082,303	89,552	-

30 June 2022	Carrying Amount	Contractual Cash Flows	Less than 1 Year	2-5 Years	>5 Years
Trade and other payables	2,326,756	2,326,756	2,326,756	-	-
Lease liability	22,121	22,121	22,121	-	-
Total	2,348,877	2,348,877	2,348,877	-	-

(d) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to maintain sufficient working capital for exploration and future, development activities.

The Company defines capital as being the ordinary share capital of the Company, plus retained earnings and reserves.

The Company monitors the adequacy of capital by analysing cash flow forecasts. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded.

Note 17 Contributed equity

(a) Share capital

	2023		2022	
	No.	**$**	**No.**	**$**
Ordinary shares	196,461,419	82,528,358	173,505,129	63,821,811

(b) Movements in ordinary shares

	Date	No.	$
Opening balance		173,505,129	63,821,811
Shares issued for acquisition of exploration assets[1]	4 October 2022	21,505,376	18,064,515
Exercise of Options – exercise price $nil	19 April 2023	12,088	-
Exercise of Options – exercise price $nil	28 April 2023	12,088	-
Exercise of Options – exercise price $0.45	30 May 2023	1,426,738	642,032
Closing balance		196,461,419	82,528,358

1 *The fair value of shares issued for the acquisition of exploration assets was $18,064,515. Accounting Standards require a corresponding asset be recognised based on the value determined by the Independent Expert Report (as announced to the ASX on 26 August 2022) being $10,800,000 with the balance ($7,264,515) being expensed to the Statement of Profit or Loss and Other Comprehensive Income as a share-based payment (refer Note 22).*

(c) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Note 18 Reserves and accumulated losses

(a) Share-based payment reserve

	2023	2022
	$	$
Opening balance	963,446	473,792
Net movements in Options	318,100	489,654
Net movements in Performance Rights	925,000	-
Tax effect on share-based payments	-	-
Closing balance	2,206,546	963,446

Nature and purpose of share-based payment reserve

The share-based payment reserve is used to recognise the cumulative expense recognised in respect of Options and Performance Rights granted. Refer to Note 22 for further information.

(b) Accumulated losses

	2023	2022
	$	$
Opening balance	(15,139,922)	(8,492,425)
Loss for the year	(17,735,108)	(6,647,497)
Closing balance	(32,875,030)	(15,139,922)

Note 19 Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

Other Information

Note 20 Income tax and deferred tax

(a) Income tax expense

	2023	2022
	$	$
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2023	2022
	$	$
Loss before income tax expense	(17,735,108)	(6,647,497)
Tax at statutory tax rate of 25%	(4,433,778)	(1,661,874)
Effect of non-deductible expenses	2,128,112	123,865
Effect of changes in unrecognised temporary differences	(1,501,496)	(1,446,906)
Effect of unused tax losses not recognised as deferred tax asset	3,807,162	2,984,915
Income tax expense	-	-

(c) Unrecognised deferred tax balances

	2023 $	2022 $
Deferred tax assets comprise:		
Tax losses carried forward	8,907,527	4,977,305
Other deferred tax assets	443,710	532,670
	9,351,237	5,509,975
Deferred tax liabilities comprise:		
Exploration and evaluation	(2,578,829)	(1,298,119)
Other deferred tax liabilities	(107,063)	(96,868)
	(2,685,892)	(1,394,987)
Unrecognised deferred tax	6,665,345	4,114,988

At 30 June 2023, the Company had tax losses of $35,630,109 (2022: $19,909,220) which were not recognised as a deferred tax asset.

The benefit of these losses has not been brought to account at 30 June 2023 because the Directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time or that there are sufficient deferred tax liabilities to offset these losses. These tax losses are also subject to final determination by the taxation authorities when the Company derives taxable income. The benefits will only be realised if: a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised; b) The Company continues to comply with the conditions for the deductibility imposed by law; and c) No changes in the tax legislation adversely affect the Company in realising the benefit of the losses.

Note 21 Related party transactions

(a) Transactions with related parties

During the year the Company:

(i) incurred $59,442 (2022: $59,670) to lease an office from an entity controlled by Director, Ian Junk, on normal commercial terms and conditions and at market rates; and

(ii) 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 after completion of the transaction (4 October 2022). The acquisition included 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 Note 10).

