



CYCLONE METALS LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
for the Half-Year Ended
31 December 2024

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cyclonemetals.com

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FORWARD LOOKING STATEMENTS

This Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Group or not currently considered material by the Group.

CORPORATE DIRECTORY

Directors

Mr Tony Sage – Non-Executive Chairman
Mr Paul Berend – Executive Director and CEO
Mr Tim Turner - Non-Executive Director
Mr Luke Martino – Non-Executive Director
Mr David Sanders – Non-Executive Director

Company Secretaries

Ms Melissa Chapman
Ms Catherine Grant-Edwards

Stock Exchange Listing

Australian Securities Exchange (ASX code: CLE)
Frankfurt Stock Exchange (FRA: HM5)

Website

www.cyclonemetals.com

Country of Incorporation

Australia

Registered Address

32 Harrogate Street
West Leederville, WA 6007
Australia
Tel: +61 8 9380 9555

Bankers

National Australia Bank
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Perth, WA 6000

Auditors

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Share Registry

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DIRECTORS' REPORT

Your directors submit the financial report of Cyclone Metals Limited (**Cyclone** or **Company**) and its controlled entities (together the **Consolidated Entity**) for the half-year ended 31 December 2024.

DIRECTORS

The names of directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Tony Sage
Paul Berend
Timothy Turner
Luke Martino (appointed 23 July 2024)
David Sanders (appointed 19 July 2024)

COMPANY SECRETARIES

Melissa Chapman
Catherine Grant-Edwards

REVIEW OF RESULTS AND OPERATIONS

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and development. There were no significant changes in the nature of the principal activity during the half-year.

REVIEW OF OPERATIONS

FLAGSHIP PROJECT

IRON BEAR IRON ORE PROJECT

The Iron Bear iron ore project (previous referred to as Block 103 project) is located in the iron ore producing Labrador Trough in Canada, near the iron ore mining town of Schefferville and is less than 25km from an open access heavy haul railway directly connected to the Port Sept Isles iron ore export facilities (refer Figure 1).



Figure 1 - Location of Project Iron Bear

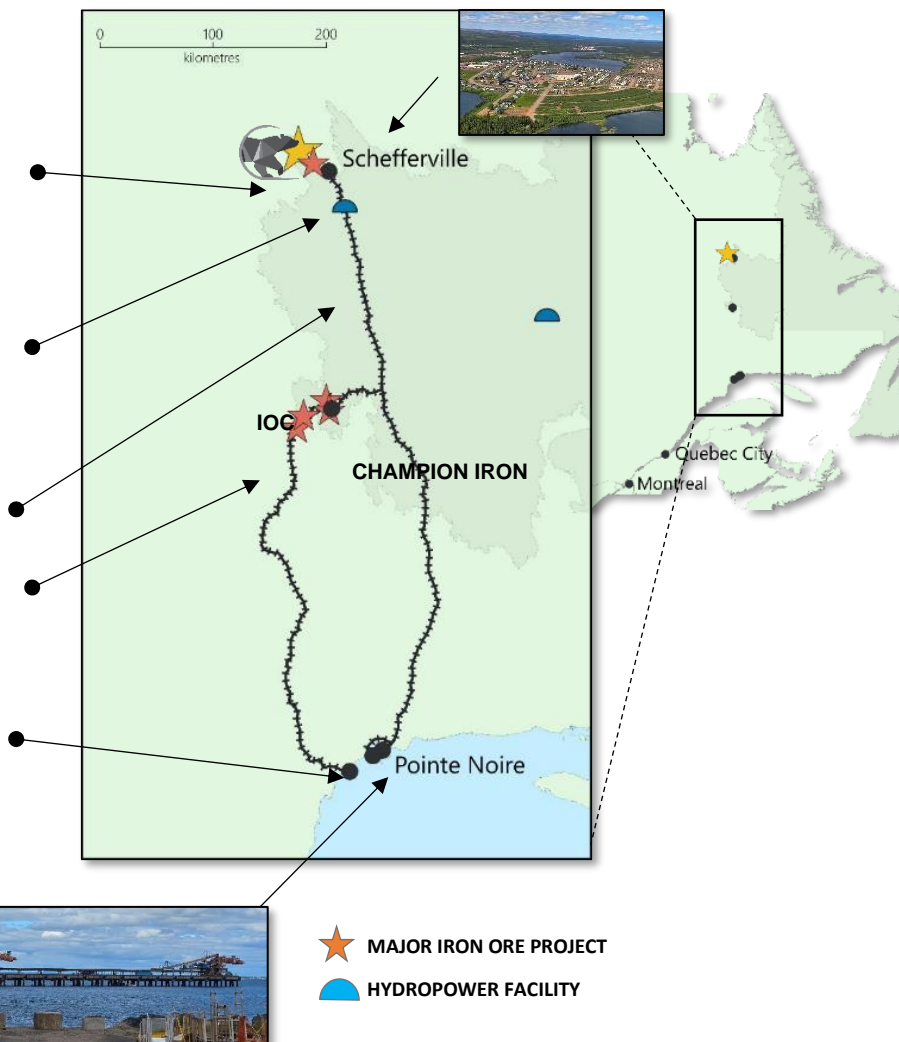
DIRECTORS' REPORT

IRON BEAR PROJECT HIGHLIGHTS (as of the date of this report)

- 1 **Asset location in Canada**, less than 25km from an **open access heavy haul railway** connected to an **open access iron ore export port**
- 2 **World class 100% owned** iron ore Mineral Resource of **16.6 billion tonnes @ 29.3 Fe%** (inferred 14.51 billion tonnes and indicated 2.15 billion tonnes JORC 1012 compliance) (refer ASX announcement 11 April 2024)
- 3 **Pilot Plant** production of **high quality DR grade concentrate grading 71.3% Fe and 1.1% SiO₂** with high yields due to an exceptional low impurity ore body (refer ASX announcement 23 April 2024)
- 4 **Production of strategic low carbon DR pellets** with excellent physical and metallisation properties and ultra-low deleterious elements (refer ASX announcement 12 October 2024)
- 5 Rapid project development plan with **bulk samples of DR and BF concentrates** available for steel mill clients in Q1 2025 and **DR and BF pellets** in Q2 2025
- 6 Cyclone's development plan has focused on the execution of the **development agreement with Vale SA**, in order to **bring the Iron Bear project to Decision to Mine** (refer ASX announcement 17 February 2025)

ACCESS AND INFRASTRUCTURE

- ✓ Schefferville is located 25km away from Iron Bear with good infrastructure including direct flights to Sept Iles and is connected by road to Iron Bear
- ✓ Menihék has the potential to provide low-cost hydropower and is 70km from Iron Bear
- ✓ Open access heavy haul rail is available 25km away and is directly connected to Sept-Iles and Pointe Noire
- ✓ Champion Iron, IOC (Rio Tinto), Arcelor Mittal and Tata Steel are the major producers in the region
- ✓ Pointe Noire port is open access with extensive Iron Ore exports facilities suitable for Capesize vessels

