

CYGNUS METALS

CYGNUS METALS LIMITED INTERIM FINANCIAL REPORT

For the half-year ended
30 June 2023

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The Directors of Cygnus Metals Limited ("Cygnus" or "the Company") (ASX: CY5) (formerly Cygnus Gold Limited) and its controlled entities (collectively, "the Group") present their Interim Financial Report of the Group for the half year ended 30 June 2023.

BOARD OF DIRECTORS

The Directors of the Group during the half year and to the date of this report are as follows:

David Southam	Managing Director (appointed 13 February 2023)
Kevin Tomlinson	Non-Executive Chairman (appointed 3 April 2023)
Raymond Shorrocks	Non-Executive Director
Michael Naylor	Non-Executive Director
Michael Bohm	Non-Executive Director
Shaun Hardcastle	Non-Executive Director (resigned 3 April 2023)

PRINCIPAL ACTIVITIES

Cygnus is an exploration company focused on lithium exploration in the world-class James Bay lithium region of Quebec, Canada and rare earth and base metals exploration in the southwest Yilgarn region of Western Australia.

There have been no significant changes in the nature of these activities during the period.

REVIEW OF OPERATIONS

EXPLORATION - CANADA

Cygnus Metals Limited is exploring for lithium in the world-class James Bay lithium region of Quebec. The Company has secured an extensive package of prospective greenstone belt which hosts a portfolio of projects. Cygnus is focused on generating shareholder value by exploring the:

- Pontax Lithium Project (maiden Resource published in August 2023)
- Auclair Lithium Project (known spodumene occurrences in historic drill holes)
- Sakami Project (an early-stage lithium exploration project in the La Grande greenstone belt which hosts the substantial Corvette Deposit)
- Mitsumis Project (an early-stage lithium exploration project)

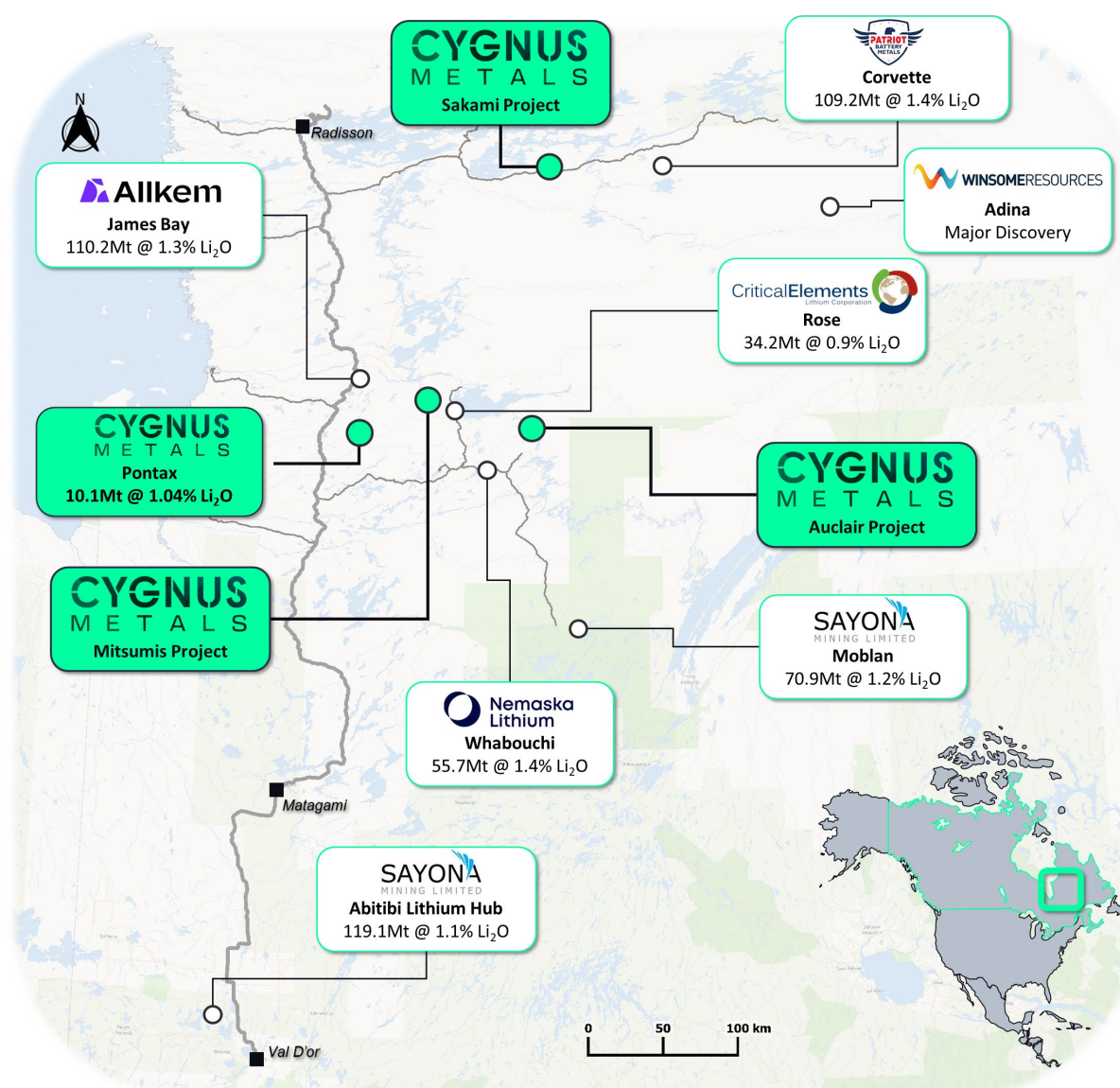


Figure 1 - Location of the Pontax, Auclair and Sakami Lithium Projects in relation to other significant lithium deposits in the James Bay Area and major access routes through the region.¹

REVIEW OF OPERATIONS (CONTINUED)

PONTAX LITHIUM PROJECT (51% CY5, EARNING UP TO 70%)

In July 2022, Cygnus announced it had entered into a binding agreement to acquire up to 70 percent of the Pontax Lithium Project in Quebec, Canada.