(b) Outstanding balances with related parties

There are no outstanding balances with related parties during the year (2022: nil).

(c) Loans to related parties

There were no loans made to related parties during the year (2022: nil).

(d) Remuneration of key management personnel

The remuneration of key management personnel is set out below in aggregate for each of the categories. Further detailed information regarding individual key management personnel remuneration information is provided in the Remuneration Report.

	2023	2022
	$	**$**
Short-term employee benefits	940,863	629,766
Post-employment benefits	98,791	62,977
Share-based payments	779,984	433,085
Other benefits	2,091	-
	1,821,729	1,125,828

Note 22 Share-based payments

(a) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised in the Statement of Profit or Loss and Other Comprehensive Income during the year were recognised as follows:

	2023	2022
	$	**$**
Options	318,101	489,654
Performance Rights	925,000	-
Equity settled acquisition of nickel rights (refer Note 10)	7,264,515	-
	8,507,616	489,654

(b) Types of share-based payment plans

The Company operates two share-based payment plans:

(i) Incentive Option Plan

Key Management Personnel are entitled to participate in the Company's Incentive Option Plan, which is designed to give each option holder an interest in preserving and maximising shareholder value. Such grants are determined by an informal assessment of an individual's performance, level of responsibilities and the importance of his/her position and contribution to the Company. The vesting of the Options is determined at the Board's discretion.

(ii) Employee Awards Plan

A Short-term Incentive (STI) and Long-term Incentive (LTI) scheme under which employees, and subject to shareholder approval, the Managing Director may receive Performance Rights. Each performance right represents the right to subscribe for, for no consideration, one fully paid ordinary Lunnon Metals share. The vesting of the performance Rights (partially or wholly) is determined at the Board's discretion, based on the achievement of specified vesting criteria.

The Company's Employee Awards Plan (approved by shareholders on 15 November 2022) will govern the terms of the Performance Rights.

(c) Options

The following table summarises the number of and movements in, Options during the year:

	2023 Number	2022 Number
Balance at the beginning of the year	6,624,127	5,301,738
Options granted	-	1,322,389
Options exercised (i)	(1,450,914)	-
Options forfeited or cancelled	(48,352)	-
Balance at the end of the year (ii)	5,124,861	6,624,127

(i) Options exercised during the year

Number of Options exercised	Grant date	Vesting date	Exercise price	Proceeds from exercise of options
1,426,738	22/04/2021	22/04/2021	$0.45	$642,032
12,088	28/03/2022	29/03/2023	-	-
12,088	28/03/2022	29/03/2023	-	-
1,450,914				

(ii) Unissued ordinary shares of the Company under Options are:

Number of Options	Options plan	Grant date	Expiry date
3,875,000	Incentive Option Plan	23/03/2021	22/03/2026
216,965	Incentive Option Plan	25/10/2021	25/10/2026
61,500	Incentive Option Plan	16/11/2021	16/10/2026
21,396	Incentive Option Plan	28/03/2022	28/03/2027
950,000	Incentive Option Plan	27/09/2022	11/02/2026
5,124,861			

(d) Performance Rights

The following table summarises the number of and movements in, Performance Rights during the year:

	2023 Number	2022 Number
Balance at the beginning of the year	-	-
Performance Rights granted (i)	3,901,270	-
Performance Rights exercised	-	-
Performance Rights forfeited or cancelled	(86,209)	-
Balance at the end of the year (ii)	3,815,061	-

(i) Performance Rights granted during the year

Number of Performance Rights granted	Performance Rights plan	Fair value at grant date $	Grant date	Performance period end date
80,899	Onboarding	77,663	23/02/2023	31/12/2023
42,459	Onboarding	40,761	23/02/2023	31/12/2024
600,997	STI	576,957	23/02/2023	30/06/2024
600,992	LTI	497,230	23/02/2023	30/06/2026
937,681	STI	1,008,007	24/03/2023	30/06/2024
761,838	LTI	726,450	24/03/2023	30/06/2026
438,202	STI	460,112	30/03/2023	30/06/2024
438,202	LTI	401,524	30/03/2023	30/06/2026
3,901,270				

(ii) Unissued ordinary shares of the Company under Performance Rights are:

Number of Performance Rights outstanding No.	Incentive plan	Grant date	Performance period end date	Expiry date	Expensed to 30 June 2023 $	Remaining to be expensed over the vesting period $
80,899	Onboarding	23/02/2023	31/12/2023	31/12/2024	38,512	39,151
42,459	Onboarding	23/02/2023	31/12/2024	31/12/2025	10,093	30,668
600,997[1]	STI	23/02/2023	30/06/2024	31/12/2029	190,913	386,045
600,992[2]	LTI	23/02/2023	30/06/2026	31/12/2029	70,477	426,754
851,472	STI	24/03/2023	30/06/2024	31/12/2029	302,879	612,453
761,838	LTI	24/03/2023	30/06/2026	31/12/2029	102,966	623,484
438,202[1]	STI	30/03/2023	30/06/2024	31/12/2029	152,249	307,863
438,202[2]	LTI	30/03/2023	30/06/2026	31/12/2029	56,911	344,613
3,815,061					925,000	2,771,031

1 Represents STI Performance Rights issued to KMP. The number of STI Performance Rights that vest is based on a weighting of two components.

a. The first component comprises a Company performance measure (70% - 100% weighting), with the following performance hurdles:
   i. First time Proven and Probable Ore Reserve for Baker deposit (and any extensions) of 15kt contained nickel metal;
   ii. Finalise commercial terms for ore tolling and concentrate purchase agreement, and regulatory approval to commence development at Baker deposit;
   iii. Discovery of a new nickel deposit of any of the company's properties; and
   iv. Grant of regulatory approval of the Mining Proposal or plan for the Foster deposit including the dewatering programme.
b. The second component comprises an individual performance measure (0% - 30%), with performance hurdles set by the Board

2 Represents LTI Performance Rights issued to KMP. The number of LTI Performance Rights that vest is based on a weighting of three components.

a. Market based performance condition - absolute total shareholder return (35%)
b. Market based performance condition - relative total shareholder return (35%)
c. Non-market based performance conditions – strategic corporate metrics (30%)
   i. The Company achieving an annualised production rate of 10kt contained nickel metal in ore, over a period of at least a quarter; and
   ii. A total Mineral Resources >150 kt of contained nickel metal, after depletion, above a 1.0% Ni cut-off.

(iii) Fair value of Performance Rights granted

The fair value of Performance Rights allocated as part of the STIs are valued by multiplying the underlying market value at grant date of the ordinary shares over which they are granted. The fair value of Performance Rights allocated as part of the LTIs are valued using a Monte Carlo simulation for rights with market based vesting conditions and Black-Scholes pricing model for rights with non-market based vesting conditions.

The following table lists the inputs to the models used for Performance Rights granted as LTIs during the year ended 30 June 2023:

Granted 23 February 2023	STI[1]	LTI[2] Tranche A	LTI[2] Tranche B	LTI[1] Tranche C
Grant date	23/02/2023	23/02/2023	23/02/2023	23/02/2023
Underlying share price at measurement date	$0.960	$0.960	$0.960	$0.960
Exercise price	Nil	Nil	Nil	Nil
Vesting period (years)	1.50	3.50	3.50	3.50
Remaining vesting period (years) from grant date	1.35	3.35	3.35	3.35
Life remaining (years) from grant date	6.86	6.86	6.86	6.86
Volatility	80%	80%	80%	80%
Risk-free rate	3.610%	3.590%	3.590%	3.590%
Dividend yield	Nil	Nil	Nil	Nil
Valuation per Right	$0.960	$0.688	$0.853	$0.960
Granted 24 March 2023				
Grant date	24/03/2023	24/03/2023	24/03/2023	24/03/2023
Underlying share price at measurement date	$1.075	$1.075	$1.075	$1.075
Exercise price	Nil	Nil	Nil	Nil
Vesting period (years)	1.50	3.50	3.50	3.50
Remaining vesting period (years) from grant date	1.27	3.27	3.27	3.27
Life remaining (years) from grant date	6.78	6.78	6.78	6.78
Volatility	80%	80%	80%	80%
Risk-free rate	2.885%	2.845%	2.845%	2.845%
Dividend yield	Nil	Nil	Nil	Nil
Valuation per Right	$1.075	$0.789	$1.014	$1.075
Granted 30 March 2023				
Grant date	30/03/2023	30/03/2023	30/03/2023	30/03/2023
Underlying share price at measurement date	$1.050	$1.050	$1.050	$1.050
Exercise price	Nil	Nil	Nil	Nil
Vesting period (years)	1.50	3.50	3.50	3.50
Remaining vesting period (years) from grant date	1.25	3.25	3.25	3.25
Life remaining (years) from grant date	6.76	6.76	6.76	6.76
Volatility	80%	80%	80%	80%
Risk-free rate	3.005%	2.975%	2.975%	2.975%
Dividend yield	Nil	Nil	Nil	Nil
Valuation per Right	$1.050	$0.765	$0.953	$1.050