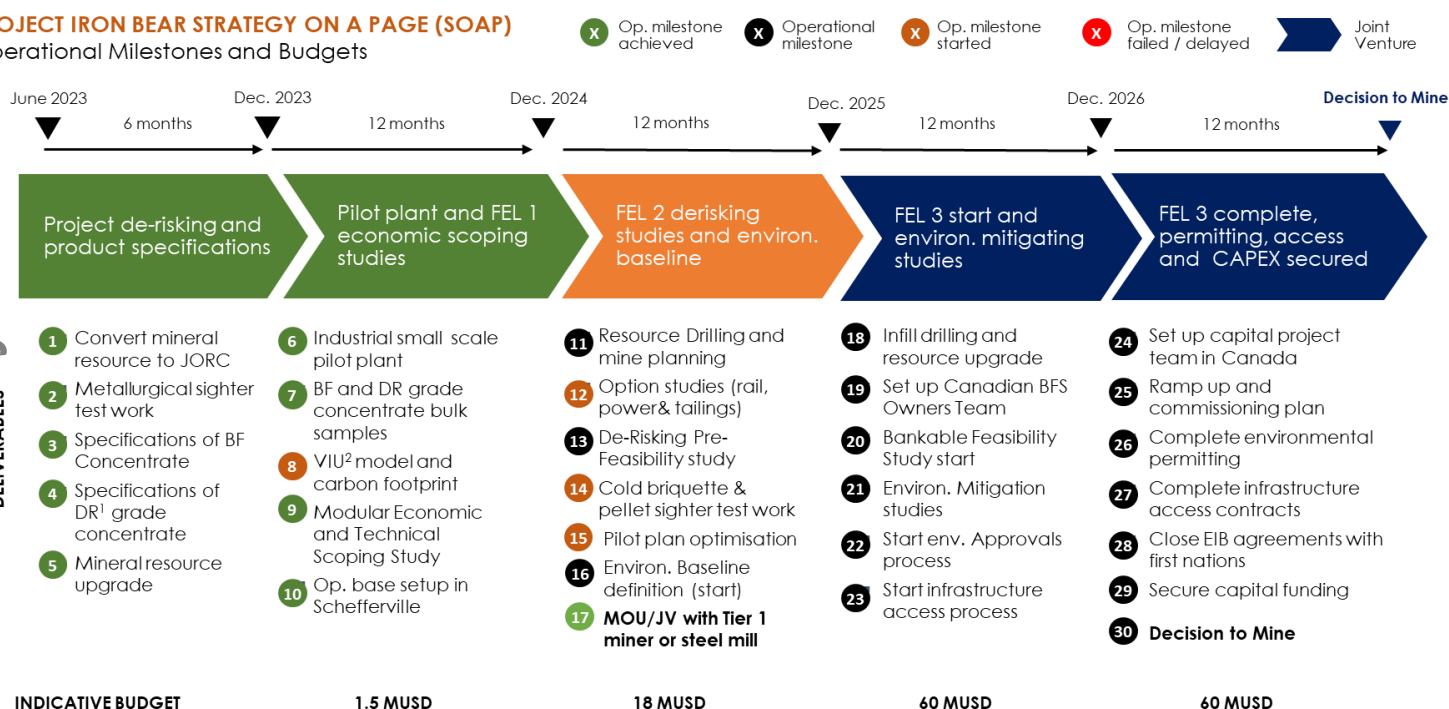


DIRECTORS' REPORT

IRON BEAR STRATEGIC DEVELOPMENT PLAN

The Iron Bear Leadership team is rolling out an actionable development plan for the Iron Bear Asset with clear milestones and accountabilities summarised below (figure 2):

PROJECT IRON BEAR STRATEGY ON A PAGE (SOAP)
Operational Milestones and Budgets



1: DR = Direct Reduction refers to the production of high purity magnetite concentrates necessary for Direct Reduction steel processing critical for low carbon steel production
 2: VIU = Value in Use which corresponds to modelling economic value of concentrate / pellet for steel mill including carbon footprint
 3: Decision to Mine

Figure 2: Project Iron Bear Strategic Plan

The Iron Bear Strategy was first communicated to shareholders in June 2023. Subsequently, key operational milestones have been delivered within the announced timeframes and budgets. Two significant achievements in the half year ended 31 December 2024 were:

- The successful production of bulk samples of ultra-high-quality magnetite concentrates with high yields
- The signing of a strategic MOU with Vale S.A. in November 2024, with the execution of binding agreements subsequent to the period end, which represents the achievement of milestone 17 in establishing a partnership with a Tier 1 miner

The Vale partnership provides a clear pathway to Decision To Mine through a structured two-phase investment approach, with Vale contributing up to USD 18 million in Phase 1 and potentially increasing their ownership to 75% through Phase 2. This partnership validates the Company's strategy and positions Iron Bear for development as a large-scale, world-class mining operation.

Moving forward, the focus will be on commencing the Phase 1 work program, which includes preliminary feasibility studies, mineral resource drilling, and environmental baseline studies.

DIRECTORS' REPORT

KEY OPERATIONAL ACHIEVEMENTS FOR HALF YEAR ENDING 31 DECEMBER 2024

The key activities relating directly to Iron Bear carried out during the half year ended 31 December 2024 included:

1. MOU between Vale and Cyclone for the development of the Iron Bear project

In November 2024, Cyclone achieved a significant milestone by signing a Memorandum of Understanding (MoU) with Vale S.A. ("Vale") regarding the development of the Iron Bear iron ore project. This MoU outlines a strategic partnership pathway aimed at advancing the Iron Bear project to Decision to Mine (DTM).

The MoU defines a two-phased investment:

Phase 1: De-risking Studies

Vale will contribute up to USD 18 million to fund Iron Bear development activities, including:

- Preliminary feasibility study
- Mineral resource drilling
- Environmental baseline studies

Phase 1 will be deemed complete when the full contribution has been received or when the work program has been substantially completed. Vale can withdraw after the completion of Phase 1 without earning an interest in the project.

Phase 2: Feasibility Study and DTM

Upon completion of Phase 1, Vale may elect to form a corporate Joint Venture with Cyclone, in which Vale will initially earn a 30% equity interest in the Iron Bear JV. Vale's ownership will increase to 75% when either:

- Vale takes Decision to Mine (DTM), or
- Vale's total contribution reaches USD 120 million

The MoU includes provisions for Vale to potentially achieve full control at DTM through either:

- Acquiring Cyclone's remaining 25% JV equity interest at fair market value (subject to shareholder approval), or
- Loan carrying Cyclone's share of CAPEX to be repaid from future operating profits

The MoU establishes a 90-day exclusivity period during which Cyclone will not enter into commercial discussions with other parties regarding the Iron Bear Project. Subsequent to the period end on 17 February 2025, Cyclone announced that binding formal agreements had been executed with Vale within this 90-day period.

This partnership with Vale represents a significant step forward in the development of Iron Bear, bringing together Vale's extensive operational experience in iron ore mining and processing with Cyclone's strategic asset base.

2. Pellet Production in Pilot Plant AT COREM, Quebec

During the period, Cyclone commenced a pilot production run of Direct Reduction (**DR**) grade pellets at COREM's facility in Quebec City. The production program was designed to produce pellets using Iron Bear Direct Reduction concentrate as a feed, and then to evaluate the metallisation and physical properties of the produced pellets.

The pilot plant testing program evaluated four distinct chemical compositions for the DR pellets, combining Iron Bear DR concentrate with varying proportions of bentonite and limestone. The pellet production process is based on two-stage approach: initial green ball formation utilising rotating disk/cylinder technology, followed by firing in a pot grate furnace with controlled heated air flow.

DR pellets are required for low-carbon steel production through the DRI (Direct Reduced Iron) process. The DRI steel making process uses natural gas as a reductant rather than coal. Typically, DRI steel making produces only half the carbon footprint of coal-based steel making processes (Blast Furnaces) which represent approximately 70% of all steel production worldwide. For this reason, there are a large number of DRI-EAF steel making units being built in locations where natural gas is available.

