



Lunnon Metals Ltd (LM8.ASX)

Growing Resource In The Heart of Kambalda

Event:

- Research initiation.

Investment Highlights:

- **Lunnon Metals (LM8)** is a nickel explorer with its flagship Kambalda Nickel Project (KNP) in Kambalda, in the heart of nickel production, highly prized among addresses for nickel tenements.
- **High grade, shallow resource foundation for building out resource:** existing JORC Resource at KNP is high grade and shallow with 39kt contained nickel at 3.2% Ni, as well as an additional historical resource of 32kt. Recent Baker deposit discovery shows early promise after returning rounds of high grade hits at economic widths, while the broader Cooe area – which includes Baker – has an exploration target of 500-750kt at 1.25% to 2.5% Ni.
- **Further exploration at a range of targets on granted MLs:** extensive 2022 program includes further testing of a number of targets at KNP including East & West Troughs, Jan Deeps, Warren, and N75C in the Foster Main deposit, plus WA EIS grant target Kenilworth.
- **Existing infrastructure including noted concentrator access:** KNP's Foster mine at its peak was historically feed for up to a quarter of Nickel West concentrator, only 20km by road. Existing development including existing mine infrastructure means low mooted capex of \$35M to restart operations once company can prove up a sizeable resource.
- **Future facing metal, potential supply from Tier 1 mining jurisdiction, with strong governance and provenance credentials:** nickel metal firmly in the spotlight, and order is now returning to the nickel market, with recent machinations underscoring the importance of supply from a well credentialed jurisdiction with leading governance. Both EV battery demand and green demand are well documented and nickel stands to be a substantial beneficiary of global electrification trend with sulphide sourced nickel especially attractive.
- **Cash of \$9M at December 2021 end with no debt.** Funded for continued drilling with a view to update resource estimate at KNP.

Earnings and Valuation:

- **We value LM8 at \$1.50/share**, with NPV₈ (real) of \$252M for KNP based on our notional model assuming conversion of historical resource. We also factor in exploration upside, with early results from Baker discovery extremely promising.
- We note **upside potential to our valuation** from updated resource, development studies, risk discount unwind, sustained strong nickel prices.

Recommendation:

- We initiate with a **Speculative Buy recommendation for LM8 with a PT of \$1.50/share**, in line with our valuation: building an inventory of future facing metal, with existing development drives, thirsty nearby concentrator, and light touch restart capital, boosted by sulphide demand from electrification trend.
- **Catalysts for the stock** include: 1) further drilling and assay results at LM8's Kambalda Nickel Project at a number of targets with a focus on Baker, Warren, and Foster; 2) resource and reserve update for KNP; 3) development studies; 4) permitting and approvals.

Disclosure

The analyst does not own LM8 securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own LM8 securities. Cranport Pty Ltd owns 50,641 LM8 shares. Refer to end of report for details.

Recommendation	Spec Buy
Previous	N/A
Risk	High
Price Target	\$1.50
Previous	N/A
Share Price (A\$)	\$0.87
ASX Code	LM8
52 week low - high (A\$)	0.30-1.05
Capital structure	
Shares on Issue (M)	141.2
Market Cap (A\$M)	123
Net Cash/(Debt) (A\$M)	9
EV (A\$M)	114
12mth Av Daily Volume ('000)	331

Board

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

Major Shareholders

Gold Fields Ltd	31.7%
Long Fort LLC	8.6%

Share Price Graph



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