1 Performance Rights granted subject to non-market based performance conditions had their values calculated using a Black-Scholes pricing model

2 Performance Rights granted subject to market based performance conditions had their values calculated using a Monte Carlo simulation

(iv) Weighted average contractual life

The weighted average remaining contractual life for Performance Rights outstanding as at 30 June 2023 is 1.94 years (2022: nil).

(v) Weighted average fair value

The weighted average fair value of the Performance Rights granted during the year was $0.97 (2022: nil).

Note 23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, including any related practices.

	2023	2022
	$	$
Audit services	35,500	28,100
Non-audit services	-	-
Total remuneration of Armada Audit and Assurance Pty Ltd	35,500	28,100

The Company may engage Armada on assignments additional to their statutory audit duties where their expertise and experience with the Company are important.

Note 24 New standards and interpretations

The Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

New and revised Standards and amendments thereof and Interpretations effective for the current year that apply to the Company include:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (insofar as the Standard relates to editorial corrections that are effective for the current year)

The application of the amendments did not have a material impact on the Company's financial statements, therefore no material change is necessary to the Company's accounting policies.

At the date of authorisation of the financial statements, the Company has not early adopted the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Effective for the Company for the reporting period ended 30 June 2024

- Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2);
- Classification of Liabilities as Current or Non-current (Amendments to AASB 2020-1); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 2021-5)
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

Effective for the Company for the reporting period ended 30 June 2025

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections and AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

The Company is currently assessing the impact of these new accounting standards and amendments, the impact of which is not yet known.

Unrecognised items

Note 25 Contingencies

(a) Contingent liabilities

The Company has provided bank guarantees in favour of various service providers in respect to corporate credit facilities and leased premises at 30 June 2023 totalling $161,090 (2022: $50,000).

There were no other material contingent liabilities noted or provided for in the financial statements of the Company as at 30 June 2023.

Note 26 Commitments

(a) Exploration expenditure commitments

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

	2023	2022
	$	$
Within one year	652,120	340,390

Note 27 Significant events after balance date

Subsequent to reporting date

- On 17 August 2023, the Company announced a non-underwritten two-tranche placement to new and existing investors to raise up to approximately $18 million (before costs) (Placement) and a non-underwritten Share Purchase Plan (SPP) for eligible shareholders, seeking to raise up to a maximum of $2.5 million (before costs), both at an issue price of $0.90 per share.
- On 25 August 2023, the Company received $16,251,999 (after broker costs) in funds following completion of the first tranche of the Placement, and on 28 August 2023 issued 18,888,888 new ordinary fully paid shares to tranche one investors.
- On 18 September 2023, the Company announced the results of the SPP, with the issue on 20 September 2023 of 533,322 new shares, raising $479,990 (before costs). The second tranche of the Placement to issue 1,111,112 shares to St Ives (a wholly owned subsidiary of Gold Fields Limited) raising approximately 1 million (before costs) is subject to shareholder. Approval of shareholders will be sought at the Annual General Meeting in early November 2023. [Details of capital raise to be included.
- On 21 September 2023, the Company announced the Directors' subscription and allotment of Shares under the SPP at the issue price of $0.90 per Share. Mr Twigger received 33,333 Shares, Mr Ainscough received 33,333 Shares, Mr Junk received 33,333 Shares, Mr McDonald received 22,222 Shares and Ms Lord received 22,222 Shares.

No other matters or circumstances have arisen since 30 June 2023 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Edmund Ainscough
Managing Director

Perth, 21 September 2023

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

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Independent Auditor's Report
To the Members of Lunnon Metals Limited

Report on the Audit of the Financial report

Opinion

We have audited the financial report of Lunnon Metals Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Lunnon Metals Limited is in accordance with the *Corporation Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separated opinion on these matters.