DIRECTORS' REPORT

Global DRI-EAF steel based production reached 136 Mt in 2023, with industry projections indicating additional Direct Reduction Steel capacity of over 100 Mta by 2030. This expansion is expected to require an additional 148 Mta of direct reduction pellets by 2030, driven by the implementation of carbon reduction policies, particularly the Carbon Border Adjustment Mechanism (CBAM) in Europe between 2026 and 2035.

The current market environment for DR pellets presents an opportunity for the Company, with typical market premiums of USD 56/t versus the 62% Fe reference index, against typical pelletising conversion costs of approximately USD 15/t. The ongoing test work positions Cyclone to potentially join an exclusive group of global DR pellet producers, which currently includes only four major players in the seaborne market: Vale, IOC, LKAB, and Samarco.

In October 2024, the Company announced the completion of the pilot production work for direct reduction pellets at COREM's facility in Quebec. These pellets are the necessary feed for direct reduction-based steel production, and achieved world class specifications, grading 67.5% Fe, 1.6% SiO₂, 0.12% MgO, 0.65% CaO with ultra-low levels of deleterious elements.

The product demonstrated world class reduction and metallisation properties (Linder 1.0, R180 metallisation 99.1%) and excellent physical properties (CCS 438-486 kg/pellet).

The Company has now started small scale industrial production focusing on three main deliverables:

- Processing of 18 tons of run of mine sediment collected and ready for processing in the Iron Bear pilot plant located at COREM in Quebec City
- Iron Bear DR concentrate target grading 71% Fe and 1.1% silica
- Iron Bear DR pellets at ~1.5% SiO₂ and Iron Bear Blast Furnace pellets, containing 3.5% to 4.0% SiO₂.



Figure 3: Pellets after Linder metallisation / reduction

3. Field Geological Surveys

During the period, Cyclone executed two comprehensive field geological surveys. These surveys built upon the desktop studies completed by Resource Potentials Pty Ltd and Burnt Shirt Pty Ltd, providing physical validation of previously identified geophysical targets.

The field program resulted in the identification of multiple outcrops corresponding to previously detected magnetic and gravity highs. Of particular interest was the extensive magnetite outcrops outside the current Inferred and Indicated Mineral Resource region.

Rock chip samples from these newly identified outcrops have been collected and dispatched to COREM for detailed mineralogical and sighter test work. Results from this analysis will guide the prioritisation of future exploration targets.

These surveys will be used to fine tune drilling targets for 2025.

DIRECTORS' REPORT

4. Core Sample Selection for Phase 4 Metallurgical Test Work

The Company has successfully completed the selection and transportation of 18 tonnes of drill cores to COREM's facility in Quebec City for Phase 4 of the metallurgical test work program. The samples have been carefully selected to represent the full life of mine profile.

The Phase 4 program has been designed to refine the parameters of the pilot plant produce additional bulk samples of BF and DR concentrate. This material will generate bulk samples of 200-400kg for potential steel client testing, supporting product validation processes with prospective customers.

The Company plans to produce bulk samples of DR pellets for evaluation by potential customers, particularly targeting low carbon steel production applications for European steel makers addressing CBAM requirements. This testing program may form the basis for future off-take agreement discussions, which could commence by Q3 2025. Portions of the current test work will inform the pre-feasibility study/FEL2 for the proposed pellet plant(s).

5. Government and stakeholders' engagement

In November 2024, Cyclone's management team attended the annual Mineral Resources Review (MRR) Conference in St. John's, Newfoundland and Labrador. The MRR Conference is the province's premier minerals industry event, bringing together mining companies, government officials, service providers, and other stakeholders in the region's mining sector.

The Company utilised this strategic opportunity to:

- Hold meetings with key provincial government departments, including the Department of Industry, Energy and Technology, and the Department of Environment and Climate Change
- Engage with potential contractors and service providers for the planned 2025 work programs at Iron Bear;
- Network with other mining companies operating in the Labrador Trough region

These meetings were particularly timely given the recent Vale S.A. partnership announcement and will help facilitate the efficient execution of planned work programs in 2025. The conference also provided valuable insights into the provincial government's support for sustainable mining development in the Labrador region.

DIRECTORS' REPORT

OTHER PROJECT AND INVESTMENTS

GRAND PORT

Grand Port Resources Pty Ltd (**Grand Port**) and its wholly owned subsidiaries holds 6 projects over a diversified portfolio of gold, copper, nickel and PGE assets in New Zealand, with locations shown in Figure 4:



Figure 4: Location of Grand Port Projects

The Company remains committed to maintaining the Grand Port gold projects in good standing and is exploring other opportunities to develop the project and add value to this valuation exploration asset.

NICKOL RIVER GOLD PROJECT

The Nickol River Project (**NRP**) comprises seven granted Mining Leases (M47/87, M47/127, M47/401, M47/421, M47/435, M47/455, M47/577), two Prospecting Licences (P47/1524, P47/1812) and five Miscellaneous Licences (L47/686, L47/687, L47/688, L47/689, L47/565 (application)).

During the period, field reconnaissance was completed. The Company continues to investigate options regarding the divestment or joint venture of this project.

WEE MACGREGOR PROJECT

Cyclone holds a 20% interest in the Wee MacGregor project which comprises three granted mining licences, ML 2504, ML 2773 and ML 90098. These licences are located approximately 60km southeast of Mt Isa. The Wee Macgregor project (licence ML 2504) has an Inferred Resource of 1.65Mt @ 1.6% Copper and an Exploration Target of between 1.0 – 1.5Mt @ 2.3 – 3.7% Cu.

DIRECTORS' REPORT

Cohiba Minerals Limited (Cohiba), through wholly owned subsidiary Cobalt X Pty Ltd, has earned an 80% interest in mining licences ML 2504, ML 2773 and ML 90098 under a Farm-in agreement with Cyclone. The Company retains a 20% interest in the mining licences and a pre-emptive right over the remaining 80%.

The Lady Ethleen tenement (ML 2771) has been 100% retained by Cyclone (**Lady Ethleen**). The Lady Ethleen tenement has been utilized for a trial mining and processing exercise using a newly developed green leach process known as GlyLeach TM (refer ASX announcement 4 October 2020).

During the period, Altair Minerals Ltd (**Altair**) (ASX: ALR) completed a surface sampling program at Wee Macgregor. Altair announcements "Surface sampling returns exceptional grades of near surface copper and gold at Wee MacGregor demonstrating extension to mineralisation potential and lays the foundation for follow up work programs", and "Exceptionally wide continuous channel sample of 44m at 1.2% Copper" (refer ALR ASX announcement 17 September 2024 for full details).

COMPETENT PERSONS STATEMENT

Metallurgy and processing information has been reviewed and compiled by Paul Vermeulen MAusIMM, Member Association of Iron and Steel Technology (MAIST), a Director of Vulcan Technologies Pty Ltd, who has sufficient experience which is relevant to the method of processing under consideration 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 Vermeulen consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

Vulcan Technologies has assisted CLE in its development of the Iron Bear Project, Vulcan Technologies indirectly holds an interest in CLE, including Performance Rights. Mr Vermeulen has assumed Competent Person responsibility due to his familiarity with the Project.

The Competent Person for the 2024 Mineral Resource estimate is Mr Jeremy Peters FAusIMM CP (Geo, Min), a Director of Burnt Shirt Pty Ltd. The Mineral Resource estimate is stated in accordance with the provisions of the JORC Code (2012). Mr Peters has more than five years' experience in the estimation and reporting of Mineral Resources for iron mineralisation in Australia and overseas, to qualify as a Competent Person as defined in the JORC Code. Mr Peters consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

Burnt Shirt has assisted CLE in its development of the Iron Bear Project, Burnt Shirt indirectly holds an interest CLE, including Performance Rights.. Mr Peters has assumed Competent Person responsibility due to his familiarity with the Project.