The Project is located in the prolific Superior Province of Quebec, within the James Bay region. Despite being one of the most endowed lithium terranes in the world, minimal modern lithium exploration has been conducted there over the past 20 years.

Advanced significant lithium projects of northern Quebec¹ include:

- Abitibi Lithium Hub (119.1Mt @ 1.1% Li₂O) operated by Sayona Mining Limited/Piedmont Lithium Inc
- James Bay (110.2Mt @ 1.3% Li₂O) operated by Allkem Ltd
- Corvette (109.2Mt @ 1.42% Li₂O) operated by Patriot Battery Metals Inc
- Whabouchi (55.7Mt @ 1.4% Li₂O) operated by Nemaska Lithium Inc
- Rose (34.2Mt @ 0.9% Li₂O) operated by Critical Elements Lithium Corp
- Moblan (16.1Mt @ 1.4% Li₂O) operated by Sayona Mining/SOQUEM Inc

PONTAX BACKGROUND

Geology and Mineralisation

The Pontax Lithium Project is hosted in the world-class Archean Superior Province of the Canadian Shield, which hosts some of the largest and most significant hard rock lithium resources in the world. The Project is hosted in the Chambois Greenstone Belt, which sits on the southern margin of the granitic basement block which also bounds the James Bay Deposit (Allkem, ASX: AKE) in the Eastmain Greenstone Belt to the north. Like the other major greenstone belt hosted deposits in the region, the Chambois Greenstone Belt has been metamorphosed to upper greenschist/amphibolite facies with pegmatites hosted in a combination of metamorphosed basalts and metasediments.

The Central Pontax Pegmatite Swarm is hosted in multiple parallel dykes which individually are up to 15m thick. The pegmatites of the Central Pontax Swarm are LCT type pegmatites with high amounts of the lithium bearing mineral spodumene, which in places can reach up to 40% of the rock mass.² The spodumene forms aggregated crystal masses with individual crystals up to 40cm in length, characterised by a light green colour. Spodumene is the only known lithium bearing mineral hosted in the pegmatites at Central Pontax.

Location and Infrastructure

The Project is well situated in the emerging James Bay territory in northern Québec, which is the focus of significant investment from the Quebec government under Québec's "Plan Nord" economic development strategy that offers significant tax incentives for mining companies to invest in and explore the province's vast northern mineral wealth.

The project is situated just 4km off the James Bay Road (State Route 109) which connects Matagami, 350km to the south, to the village of Radisson, 240km to the north. Matagami has both an airport and major railway which connects directly to major infrastructure throughout North America. Major development projects surround the Pontax Project including James Bay, Rose and Whabouchi which only enhances the viability of commercial production from the area with continued investment from major lithium companies.

In addition, Quebec is strategically well-positioned regarding the critical transitioning energy and e-mobility markets in Europe and the United States and boasts excellent infrastructure, including low cost and low carbon electricity through Hydro-Quebec.

REVIEW OF OPERATIONS (CONTINUED)

Metallurgy

Two series of preliminary metallurgical test work, aimed at demonstrating the amenability of the Pontax pegmatites to standard beneficiation techniques, were carried out in 2015/2016 at SGS laboratories in Lakefield, Ontario.² Samples for variability and bulk testing were largely obtained from channel sampling of near surface and outcrop pegmatites from within the identified spodumene bearing zones.

The first test series utilised the recognised heavy liquid separation ("HLS") technique to test the response to a more economic gravity process flowsheet. These tests indicated 6% Li₂O concentrates, at a mass yield of 10%, could be produced after crushing to either 9.5mm or 6.3mm.

Mineralogical examination of the ore by x-ray diffraction (XRD) confirmed the main lithium bearing mineral was spodumene, while physical testing confirmed the mineralisation was of medium hardness and it was further demonstrated that overall lithium recovery may be increased by flotation of the fine material.

In the second test series, a bulk sample of 14 tonnes with a head grade of 1.48% Li₂O, was processed through a pilot scale dense medium separation plant (DMS) and flotation facilities and not only confirmed the findings of the first test series but indicated an improved performance of 84% overall lithium recovery into 6% Li₂O concentrates.

The programme also included a sighter test on the amenability of the spodumene concentrates to downstream production of lithium carbonate or hydroxide with almost 100% conversion of the spodumene to the acid soluble version being achieved under standard conditions of heating to 1050°C for 30 minutes.

The results reported from these test series and the manner in which they were performed have provided Cygnus with insight into suitability of the Pontax pegmatites to economic recovery.