Exploration and Evaluation Assets (Note 10)	Our procedures, amongst others, included:
At 30 June 2023, the Company's carrying value of exploration and evaluation assets was $33,587,059. The exploration and evaluation assets are required to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed their recoverable amount. Any impairment losses are then measured in accordance with AASB 136 *Impairment of Assets.* This area is a key audit matter as significant judgement is required in determining whether: Facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources.*	• On a sample basis we verified the capitalised exploration and evaluation costs to supporting documentation and we checked that the costs being capitalised met the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* • Confirming whether the rights to tenure for the areas of interest were current at the reporting date as well as confirming that the rights to tenure are expected to be renewed for tenements that will expire in the near future; • Obtaining evidence of the Company's plans to carry out exploration and evaluation activities in the relevant areas of interest. This included checking future budgeted exploration expenditure, reading board minutes and checking related exploration work programmes; • Assessing whether the Company has the ability to fund its planned exploration and evaluation activities; • Evaluating Company documents such as announcements made by the Company to the ASX, geologist reports, resource updates and board minutes to check whether exploration and evaluation activities in the relevant area of interest were unsuccessful.; and • Assessing the appropriateness of the accounting treatment and disclosure in terms of AASB 6.

T (08) 6165 4090 F (08) 6165 4067
A 18 Sangiorgio Court Osborne Park WA 6017
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E info@armada.com.au

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Key audit matter	How our audit addressed the key audit matter
Share Based Payments (Note 22) As disclosed in note 22 for the year ended 30 June 2023, the Company had recorded a share-based payments expense relating to performance rights and options granted to employees, directors and key management personnel. The fair value of options and performance rights are determined using option pricing models that take into account the exercise price, the term of the option, market performance conditions, 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. Furthermore, judgement has been exercised on the probability and timing of achieving milestones related to the options and performance rights. This area is a key audit matter as the valuation of share-based payments is subject to significant management estimates and judgements.	**Our procedures, amongst others, included**: • Verifying the key terms and conditions of the equity settled share-based payments including number of equity instruments granted, exercise price and vesting conditions to the relevant agreements, contracts and award letters; • Assessing the fair value of the share-based payments by testing the key inputs used in option pricing model. This included checking key assumptions including the share price on grant date, exercise price, option life, volatility and risk-free rate to supporting documentation and market information; • Checking the qualifications, expertise and independence of the independent expert in relation to the valuation of the performance rights. • Testing the accuracy of the share-based payments amortisation over the relevant vesting periods; • Assessing the Company's accounting treatment in accordance with AASB 2 *Share Based Payments*; and • Assessing the related financial statement disclosures relating to share based payments.

ARMADA
AUDITING

T (08) 6165 4090 F (08) 6165 4067
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Asset Acquisition (Note 10)	**Our procedures, amongst others, included**:
On 4 October 2022, the Company completed the acquisition of the St Ives Nickel 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 value of the exploration assets acquired was $11,958,812. This has been identified as a key audit matter due to the material nature of the transaction and significant judgement is required in determining the fair value of the asset acquisition.	• We obtained management's accounting treatment on the asset acquisition and we checked that the accounting treatment in accordance with the requirements of Australian Accounting Standards; • Reading the terms and conditions of the sale and purchase agreement and checking that the transaction constituted an asset acquisition.; • Checking that the transaction was accounted for as an equity settled share-based payment transaction as defined under AASB 2 as the Company has received an identifiable asset in exchange for its own equity instruments; • Verifying the consideration transferred by the Company to the agreement and to other supporting documentation. We checked the fair value of the consideration transferred by reference to the listing price of the Company's equity instruments on the date the Company obtained control of the identifiable asset; • Verifying the fair value of the identifiable asset (Nickel Rights) received by the Company to the independent expert's valuation report. We checked the independence, expertise and qualifications of the external expert in relation to the valuation of the acquired asset; and • Assessing the Company's disclosure in the annual report.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporation Act 2001* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, is the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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AUDITING

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 49 to 75 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Lunnon Metals Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Armada Audit & Assurance

ARMADA AUDIT & ASSURANCE PTY LTD

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Nigel Dias

Director

Dated 21 September 2023, Perth

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 31 August 2023.