The Information in this report that relates to New Zealand Exploration Results is based on information compiled by Mr Allan Younger, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Younger is a consultant to the company and holds shares in Cyclone Metals Ltd. Mr Younger has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Younger consents to the inclusion of this information in the form and context in which it appears in this report.

CORPORATE

A summary of the most significant transactions is set out below:

Board Changes

On 19 July 2024, the Company announced the appointment of Mr David Sanders as Non-Executive Director of the Company with effect from 19 July 2024. In addition, Mr Luke Martino was appointed as Non-Executive Director the Company with effect from 23 July 2024 and Mr Tony Sage transitioned from Executive Chairman to Non-Executive Chairman effective 1 November 2024.

DIRECTORS' REPORT

Shareholder Meetings

On 31 October 2024, the Company held its annual general meeting (**AGM**) of shareholders. All resolutions were carried at the AGM.

On 27 November 2024, the Company held a general meeting (**GM**) of shareholders. All resolutions were carried at the GM.

Consolidation

On 7 November 2024, the Company advised that the consolidation of issued capital on a basis that every 20 shares be consolidated into 1 Share and every 20 options be consolidated into 1 option as approved at the AGM held on 31 October 2024 had been successfully completed (**Consolidation**). Post-consolidation trading commenced on 13 November 2024. All references to securities in this report are on a post-Consolidation basis.

The Consolidation was implemented to create a more efficient capital structure and appropriate share price trading range for a broader range of investors.

Placement

On 19 July 2024, the Company announced that it had received firm commitments to raise \$1,874,234 (before costs) via the issue of 2,267,792,891 fully paid ordinary shares in the Company (**Placement Shares**) at an issue price of 0.08 cents per share (on a pre Consolidation basis) together with one free attaching unlisted option (exercise price 0.16 cents each, expiring 30 November 2028) for every two shares issued (**Placement Options**) (**Placement**).

On 30 July 2024, the Company completed tranche 1 of the Placement through the issue of 2,267,792,891 fully paid ordinary shares to raise funds of \$1,814,234.

On 1 November 2024, the Company completed tranche 2 of the Placement through the issue of 75,000,000 fully paid ordinary shares to Directors of the Company who supported the Placement to raise funds of \$60,000 following receipt of shareholder approval at the AGM. On the same day, the Company also issued 1,133,896,446 Placement Options to participants of the Placement.

RM Corporate Finance Pty Ltd (**RM Corporate Finance**) acted as Lead Manager for the Placement. On 1 November 2024, RM Corporate Finance was issued 1,200,000,000 unlisted options on a pre-consolidation basis (60,000,000 on a post consolidation basis) at an issue price of \$0.00000001, on the same terms as the Placement Options, and was issued 139,067,575 fully paid ordinary shares for the Placement fee which was settled through the issue of shares.

Rights Issue

On 18 November 2024, the Company announced the terms of the pro-rata non-renounceable entitlement offer (the **Rights Offer**). Under the Rights Offer, eligible shareholders were offered to apply for one (1) fully paid ordinary Cyclone share for every two (2) fully paid ordinary Cyclone shares held as at the record date, at a price of 1.6 cents per share on a post Consolidation basis. RM Corporate Finance acted as Lead Manager for the Rights Offer and in addition the Rights Offer was fully underwritten by RM Corporate Finance.

On 6 December 2024, the Company issued 223,423,360 fully paid ordinary shares in respect to valid applications received from eligible shareholders under the Rights Offer, raising \$3,574,774.

On 13 December 2024, the Company issued 123,722,855 fully paid ordinary shares in respect to the shortfall shares under the Rights Offer which were placed by RM Corporate Finance in accordance with the terms of the underwriting agreement previously entered into, raising an additional \$1,979,566.

On 13 December 2024, RM Corporate Finance was issued 1,875,000 fully paid ordinary shares (on a post consolidation basis) representing the Rights Offer fee, and 20,846,256 fully paid ordinary shares for the Rights Offer underwriting fee, both which were settled through the issue of shares. On the same day, RM Corporate Finance were issued with 132,000,000 unlisted options (\$0.032 each expiring 30 November 2028) at an issue price of \$0.00000001 per option.

DIRECTORS' REPORT

Total funds received pursuant to the Rights Offer totalled \$5,554,339. The funds raised through the Rights Offer are being used to repay the loans totalling \$2,370,986 to European Lithium Limited (refer below), advance the Iron Bear Project development activities, and for general working capital purposes. The successful completion of the Rights Offer positions the Company well for its next phase of growth, particularly in respect to the development of the Iron Bear Project.

Loan Repayment

On 14 September 2023, the Company entered into a loan agreement and received funds of \$200,000 from European Lithium Ltd (ASX: EUR) (**Initial Loan**). The Initial Loan was secured over 25,000,000 unencumbered shares held by the Company in CuFe Limited (ASX: CUF), was repayable on 31 December 2024 and accrued interest of 7.5% per annum.

On 12 March 2024, the Company entered into a further loan agreement with EUR and was advanced funds of \$2,000,000 (**Subsequent Loan**). The Subsequent Loan was secured over the Company's Iron Bear Project, was repayable on 31 December 2024 and accrued interest of 10.0% per annum.

During the period, a total of \$2,370,986 was repaid to EUR comprising principal of \$2,200,000 and accrued interest of \$170,986 in respect to the Initial Loan and Subsequent Loan. As at 31 December 2024, both the Initial Loan and Subsequent Loan to EUR had been repaid in full with the security previously held by EUR relinquished.

Convertible Note

On 4 July 2024, the Company announced that it had entered into a convertible note agreement with its largest shareholder European Lithium Ltd (ASX: EUR) for \$350,000 (**Convertible Note**). The Convertible Note incurred an interest rate of 10% per annum, had a repayment date of 31 December 2024 and subject to receipt of shareholder approval by no later than 30 November 2024, EUR will have the right to convert the convertible loan note and associated capitalised interest into new ordinary shares, at a conversion price of \$0.0008 per share. Shareholder approval for this transaction was received at the AGM and the Company subsequently issued 451,763,699 shares to EUR on 1 November 2024 to extinguish the Convertible Note in full.

Conversion of Debt

During the period, the Company entered into an agreement with Okewood Pty Ltd (**Okewood**), a related party to Non-Executive Chairman Tony Sage, to convert \$394,166 of debt into equity. Shareholder approval for this transaction was received at the AGM and the Company subsequently issued 492,708,250 shares to Okewood on 1 November 2024.

Other Securities Movements

On 18 October 2024, a total of 100,000,000 unlisted options exercisable at \$0.002 (on a pre-Consolidation basis) each expired.

On 5 December 2024, a total of 26,000,000 unlisted options exercisable at \$0.06 each (on a post-Consolidation basis) each expired.

On 13 December 2024, the Company issued 132,000,000 unlisted options (\$0.032 each expiring 30 November 2028) to Directors and Consultants of the Company following receipt of approval at the GM.

Result

The Consolidated Entity made a loss after income tax for the half-year ended 31 December 2024 of \$5,059,216 (31 December 2023: loss of \$901,176). Included in this amount is \$2,041,822 (31 December 2023: \$398,590) share based payments and \$1,340,990 (31 December 2023: \$557,214 gain) on fair value loss of financial assets through profit and loss.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under *section 307C* of the *Corporations Act 2001* is set out on page 13 for the half-year ended 31 December 2024.