PONTAX MAIDEN RESOURCE DRILLING

Exploration has progressed rapidly since acquisition in July 2022 with completed geophysics, LiDAR, high resolution orthophotography and mapping culminating in the completion of an 11,328m drill program.

In April 2023, Cygnus completed its maiden drill program at Pontax with 38 holes drilled for 11,328m. The program was completed using up to three diamond rigs with access through a 37km ice road from the highway to the main Pontax Central drill site. The program was designed to systematically step out from known mineralisation at Pontax Central; an extensive spodumene-bearing pegmatite swarm which outcrops over 700m of strike. Holes were drilled on 100m spaced sections stepping out 50m to 100m below existing mineralisation.

The drilling confirmed Pontax Central to be a significant stacked spodumene-bearing pegmatite system which is continuous and open from surface down to 300m vertical depth. The pegmatites remain open along strike, extending over 700m before being concealed beneath shallow cover.

Drilling results have also confirmed that mineralisation at Pontax Central is hosted in a sub-vertical, spodumene-bearing pegmatite swarm with multiple pegmatite dykes over a zone up to 75m wide. Individual pegmatite dykes returned up to 23.4m intersections, with multiple pegmatites intercepted in each drillhole. In drillhole 975-22-027, multiple intersections returned a cumulative thickness of 36.3m of spodumene-bearing pegmatite.²

REVIEW OF OPERATIONS (CONTINUED)

Assay results² to date include:

- **23.4m @ 1.4% Li₂O** from 367.8m including **11.8m @ 1.9% Li₂O** and 2.9m @ 2.3% Li₂O (DDH975-23-040);
- **16.5m @ 1.1% Li₂O** from 239.8m (including an interval of 6.0m @ 1.8% Li₂O) and **4.3m @ 1.8% Li₂O** from 227.6m (DDH975-22-027);
- **13.3m @ 1.3% Li₂O** from 300.2m (including an interval of 3.7m @ 2.1% Li₂O) and **5.7m @ 1.4% Li₂O** from 194.3m (DDH975-22-028);
- **11.1m @ 1.2% Li₂O** from 146.3m (including 2.5m @ 2.6% Li₂O), **3.6m @ 1.4% Li₂O** from 65.6m & **6.3m @ 1.0% Li₂O** from 94.9m (DDH975-22-029);
- **5.5m @ 1.4% Li₂O** from 178.7m & **5.9m @ 1.0% Li₂O** from 262.0m (DDH975-22-032); and
- **3.3m @ 2.8% Li₂O** from 107m (including 1.0m @ 5.0% Li₂O) & **4.2m @ 0.9% Li₂O** from 124.4m (DDH975-22-026).

Results include high grade intervals of up to 5.0% Li₂O from individual samples. These high-grade results are associated with densely concentrated centimetric spodumene mineralisation rather than large individual crystals, resulting in a representative and even grade distribution.

These results are supported by significant historical intersections² which include:

- 9.0m @ 1.7% Li₂O from 46.9m
- 15.6m @ 1.6% Li₂O from 83.9m;
- 8.0m @ 2.6% Li₂O from 19.4m; and
- 13.0m @ 1.4% Li₂O from 36.0m

The assays demonstrate the continuity from surface of mineralisation through multiple stacked pegmatites to 300m in vertical depth (previously 230m).

REVIEW OF OPERATIONS (CONTINUED)