The Company has three classes securities, bring ordinary fully paid shares, unquoted options and unquoted performance rights.

1. **Registered office and principal administrative office**
   The address of the registered office and principal administrative office is
   Suite 10, 33 Richardson Street
   West Perth, WA 6005.

2. **Register of securities are held at the following address:**
   Automic Pty Ltd
   191 St Georges Terrace
   Perth WA 6000

3. **Restricted securities**
   The Company has 21,505,376 ordinary shares under escrow until 4 October 2023.

4. **On-market buy back**
   There is no current on-market buy back.

5. **On-market purchases**
   No securities were purchased on market for the purposes of an employee incentive scheme or to satisfy the entitlements of Option or other Rights holders under an employee incentive scheme.

6. Shareholding

a. Distribution of equity securities

Analysis of numbers of Shareholders, Option holders and Performance Rights holders by size of holding:

Ordinary Shares

Category (size of holding)	Shareholders	Number of Shares	% Issued Share Capital
1 – 1,000	126	80,735	0.04%
1,001 – 5,000	268	696,422	0.32%
5,001 – 10,000	163	1,293,529	0.60%
10,001 – 100,000	579	22,670,469	10.53%
More than 100,000	146	190,609,152	88.51%
	1,282	215,350,307	100.00%

Options and Performance Rights

Category (size of holding)	Option holders	% Issued Options	Performance Rights holders	% Issued Performance Rights
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	3	5.85%	3	1.93%
More than 100,000	6	94.15%	9	98.07%
	9	100.00%	12	100.00%

b. Less than marketable parcels of shares

There were 9,230 shares held by 40 shareholders holding less than a marketable parcel of ordinary shares of $500 (based on the closing price of $0.895 on 31 August 2023).

c. Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

On a poll, each share will have one vote. On a show of hands, each member present in person or by proxy, will have one vote.

Options and Performance Rights

No voting rights.

d. 20 Largest shareholders – ordinary shares

Rank	Shareholder	Holding	% Held
1	St Ives Gold Mining Company Pty Limited	66,216,438	30.75%
2	Bolong (Australia) Investment Management Pty Ltd	18,289,426	8.49%
3	Citicorp Nominees Pty Limited	12,544,127	5.82%
4	Aurora Prospects Pty Ltd < The Aurora Family A/C>	9,678,565	4.49%
5	Mainglow Pty Ltd <Hedley Family No 1 A/C>	9,678,565	4.49%
6	UBS Nominees Pty Ltd	7,680,451	3.57%
7	Fan Rong Mineral Consulting Pty Ltd < Fan Rong Family A/C>	6,096,475	2.83%
8	Budworth Capital Pty Ltd <Rolling Hills Capital A/C>	3,443,173	1.60%
9	HSBC Custody Nominees (Australia) Limited	3,291,710	1.53%
10	Palm Beach Nominees Pty Limited	2,450,000	1.14%
11	National Nominees Limited	2,445,072	1.21%
12	BNP Paribas Nominees Pty Ltd <DRP>	2,423,918	1.13%
13	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	2,373,141	1.10%
14	BT Portfolio Services Limited <Warrell Holdings S/F A/C>	1,999,980	0.93%
15	Nub Holdings Pty Ltd <Nub Operating A/C>	1,629,742	0.76%
16	WSF Investments Pty Ltd <Williams Superannuation A/C>	1,450,000	0.67%
17	Zero Nominees Pty td	1,426,738	0.66%
18	Certane CT Pty Ltd <Argonaut Natural Res Fund>	1,279,343	0.59%
19	JP Morgan Nominees Australia Pty Limited	1,157,253	0.54%
20	Troca Enterprises Pty Ltd <Coulson Super Fund A/C>	1,125,550	0.52%
Total Top 20 Shareholders		**156,679,667**	**72.76%**
Balance of Share Register		**58,670,640**	**27.24%**
Total Share Register		**215,350,307**	**100%**

e. Substantial holders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) as disclosed in substantial holding notices given to the Company is set out below:

	Number of fully paid ordinary shares held	Percentage of shares
St Ives Gold Mining Company Pty Ltd	66,216,438	30.75%
Bolong (Australia) Investment Management Pty Ltd	18,289,426	9.38%
	84,505,864	43.34%

7. Company Secretary

The name of the Company Secretary is Hayden Bartrop.