This report is signed in accordance with a resolution of the Board of Directors.



Tony Sage
Non-Executive Chairman

Dated this 13th day of March 2025

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF CYCLONE METALS LIMITED

As lead auditor for the review of Cyclone Metals Limited for the half-year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cyclone Metals Limited and the entities it controlled during the period.

Neil Smith
Director

BDO Audit Pty Ltd
Perth
13 March 2025

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2024**

		For the six months ended	
	Note	31 December 2024 \$	31 December 2023 \$
Revenue		1,294	828
Gain/(loss) on extinguishment of liabilities	8b	(236,079)	90,000
Other income		(4,449)	(2,766)
Share-based payments expense	10	(2,041,822)	(398,590)
Directors' remuneration and employee benefits expenses		(263,055)	(267,583)
Consulting and professional services expenses		(329,283)	(309,740)
Occupancy expenses		(13,456)	(13,344)
Compliance and regulatory expenses		(197,903)	(53,901)
Travel and accommodation		(186,246)	(32,232)
Depreciation and amortisation expense		(1,255)	(303)
Gain/(loss) on fair value of financial assets through profit and loss	3a	(1,340,990)	557,214
Exploration and evaluation expenditure expensed		(113,766)	(2,710)
Other expenses		(102,023)	(69,501)
Impairment of capitalised exploration expenditure	4	(67,319)	(142,121)
Finance expenses		(109,021)	(100,198)
Impairment of investment	3b	(53,843)	-
Bad debts written off		-	(156,229)
Profit/(Loss) before income tax		(5,059,216)	(901,176)
Income tax benefit / (expense)		-	-
Profit/(Loss) after income tax		(5,059,216)	(901,176)
Other comprehensive income/(expenditure) net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange differences arising on translation of foreign operations		(13,257)	5,358
Total comprehensive income / (loss) for the period		(5,072,473)	(895,818)
Profit/(Loss) after income tax attributable to:			
Members of Cyclone Metals Limited		(5,059,216)	(901,176)
		(5,059,216)	(901,176)
Total comprehensive income / (loss) attributable to:			
Members of Cyclone Metals Limited		(5,072,473)	(895,818)
		(5,072,473)	(895,818)
Profit/(Loss) per share attributable to members of Cyclone Metals Limited			
Basic profit/(loss) per share (cents per share)		(0.7472)	(0.158)
Diluted profit/(loss) per share (cents per share)		(0.7472)	(0.158)

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMEER 2024**

	Note	As at 31 December 2024 \$	30 June 2024 \$
CURRENT ASSETS			
Cash and cash equivalents		2,651,571	98,024
Restricted cash and cash equivalents		17,500	17,500
Trade and other receivables		262,753	136,525
Financial assets at fair value through profit or loss	3	3,944,620	5,285,610
TOTAL CURRENT ASSETS		6,876,444	5,537,659
NON-CURRENT ASSETS			
Other financial assets	3	-	53,843
Plant and equipment		86,837	80,030
Exploration and evaluation expenditure	4	7,724,467	6,440,444
TOTAL NON-CURRENT ASSETS		7,811,304	6,574,317
TOTAL ASSETS		14,687,748	12,111,976
CURRENT LIABILITIES			
Trade and other payables	5	853,362	1,391,905
Provisions		144,760	134,641
Convertible loan note	6	-	-
Short-term loan payable	7	-	2,274,384
TOTAL CURRENT LIABILITIES		998,122	3,800,930
TOTAL LIABILITIES		998,122	3,800,930
NET ASSETS		13,689,626	8,311,046
EQUITY			
Issued capital	8	242,082,193	236,425,002
Reserves	9	30,045,886	25,265,281
Accumulated losses		(258,438,453)	(253,379,237)
TOTAL EQUITY IN EQUITY		13,689,626	8,311,046

The accompanying notes form part of this financial report.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2024**

	Note	Issued Capital	Accumulated Losses	Share-based Payment Reserve	Foreign Currency Translation Reserve	Business Combination Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2024		236,425,002	(253,379,237)	4,128,426	22,227,356	(1,090,501)	8,311,046
Loss for the period		-	(5,059,216)	-	-	-	(5,059,216)
Other comprehensive income							
Foreign exchange differences arising on translation of foreign operations		-	-	-	(13,257)	-	(13,257)
Total comprehensive income/(loss) for the half-year		-	(5,059,216)	-	(13,257)	-	(5,072,473)
Transactions with owners in their capacity as owners							
Issue of shares - Placement	8b	1,874,234	-	-	-	-	1,874,234
Issue of shares - Rights Offer	8b	5,554,339	-	-	-	-	5,554,339
Issue of shares - Conversion of debt (Directors)	8b	418,802	-	-	-	-	418,802
Issue of shares – Conversion of debt (Corporate advisor)	8b	686,239	-	-	-	-	686,239
Issue of shares - Conversion of debt (Convertible note)	6	361,411	-	-	-	-	361,411
Share-based payments	10	(2,752,040)	-	4,793,862	-	-	2,041,822
Capital raising costs – Settled in equity	8b	(474,794)	-	-	-	-	(474,794)
Capital raising costs – Cash	8b	(11,000)	-	-	-	-	(11,000)
Transactions with equity holders in their capacity as equity holders		5,657,191	-	4,793,862	-	-	10,451,053
Balance at 31 December 2024		242,082,193	(258,438,453)	8,922,288	22,214,099	(1,090,501)	13,689,626

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2024

	Note	Issued Capital	Accumulated Losses	Share-based Payment Reserve	Foreign Currency Translation Reserve	Business Combination Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2023		236,218,336	(248,117,219)	3,700,805	22,223,713	(1,090,501)	12,935,134
Loss for the period		-	(901,176)	-	-	-	(901,176)
Other comprehensive income							
Foreign exchange differences arising on translation of foreign operations		-	-	-	5,358	-	5,358
Total comprehensive income/(loss) for the half-year		-	(901,176)	-	5,358	-	(895,818)
Transactions with owners in their capacity as owners							
Share-based payments	10	-	-	398,590	-	-	398,590
Shares issued during the period – Conversion of debt (Directors)	8b	146,666	-	-	-	-	146,666
Shares issued during the period – Conversion of debt (Loan)	8b	60,000	-	-	-	-	60,000
Transactions with equity holders in their capacity as equity holders		206,666	-	398,590	-	-	605,256
Balance at 31 December 2023		236,425,002	(249,018,395)	4,099,395	22,229,071	(1,090,501)	12,644,572

The accompanying notes form part of this financial report

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2024**

	Note	For the six months ended	
		31 December 2024	31 December 2023
		\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(986,481)	(726,590)
Interest received		1,294	828
Due diligence transaction costs		(50,175)	-
Net cash used in operating activities		(1,035,362)	(725,762)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,397)	(5,628)
Payments for exploration and evaluation		(1,805,282)	(911,419)
Proceeds on sale of equity investments		-	467,735
Payment for exploration tenements		-	(50,850)
Net cash used in investing activities		(1,807,679)	(500,162)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	290,000
Proceeds from issue of shares	8b	7,428,574	-
Proceeds from issuing loan note	6	350,000	1,340,000
Transaction costs related to issue of shares, convertible notes or options		(11,000)	(52,223)
Repayment of borrowing	7	(2,370,986)	(90,518)
Net cash provided by financing activities		5,396,588	1,487,259
Net increase in cash and cash equivalents		2,553,547	261,335
Cash and cash equivalents at beginning of period		98,024	128,082
Cash and cash equivalents at end of period		2,651,571	389,417

The accompanying notes form part of this financial report.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

General Information

This general purpose condensed financial report for the half-year ended 31 December 2024 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of Directors on 13 March 2025. Compliance with AASB 134 ensures compliance with international Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Cyclone Metals Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the ASX. The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and evaluation.