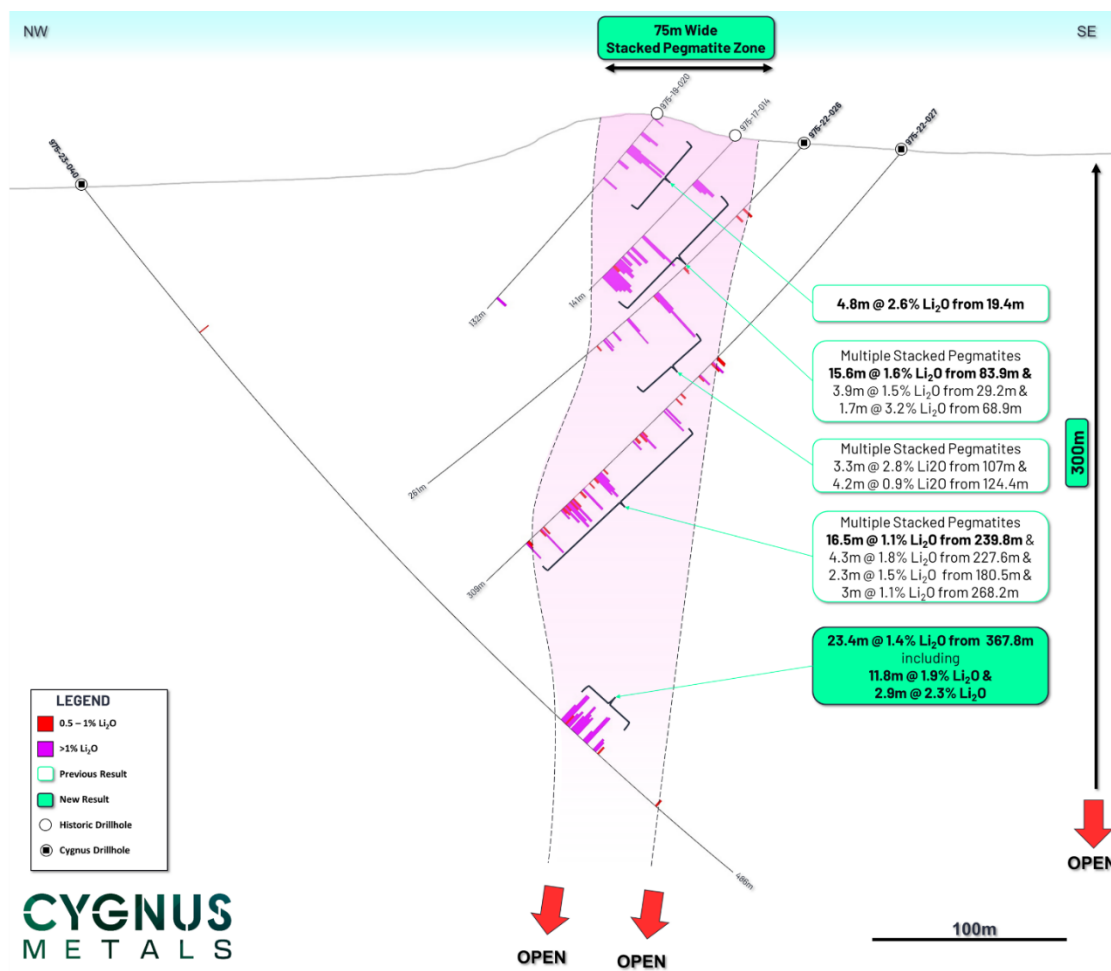


Figure 2: Cross section through Pontax Central looking towards the NE, showing both shallow historic drillholes and the recent deeper drillholes completed by Cygnus.² Observed geology illustrating multiple spodumene-bearing pegmatites focused over a 75m wide zone. The recent drilling is the deepest drilling on the project to date stepping out over 100m from existing drilling with mineralisation remaining open in all directions.

MAIDEN RESOURCE

Subsequent to the end of HY23, Cygnus published an inferred maiden Resource for Pontax of 10.1Mt at 1.04% Li₂O (refer ASX release dated 14 August 2023). This was based only on the central area of the known mineralisation. The mineralisation is open in all directions and spodumene has been confirmed up to 9km from the Pontax Central resource, highlighting the huge upside potential at Pontax.

The Resource was defined in just 12 months from project acquisition at an exceptionally low discovery cost of A\$0.55 per tonne of Resource and with only 11,328m of drilling. It also made Cygnus just the fourth ASX-listed company in Quebec with a lithium resource after Alkem (ASX:AKE), Sayona (ASX:SYA) and Patriot Battery Metals (ASX:PMT).

REVIEW OF OPERATIONS (CONTINUED)

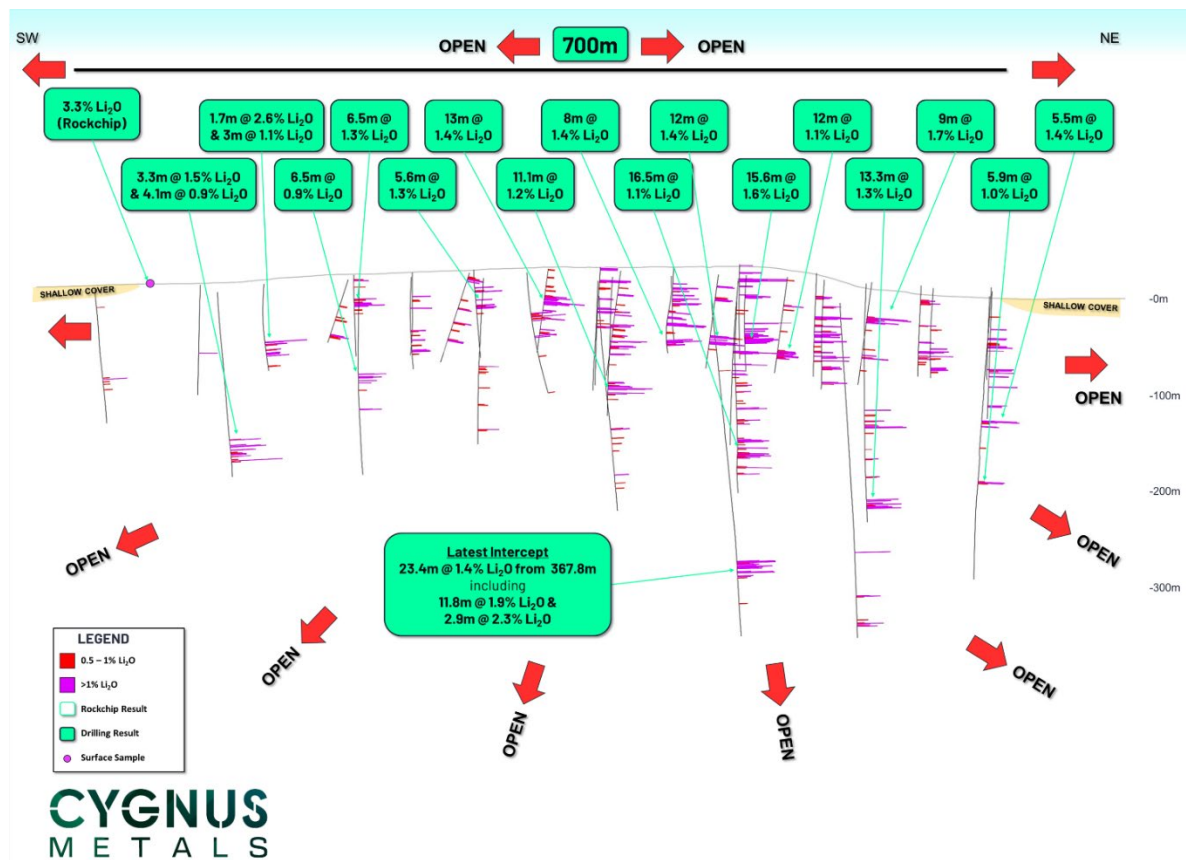


Figure 3. Long section view through Pontax Central showing mineralisation is open in all directions with recent significant intersections up to 23.4m @ 1.4% Li₂O.²