8. Securities exchange listing

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange ('LM8').

9. Unquoted securities

a. Options

Terms	Number of Options	Number of holders
Expiry 22/03/2026 *Exercise Price $0.05*	3,875,000	3
Expiry 25/10/2026 Exercise Price $0.00	216,965	2
Expiry 16/10/2026 Exercise Price $0.00	61,500	1
Expiry 11/02/2026 Exercise Price $1.18	950,000	2
Expiry 28/03/2027 Exercise Price $0.00	21,396	1
	5,124,861	

b. Performance Rights

Class	Number of Performance Rights	Number of holders
Onboarding Performance Rights	123,358	1
Short Term Incentive Plan – Performance period ending June 24	1,890,671	16
Long Term Incentive Plan – Performance period ending June 26	1,801,032	9
	3,815,061	

10. Unquoted securities holdings greater than 20%

All unquoted securities were issued under an employee incentive scheme.

11. Use of funds

Pursuant to ASX Listing Rule 4.10.9, the Company believes it used the cash that it had at the time of admission in a way that was broadly consistent with its business objectives for the period 16 June 2021 to 30 June 2023.

The Company exceeded the "Exploration at the Kambalda Nickel Project – nickel" and "Corporate, administration and working capital" expense categories reported in the "Use of Funds" statement in its Initial Public Offer Prospectus dated 22 April 2021. As at 30 June 2023, total project to date drill metres stands at just over 60,800m, some 217% more metres than the original plan of 28,000m presented in the Company's June 2021 Prospectus. The outperformance was largely due to the discovery of the Baker Shoot in January 2022 and the subsequent additional $30 million capital raising completed in April 2022. As a direct consequence, the relevant site exploration and administration (staffing) levels are, and will likely continue to be, higher than originally planned in light of this success at Baker, the addition of new nickel rights acquired from St Ives at Silver Lake-Fisher and the funding available post April 2022, which are all material events not contemplated and/or provided for in the budget at the time of listing. The success of nickel exploration, in particular the discovery of the Baker Shoot, resulted in a re-allocation of funds to nickel exploration from gold targeted exploration.

TENEMENTS SCHEDULE

Baker and Foster Area*

Tenement	Location	Interest as at 30 June 2023
M15/1546	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1548	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1549	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1550	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1551	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1553	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1556	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1557	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1559	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1568	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1570	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1571	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1572	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1573	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1575	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1576	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1577	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1590	Kambalda district, Western Australia	100% legal & beneficial interest
M15/1592	Kambalda district, Western Australia	100% legal & beneficial interest

* St Ives retains rights to explore for and mine gold in the "Excluded Areas" on the Tenements as defined in the agreements between Lunnon Metals and St Ives, and on the remaining area of the tenements, select rights to gold in limited circumstances.

TENEMENTS SCHEDULE (CONTINUED)

Fisher and Silver Lake+

Tenement	Location	Interest at beginning of quarter+
ML15/0142	Kambalda district, Western Australia	Beneficial: Fisher mine portal. Access rights only – nickel rights held by BHP Nickel West Pty Ltd.
M15/1497	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1498	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1499	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from 100 m ASL.
M15/1505	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1506	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1507	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from 150 m ASL.
M15/1511	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1512*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from sea level.
M15/1513*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from -150 m ASL (~425 m depth).
M15/1515*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1516*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1523	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from -250 m ASL (~540 m depth).
M15/1524	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from -250 m ASL (~540 m depth).
M15/1525	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from -250 m ASL (~540 m depth).
M15/1526*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from -250 m ASL (~540 m depth).
M15/1528	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1529*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1530	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.
M15/1531*	Kambalda district, Western Australia	Beneficial: 100% of nickel rights from surface.

+ St Ives holds the legal interest and retains the rights to all minerals except to nickel or to the extent minerals occur in conjunction with nickel mineralisation or nickel bearing ore but excluding gold, subject to any depth limitations as noted above.

* Denotes portion of tenement excluded from Mineral Rights Agreement.

ASL – denotes above sea level. Surface elevations generally range from 290 m ASL to 300 m ASL for the tenements where the rights are from surface.

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