The half-year financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

Going Concern

The consolidated financial statements of Cyclone have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2024 the Consolidated Entity incurred a loss after income tax of \$5,059,216 (31 December 2023: \$901,176 loss), net cash outflows from operating activities of \$1,035,362 (31 December 2023: \$725,762), a working capital surplus of \$5,878,322 (30 June 2024: \$1,736,729 surplus) and at that date had cash on hand of \$2,651,571 (30 June 2024: \$98,024).

The Group's ability to continue as a going concern and to continue to fund its planned expanded activities is dependent on raising further capital, continued support from creditors and related parties, successful extension or renegotiation of borrowing facilities and reducing operational costs.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Company continues to seek funding options required to undertake its next phase of exploration activities; and
- Ability to realise certain of the Group's financial assets through the sale of its listed shares.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2024

In the half-year ended 31 December 2024, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2024. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2024 with no material impact on the amounts or disclosures included in the financial report.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with Australian Accounting Standards and with International Financial Reporting Standards and those of the previous financial year and corresponding half-year.

2. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (**CODM**) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Consolidated Entity the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Consolidated Entity as one operating segment, as the Consolidated Entity's activities relate to mineral exploration.

Accordingly, the Consolidated Entity has only one reportable segment and the results are the same as the Consolidated Entity's results.

Information by geographical region

The analysis of the location of non-current assets other than financial instruments and deferred tax assets is as follows:

	31 December 2024	30 June 2024
	\$	\$
Australia	5,834	4,691
West Africa	81,004	75,342
Canada	7,522,210	6,440,441
New Zealand	202,256	-
	<u>7,811,304</u>	<u>6,520,474</u>

Revenue by geographical region

	31 December 2024	31 December 2023
	\$	\$
Australia	1,294	828
West Africa	-	-
Canada	-	-
New Zealand	-	-
	<u>1,294</u>	<u>828</u>

3. OTHER FINANCIAL ASSETS

	Note	31 December 2024	30 June 2024
		\$	\$
Financial Assets at Fair value through Profit or Loss			
Shares in listed entities	(a)	3,944,620	5,285,610
Shares in unlisted entities	(b)	-	53,843
Total Financial Assets		<u>3,944,620</u>	<u>5,339,453</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Movements in the carrying amount of shares in listed entities	31 December 2024	30 June 2024
	\$	\$
Carrying value at beginning of the period	5,285,610	8,627,778
Realised gain on sale of equity	-	293,624
Disposal of equity investments	-	(787,958)
Gain/(loss) on fair value of financial assets through profit or loss	(1,340,990)	(2,844,095)
Other	-	(3,739)
	<u>3,944,620</u>	<u>5,285,610</u>

(b) Movements in the carrying amount of shares in unlisted entities	31 December 2024	30 June 2024
	\$	\$
Carrying value at beginning of the period	53,843	53,843
Impairment of investment	(53,843)	-
	<u>-</u>	<u>53,843</u>

4. EXPLORATION AND EVALUATION EXPENDITURE	31 December 2024	30 June 2024
	\$	\$
Exploration and evaluation	<u>7,724,467</u>	<u>6,440,444</u>

Movement in carrying amounts

Carrying value at beginning of the year	6,440,444	4,478,637
Exploration and evaluation expenditure capitalised during the period	1,351,342	2,026,562
Exploration expenditure impaired during the year (a)	(67,319)	(264,755)
Acquisition of Block 103 tenements	-	200,000
Total exploration and evaluation phases	<u>7,724,467</u>	<u>6,440,444</u>

(a) Impairment

During the half year ended 31 December 2024, the Company recognised impairment losses in respect of capitalised exploration and evaluation to the extent of \$67,319 (30 June 2024: \$264,755). The impairment made during the period was recognised on areas of interest where sufficient data existed at balance date to indicate that the carrying amount of the exploration and evaluation asset was unlikely to be recovered in full from successful development or by sale.

5. TRADE AND OTHER PAYABLES	31 December 2024	30 June 2024
	\$	\$
Trade payables	676,430	1,253,793
Other creditors and accruals	171,565	133,120
Withholding tax	5,367	4,992
	<u>853,362</u>	<u>1,391,905</u>

6. CONVERTIBLE NOTE	31 December 2024	30 June 2024
	\$	\$
Current	-	-
	<u>-</u>	<u>-</u>

(a) Movements in the carrying amount of convertible note	31 December 2024	30 June 2024
	\$	\$
Balance at beginning of period	-	-
Proceeds from borrowings	350,000	1,340,000
Accrued interest	11,411	418,750
Repayment of borrowing in cash	-	(1,758,750)
Repayment of borrowing in equity (note 8)	(361,411)	-
	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 4 July 2024, the Company announced that it had entered into a convertible note agreement with its largest shareholder European Lithium Ltd (ASX: EUR) for \$350,000 (**Convertible Note**). The Convertible Note incurred an interest rate of 10% per annum, had a repayment date of 31 December 2024 and subject to receipt of shareholder approval by no later than 30 November 2024, EUR will have the right to convert the convertible loan note and associated capitalised interest into new ordinary shares, at a conversion price of \$0.0008 per share. Shareholder approval for this transaction was received at the AGM and the Company subsequently issued 451,763,699 shares to EUR on 1 November 2024 to extinguish the Convertible Note in full.

7. LOAN PAYABLE	31 December 2024	30 June 2024
	\$	\$
Current	-	2,274,384
	-	2,274,384

(a) Movements in the carrying amount of loan payable	31 December 2024	30 June 2024
	\$	\$
Balance at beginning of period	2,274,384	-
Proceeds from borrowings	-	2,290,000
Accrued interest	96,602	74,902
Repayment of borrowings	(2,370,986)	(90,518)
	-	2,274,384

On 14 September 2023, the Company entered into a loan agreement and received funds of \$200,000 from European Lithium Ltd (ASX: EUR) (Initial Loan). The Initial Loan was secured over 25,000,000 unencumbered shares held by the Company in CuFe Limited (ASX: CUF), was repayable on 31 December 2024 and accrued interest of 7.5% per annum. On 12 March 2024, the Company entered into a further loan agreement with EUR and was advanced funds of \$2,000,000 (Subsequent Loan). The Subsequent Loan was secured over the Company's Iron Bear Project, was repayable on 31 December 2024 and accrued interest of 10.0% per annum. During the period, a total of \$2,370,986 was repaid to EUR (including an amount of \$592,808 which was offset against EUR's participation in the Company's rights issue undertaken) comprising principal of \$2,200,000 and accrued interest of \$170,986 in respect to the Initial Loan and Subsequent Loan. As at 31 December 2024, both the Initial Loan and Subsequent Loan to EUR had been repaid in full with the security previously held by EUR relinquished.