Project Development Strategy

To align with strong global interest in James Bay lithium, the Company initiated its development strategy at Pontax reflecting its strong confidence in the project. This work commenced with both environmental baseline assessments and geochemical studies through highly-regarded engineering consultants BBA Inc.

BBA Inc. have been engaged to prepare an Environmental and Social Scoping Report (“ESSR”), which is the initial step towards completing environmental baseline studies on the path to a Preliminary Economic Assessment (“PEA”). An initial geochemical assessment of the ore and waste rock will also be completed. This is a key requirement for mine permitting and plays an integral role in supporting mine planning and development at the PEA level.

These early-stage studies will be part funded by an approved grant of up to C\$275,000 from Quebec's Ministry of Energy and Natural Resources ("MERN"). The grant was awarded as part of the Government of Quebec's program to support mineral exploration for minerals needed for green and renewable energy technologies as outlined in its 2020-25 Plan for the Development of Critical and Strategic Minerals.

The location of the Pontax Project provides a distinct advantage and significantly increases the development prospects. Not only is the project located just 4km from a main highway with Hydro-Quebec power infrastructure running through the project, but it also sits in central James Bay just 30km from Allkem's James Bay deposit. James Bay is currently in development stage with federal ESIA approval, ongoing engineering works and completion of Hydro-Quebec powerlines installed to site.

REVIEW OF OPERATIONS (CONTINUED)

ONGOING EXPLORATION

Further exploration campaigns are being planned at Pontax over the coming months. The key focus being utilising diamond drilling for both resource growth and further discoveries.

Alongside drilling, the Company is also planning further airborne magnetics, LiDAR, and high resolution orthophotography to assist with target generation on the wider Pontax Project which now sits at 183km². These techniques have been highly effective in identifying outcrop, both exposed and under thin cover amid dense vegetation and marshland. The surveys will be followed by on ground field teams conducting mapping and prospecting in areas which have never been a focus of lithium exploration in the past.

PONTAX LAND ACQUISITION

In February 2023, Cygnus significantly increased its land position at the Pontax Lithium Project to 183km².

The additional land, comprising 70 individual claims covering 40km², was acquired from TSXV-listed Sirios Resources Inc. ("Sirios") and sits immediately north-east of, and adjacent to, Cygnus' Pontax Project. The acquisition provides Cygnus a further ~9km of continuous strike length (now 20km continuous) of the highly prospective Chambois Greenstone Belt which hosts the spodumene-bearing pegmatites at Pontax, taking the Company's total strike length to ~44km.

Exploration by previous explorers has focused on silver-lead-zinc anomalies to the south-east of the greenstone belt with no lithium exploration recorded on the property.

As with the Pontax project area, much of the newly acquired property is covered by shallow glacial cover and thick vegetation with very little outcrop. This is particularly notable along the trend of the greenstone belt and provides potential for utilising modern geophysics to target pegmatites under cover. An initial program planned for Q3, 2023 comprising magnetics and LiDAR will be carried out to assist with regional targeting and follow up reconnaissance mapping.

Transaction Details

On 17 February 2023, Cygnus announced the acquisition of 100% of the additional ground through an outright purchase from Sirios comprising:

An upfront payment of C\$1.2m in cash plus 750,000 shares (50% of the shares escrowed for 12 months);

- Milestone payment 1: On defining a JORC Resource of 4 million tonnes of Li₂O (minimum grade of 0.8%), a further payment of C\$1.0 million plus 500,000 shares; and
- Milestone payment 2: On defining a JORC Resource of 6 million tonnes of Li₂O (minimum grade of 0.8%), a further payment of C\$2.0 million plus 500,000 shares.

The project has an existing 0.5% net smelter return royalty, with the right to buy back half for C\$200,000. Cygnus has also entered into a Royalty Deed with Sirios for a 1.5% net smelter return royalty payable on base metals and precious metals extracted from the Sirios tenements. Cygnus has the right to buy half the royalty back for C\$600,000.

The transaction successfully closed early April 2023.