8. ISSUED CAPITAL

(a) Ordinary shares	31 December 2024	30 June 2024
	\$	\$
1,064,742,988 fully paid ordinary shares (30 June 2024: 10,471,171,567)	242,082,193	236,425,002
	242,082,193	236,425,002

(b) Ordinary shares	Ordinary fully paid shares	
	Number	\$
Shares on issue at 1 July	10,471,171,567	236,425,002
Issue of shares – Placement (a)	2,342,792,891	1,874,234
Issue of shares – Rights Offer (b)	347,146,215	5,554,339
Issue of shares – Conversion of debt (Directors) (d)	492,708,250	418,802
Issue of shares – Conversion of debt (Corporate Advisor - Placement) (e)	139,067,575	118,207
Issue of shares – Convertible Note (note 6)	451,763,699	361,411
Consolidation of capital (c)	(13,202,628,465)	-
Issue of shares – Conversion of debt (Corporate Advisor – Rights Offer) (f)	22,721,256	568,032
Share based payments	-	(2,752,040)
Capital raising costs – Settled in equity	-	(474,794)
Capital raising costs – Cash	-	(11,000)
	1,064,742,988	242,082,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) On 19 July 2024, the Company announced that it had received firm commitments to raise \$1,874,234 (before costs) via the issue of approximately 2.34 billion fully paid ordinary shares in the Company (Placement Shares) at an issue price of 0.08 cents per share (on a pre Consolidation basis) together with one free attaching unlisted option (exercise price 0.16 cents each, expiring 30 November 2028) for every two shares issued (Placement Options) (Placement). On 30 July 2024, the Company completed tranche 1 of the Placement through the issue of 2,267,792,891 fully paid ordinary shares to raise funds of \$1,814,234. On 1 November 2024, the Company completed tranche 2 of the Placement through the issue of 75,000,000 fully paid ordinary shares to Directors of the Company who supported the Placement to raise funds of \$60,000 following receipt of shareholder approval at the AGM. On the same day, the Company also issued 1,133,896,446 Placement Options to participants of the Placement.

(b) On 18 November 2024, the Company announced the terms of the pro-rata non-renounceable entitlement offer (the Rights Offer). Under the Rights Offer, eligible shareholders were offered to apply for one (1) fully paid ordinary Cyclone share for every two (2) fully paid ordinary Cyclone shares held as at the record date, at a price of 1.6 cents per share on a post Consolidation basis. RM Corporate Finance acted as Lead Manager for the Rights Offer and in addition the Rights Offer was fully underwritten by RM Corporate Finance. On 6 December 2024, the Company issued 223,423,360 fully paid ordinary shares in respect to valid applications received from eligible shareholders under the Rights Offer, raising \$3,574,774. On 13 December 2024, the Company issued 123,722,855 fully paid ordinary shares in respect to the shortfall shares under the Rights Offer which were placed by RM Corporate Finance in accordance with the terms of the underwriting agreement previously entered into, raising an additional \$1,979,566.

(c) On 7 November 2024, the Company advised that the consolidation of issued capital on a basis that every 20 shares be consolidated into 1 Share and every 20 options be consolidated into 1 option as approved at the AGM held on 31 October 2024 had been successfully completed (Consolidation). Post-consolidation trading commenced on 13 November 2024.

(d) During the period, the Company entered into an agreement with Okewood Pty Ltd (Okewood), a related party to Non-Executive Chairman Tony Sage, to convert \$394,166 of debt into equity. Shareholder approval for this transaction was received at the AGM and the Company subsequently issued 492,708,250 shares to Okewood on 1 November 2024. The fair value of these shares on issue date was \$0.00085 per share which resulted in a loss in the extinguishment of liabilities of \$24,635.

(e) RM Corporate Finance Pty Ltd (RM Corporate Finance) acted as Lead Manager for the Placement. On 1 November 2024, RM Corporate Finance was issued 1,200,000,000 unlisted options at an issue price of \$0.00000001, on the same terms as the Placement Options, and was issued 139,067,575 fully paid ordinary shares for the Placement fee which was settled through the issue of shares. The fair value of these shares on issue date was \$0.00085 per share which resulted in a loss in the extinguishment of liability of \$6,953.

(f) On 13 December 2024, RM Corporate Finance was issued 1,875,000 fully paid ordinary shares representing the Rights Offer fee, and 20,846,256 fully paid ordinary shares for the Rights Offer underwriting fee, both which were settled through the issue of shares. The fair value of these shares on issue date was \$0.025 per share which resulted in a loss in the extinguishment of liability of \$204,491.

9. RESERVES

	31 December 2024	30 June 2024
	\$	\$
Foreign currency translation reserve	22,214,099	22,227,356
Share-based payments reserve	8,922,288	4,128,426
Business combination reserve	(1,090,501)	(1,090,501)
	<u>30,045,886</u>	<u>25,265,281</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 December 2024	30 June 2024
	\$	\$
Share-based payments reserve		
Balance at beginning of financial period	4,128,621	3,700,805
Share-based payments (note 10)	4,793,862	427,621
Balance at end of financial period	8,922,288	4,128,426

10. SHARE BASED PAYMENTS

	31 December 2024	31 December 2023
	\$	\$
Share-Based Payment Expense		
Options issued to directors and consultants (a)	1,989,042	328,664
Options issued to consultants (b)	52,780	69,926
Total Expense Recognised in Profit & Loss	2,041,822	398,590
	31 December 2024	31 December 2023
	\$	\$
Share-Based Payment Recognised through Equity		
Options issued to consultants (c)	2,752,040	-
Total Charge Recognised through equity	2,752,040	-
Total Share-Based Payments	4,793,862	398,590

(a) On 13 December 2024, the Company issued 87,120,000 unlisted options (\$0.032 each expiring 30 November 2028) to Directors and consultants of the Company and 44,880,000 unlisted options (\$0.032 each expiring 30 November 2028) to consultants of the Company as approved by shareholders at the Company's GM held 27 November 2024.

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to Directors	87,120,000	27 November 2024	30 November 2028	\$0.032	\$0.0151	27 November 2024
Options issued to Consultants	44,880,000	27 November 2024	30 November 2028	\$0.032	\$0.0151	27 November 2024

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Assumptions
Number options issued	132,000,000
Dividend yield	0.00%
Expected volatility	100%
Risk-free interest rate	3.88%
Expected life of options	4 years
Exercise price	\$0.032
Grant date share price	\$0.023

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(b) Effective 26 December 2024, the Company agreed to issue 2,000,000 unlisted options (\$0.072 each expiring 30 January 2028) to a consultant of the Company for the provision of legal services. The options were subsequently issued on 24 January 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value of these options was calculated with reference to the share price at grant date:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to corporate advisor	2,000,000	26 December 2024	30 January 2028	\$0.072	\$0.0264	26 December 2024

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Assumptions
Number options issued	2,000,000
Dividend yield	0.00%
Expected volatility	100%
Risk-free interest rate	3.88%
Expected life of options	3.10 years
Exercise price	\$0.072
Grant date share price	\$0.047

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(c) On 1 November 2024, the Company issued 1,200,000,000 unlisted options on a pre-consolidation basis (60,000,000 on a post Consolidation basis) (\$0.032 each expiring 30 November 2028) at an issue price of \$0.00000001 to RM Corporate Finance Pty Ltd to act as lead manager for the placement.

On 13 December 2024, the Company issued 132,000,000 unlisted options (\$0.032 each expiring 30 November 2028) to RM Corporate Finance Pty Ltd to act as underwriter on the Rights Offer.

The fair value of these options was calculated with reference to the share price at grant date:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to corporate advisor	60,000,000	31 October 2024	30 November 2028	\$0.032	\$0.012	31 October 2024
Options issued to corporate advisor	132,000,000	27 November 2024	30 November 2028	\$0.032	\$0.0151	27 November 2024

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Assumptions	
Number options issued	60,000,000	132,000,000
Dividend yield	0.00%	0.00%
Expected volatility	100%	100%
Risk-free interest rate	3.65%	3.88%
Expected life of options	4.08 years	4.01 years
Exercise price	\$0.032	\$0.032
Grant date share price	\$0.02	\$0.0151

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Options

At 31 December 2024, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price (on a post consolidation basis)	Number of Options
22/02/2025	Unlisted	\$0.06	1,500,000
12/03/2026	Unlisted	\$0.04	3,000,000
19/01/2027	Unlisted	\$0.04	5,000,000
30/11/2028	Unlisted	\$0.032	382,569,826
5/12/2025	Unlisted	\$0.10	13,000,000
5/12/2026	Unlisted	\$0.20	10,500,000
			<u>415,569,826</u>

Reconciliation of options on issue

The following reconciles the outstanding share options granted, exercised and lapsed during the financial year:

	6 months movement to 31 December 2024		12 months movement to June 2024	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of the financial period (pre consolidation)	1,280,000,000	0.0044	61,250,000	0.004
Granted during the financial period (pre consolidation)	2,371,396,446	0.0016	1,250,000,000	0.0044
Lapsed during the financial period (pre consolidation)	(100,000,000)	0.002	(31,250,000)	(0.0058)
Consolidation	(3,373,826,620)		-	-
Granted during the financial period (post consolidation)	264,000,000	0.032	-	-
Lapsed during the financial period (post consolidation)	(26,000,000)	0.06	-	-
Balance at end of the financial period (post consolidation)	<u>415,569,826</u>	<u>0.0386</u>	<u>1,280,000,000</u>	<u>0.0044</u>
Exercisable at end of the financial period (post consolidation)	<u>415,569,826</u>	<u>0.0386</u>	<u>1,280,000,000</u>	<u>0.0044</u>

11. CONTINGENT ASSETS AND LIABILITIES

The Company had no other movements in contingent liabilities as at 31 December 2024 from those disclosed at 30 June 2024.

12. RELATED PARTY TRANSACTIONS

During the period, the Company entered into an agreement with Okewood Pty Ltd (Okewood), a related party to Tony Sage, to convert \$394,166 of debt into equity. Shareholder approval for this transaction was received at the AGM and the Company subsequently issued 492,708,250 shares to Okewood on 1 November 2024.

On 4 July 2024, the Company announced that it had entered into a convertible note agreement with its largest shareholder European Lithium Ltd (ASX: EUR) for \$350,000 (Convertible Note). On 1 November 2024, the Convertible Note was repaid through the issue of shares to EUR in the Company. Mr Tony Sage is Executive Chairman of EUR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 14 September 2023 and 12 March 2024, the Company entered into loan agreements and received funds of \$200,000 and \$2,000,000 respectively from EUR (Loans). On 11 December 2024, the Company repaid the Loans (including accrued interest) in full. Mr Tony Sage is Executive Chairman of EUR.

On 13 December 2024, the Company issued 46,200,000 unlisted options (\$0.032 each expiring 30 November 2028) to Paul Henry Victor Berend as a Trustee for Tangaroa Trust, an entity in which Paul Berend has a relevant interest. The options were issued following receipt of shareholder approval at the GM held on 27 November 2024.

On 13 December 2024, the Company issued 26,400,000 unlisted options (\$0.032 each expiring 30 November 2028) to Okewood Pty Ltd, a related party to Mr Tony Sage. The options were issued following receipt of shareholder approval at the GM held on 27 November 2024.

On 13 December 2024, the Company issued 6,600,000 unlisted options (\$0.032 each expiring 30 November 2028) to Marnichar Nominees Pty Ltd ATF the Hallemar Trust, a related party to Mr Tim Turner. The options were issued following receipt of shareholder approval at the GM held on 27 November 2024.

On 13 December 2024, the Company issued 3,960,000 unlisted options (\$0.032 each expiring 30 November 2028) to David Sanders. The options were issued following receipt of shareholder approval at the GM held on 27 November 2024.

On 13 December 2024, the Company issued 3,960,000 unlisted options (\$0.032 each expiring 30 November 2028) to LJM Capital Corporation Pty Ltd, a related party to Mr Luke Martino. The options were issued following receipt of shareholder approval at the GM held on 27 November 2024.

On 28 October 2024, the Company entered into a new three year consultancy agreement (effective from 1 November 2024) with Okewood Pty Ltd (Okewood) to provide Director services to Cyclone including specific responsibilities for assisting in negotiations, fund raising and strategic networking and planning to facilitate the acquisition and disposal of assets of the Company based on a set fee of \$170,000 (plus GST) per annum. In addition, Okewood (or its nominee) is entitled to receive incentive payments subject to the achievement of certain criteria including \$100,000 payable to Okewood upon the Company's market capitalization exceeding \$50 million over 5 consecutive trading days, \$100,000 payable upon the Company signing a binding Off-Take Agreement with a Tier 1 Partner introduced by Okewood or on which Okewood undertook substantial work and \$50,000 upon the Company's market capitalisation exceeding \$100 million over 5 consecutive trading days.

There are no other significant changes to the nature of related party relationships and transactions from those disclosed in the 30 June 2024 annual financial report.

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 20 January 2025, the Company issued 2,000,000 shares upon the exercise of 2,000,000 unlisted options (\$0.032 each expiring 30 November 2028).

On 24 January 2025, the Company issued 3,048,438 shares upon the exercise of 3,048,438 unlisted options (\$0.032 each expiring 30 November 2028).

On 24 January 2025, the Company issued 2,000,000 unlisted options (\$0.072 each expiring 30 January 2028) to a consultant of the Company.

On 17 February 2025, the Company announced that it had executed a binding commercial agreement with Vale S.A. regarding the joint development of the Iron Bear Iron Ore Project. On the same day, the Company announced that it has resolved to enter into a transaction mandate agreement with BT Global Holdings Pty Ltd to establish a success fee in the event the Company enters into one or more binding legal agreements in relation to the strategic transactions for the Iron Bear Iron Ore Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 19 February 2025, the Company issued 3,125,000 shares upon the exercise of 3,125,000 unlisted options (\$0.032 each expiring 30 November 2028).

On 19 February 2025, the Company issued 9,500,000 performance rights under the Company's EIOP. The performance rights vested upon the execution of binding commercial agreements with Vale S.A.

On 28 February 2025, the Company issued 1,625,000 shares upon the exercise of 1,125,000 unlisted options (\$0.032 each expiring 30 November 2028) and 500,000 unlisted options (\$0.04 each expiring 19 January 2027).

On 11 March 2025, the Company announced the receipt of USD\$6.3m (approximately A\$10m) from Vale S.A. in respect to the Phase 1 contribution pursuant to the development agreement.

There are no other matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial periods.

14. FINANCIAL INSTRUMENTS

Fair value measurement

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There were no transfers between levels during the financial half-year.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

31 December 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets:				
Investments in listed shares	3,944,620	-	-	3,944,620
30 June 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets:				
Investments in listed shares	5,285,610	-	-	5,285,610
Investments in unlisted shares	-	-	53,843	53,843
Financial liabilities:				
Short term loan payable	-	(2,274,384)	-	(2,274,384)

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) The financial statements and notes of the Consolidated Entity for the half-year ended 31 December 2024 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001, and other mandatory professional reporting requirements.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Tony Sage
Non-Executive Chairman

Dated this 13th day of March 2025

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cyclone Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cyclone Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- i. Giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the half-year ended on that date; and
- ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in the respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith', is written over a small, faint BDO logo.

Neil Smith

Director

Perth, 13 March 2025