REVIEW OF OPERATIONS (CONTINUED)

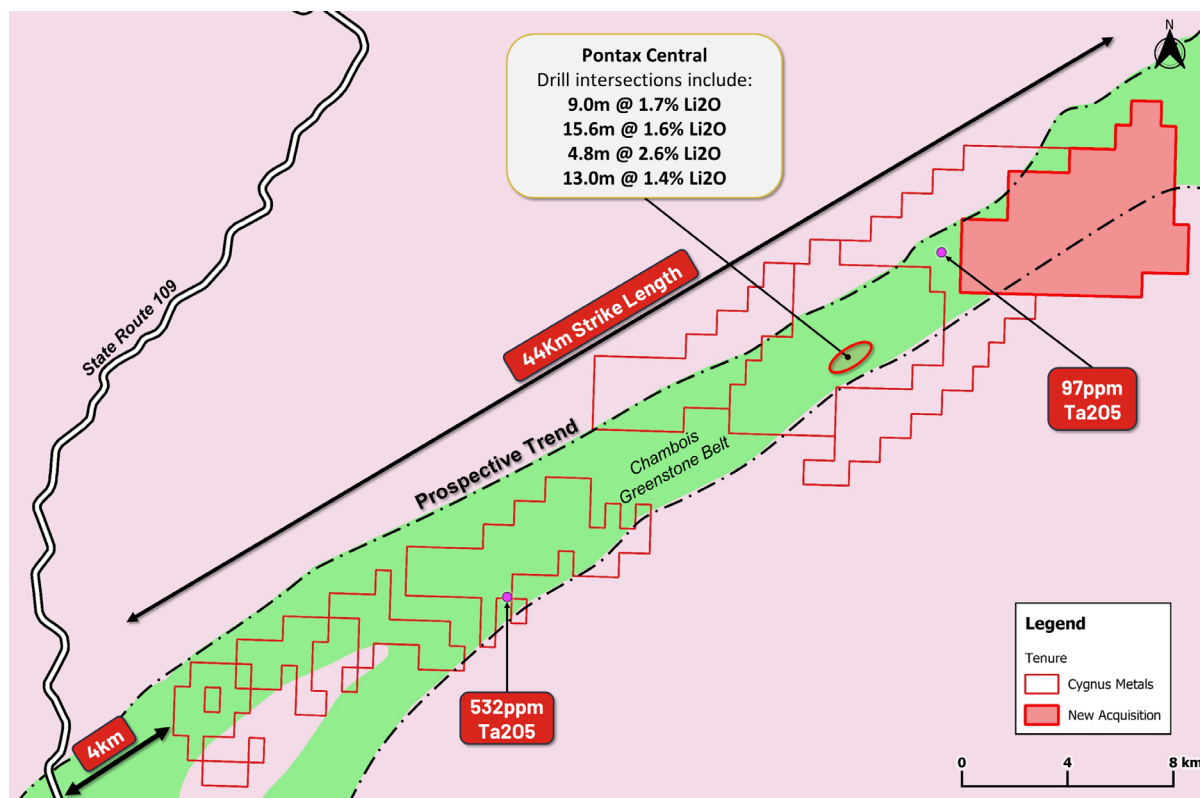


Figure 4: Showing the recent acquisition north-east of Pontax, increasing strike length of project to 44km² (refer ASX release dated 17 February 2023).

AUCLAIR LITHIUM PROJECT (100% CY5)

Auclair is a recent addition to the Cygnus lithium project portfolio in James Bay. It was acquired in February 2023 from Osisko Development Corp ("Osisko"). The initial acquisition from Osisko covered 25.5km² and in March 2023 the Company moved rapidly to expand the project to 405km² through two separate acquisitions (Auclair Extension) and the staking of vacant ground thereby providing a dominant land position across the highly prospective Eastmain greenstone belt.

In May 2023, the Company announced results from a desktop study which identified 67 pegmatites* requiring immediate follow-up in the planned summer exploration campaign. During the same month Cygnus also announced assays confirming previously reported visuals of spodumene mineralisation from sampling of historic gold exploration core at Auclair.

Assay results from sampling of historic drill core from hole AC-2010-004 confirm significant lithium-bearing pegmatites are hosted within the project. The assays³ include:

- **9.8m* @ 0.8% Li₂O from 212.8m, including 5.1m @ 1.0% Li₂O and 1m @ 1.2% Li₂O**

(*Assays are partial as the full pegmatite interval could not be recovered due to winter conditions)

Drill hole AC-2010-004 remains completely open along strike and down dip with no other drilling along the interpreted prospective trend. This presents Cygnus with an exceptional opportunity to conduct the first-ever lithium-focussed exploration at Auclair with the potential to be the next exciting discovery in the region.

Historically renowned for gold exploration, the Eastmain greenstone belt also hosts CRE's Rose Lithium Deposit (34.2Mt @ 0.9% Li₂O) located just 60km due east of Auclair and AKE's James Bay Lithium Deposit (110.2Mt @ 1.3% Li₂O).¹

REVIEW OF OPERATIONS (CONTINUED)

Upside and Planned Exploration

Previous exploration at Auclair has been solely focussed on gold with 26 drill holes across the entire project. As a result, pegmatites were almost completely overlooked by previous explorers. A detailed review of the historic database has identified a further 14 pegmatite intervals* across five historic holes which are yet to be verified and resampled, with individual intervals of up to 19.6m.³ In addition, early desktop studies using existing high-resolution imagery and government datasets have revealed 67 identified pegmatites across the project which have never been sampled.³ This includes pegmatite outcrops up to 1.6km in strike and up to 60m in width.

This presents an immediate opportunity for the exploration team to hit the ground running with a targeted prospecting and core resampling campaign across known pegmatites in both outcrop and historic drilling. This work commenced July 2023.

Having completed detailed magnetics in June 2023, Cygnus will be flying LiDAR and high-resolution orthophotography to identify pegmatites under cover and to map out prospective pegmatite-bearing structures. This initial exploration strategy worked exceptionally well at Pontax. With multiple targets already defined and spodumene-bearing pegmatites confirmed on the project, a heli-supported diamond drill rig commenced drilling in August, with the immediate focus of targeting spodumene-bearing pegmatites identified in AC-2010-004 with mineralisation remaining open in all directions.

Location and Infrastructure

The Auclair property is ideally located just 80km northeast of the Nemiscau airport and 50km northeast of Whabouchi (55.7Mt @ 1.4% Li₂O), which is owned and operated by Nemaska Lithium.¹ The property can be accessed all-year round by all-weather roads and has Hydro Quebec high-voltage transmission lines running north-south through the project area.

REVIEW OF OPERATIONS (CONTINUED)

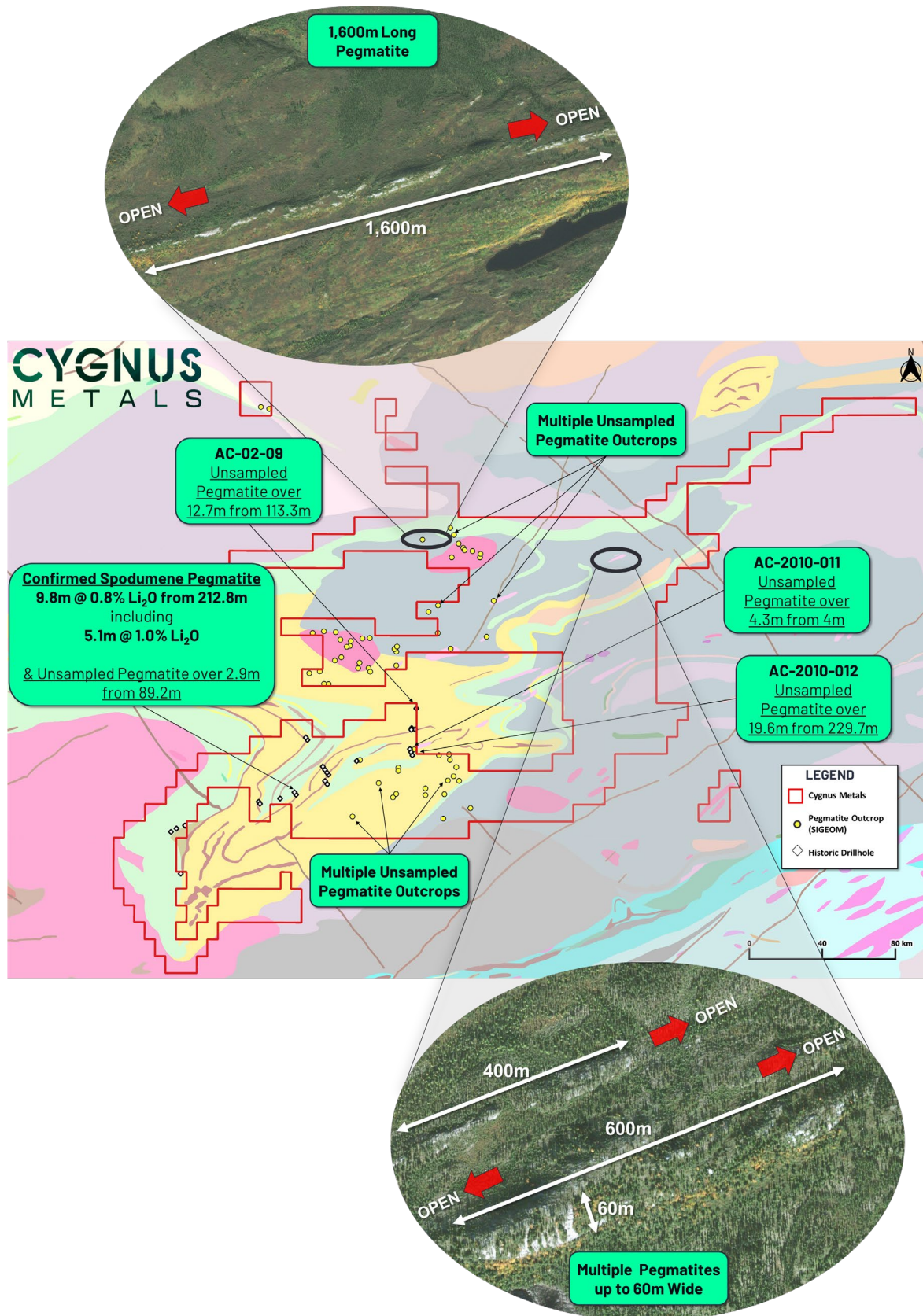


Figure 5: Unsampled pegmatites* across the Auclair Project both in drilling and outcrop.³
Background regional geology interpretation from SIGEOM.

REVIEW OF OPERATIONS (CONTINUED)

SAKAMI LITHIUM PROJECT (100% CY5)

In March 2023, Cygnus announced the acquisition of the Sakami Project. Located in the La Grande greenstone belt, one of the most prolific lithium districts in the world, Sakami is just 44km west of Patriot Battery Metals' Corvette project and adjacent to Winsome Resources' Cancet deposit. The project also has excellent infrastructure with both Hydro Quebec powerlines and the Tran-Taiga highway running through the project area.

Following acquisition the Company completed an initial desktop study at Sakami which revealed multiple pegmatite targets visible in satellite imagery, with outcrops up to 140m long and 30m wide which have never been sampled. No lithium exploration has ever been completed on the Sakami Project. The only drilling undertaken on the property was for gold and base metals in 1976 and comprised 5 diamond drill holes. The lack of targeted lithium exploration in this highly prospective greenstone belt presents Cygnus with an exceptional opportunity to make the next significant discovery in the region.

Exploration is scheduled to commence in September with initial airborne magnetics, LiDAR, and high resolution orthophotography to assist with further target generation. These techniques have been highly effective at Cygnus' Pontax Project in identifying outcrop, both exposed and under thin cover amid dense vegetation and marshland. The surveys will be followed by mapping and rock chip sampling conducted by on-ground field teams from well-known consultants Dahrouge Geological Consulting Ltd. These activities will be supported by senior Cygnus personnel who will be onsite for the duration of the summer exploration season in Quebec. The initial focus of the field team will be to map and sample pegmatite targets identified through desktop studies concentrating on high priority targets including pegmatites up to 140m in strike length.⁴

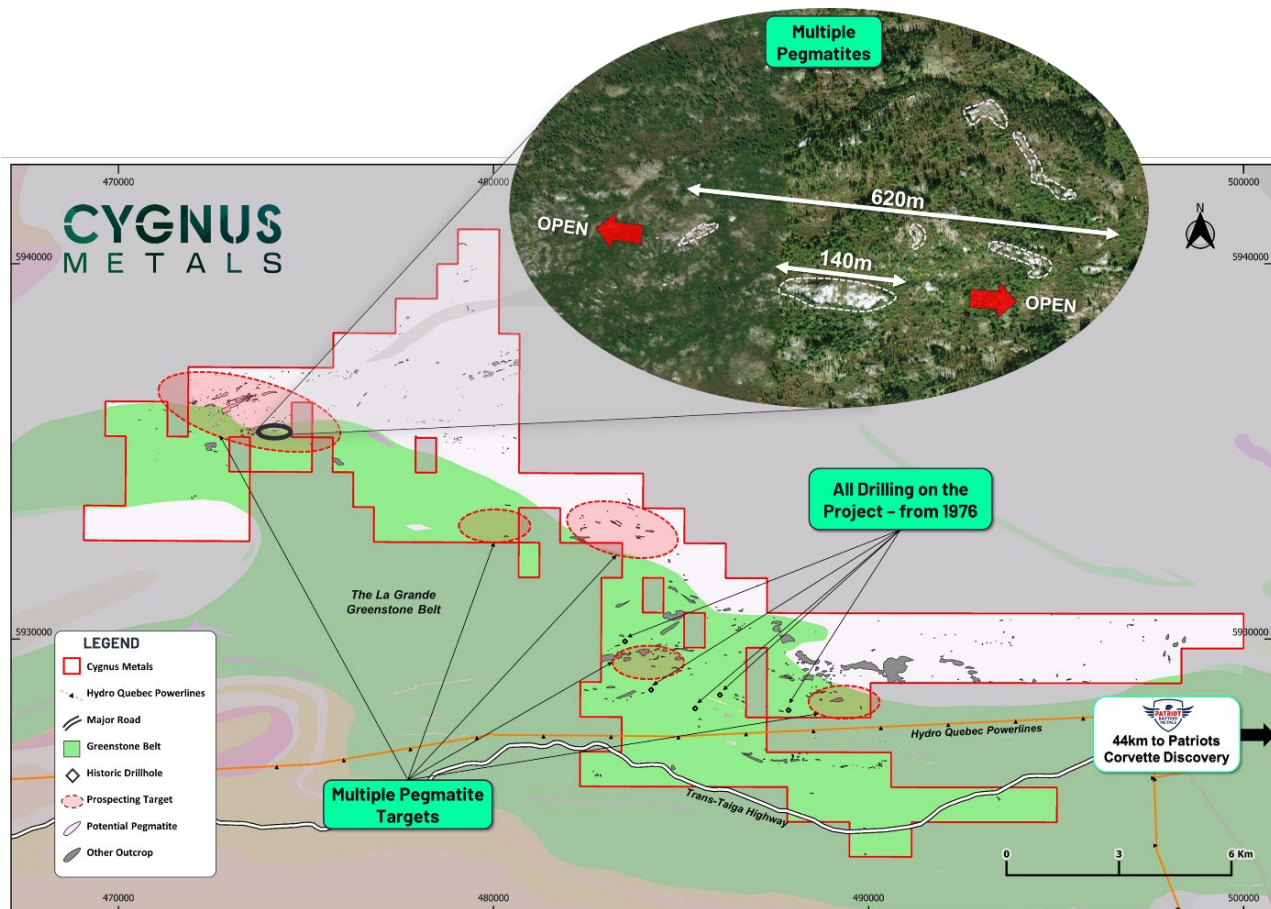


Figure 6: Multiple pegmatite targets* across the Sakami Project.⁴ Sakami is located just 44km from Patriot Battery Metals' Corvette Project and in the same greenstone belt.

REVIEW OF OPERATIONS (CONTINUED)

TRANSACTION DETAILS

On 28 March 2023, Cygnus announced that it had entered into option agreements with 9219-8845 QC. Inc. (Canadian Mining House) ("CMH"), Anna Rosa Giglio and Steve Labranche (together, the "Vendors") to acquire the additional ground comprised of two projects: Sakami and Auclair Extension (Beryl Property). The terms of these option agreements are outlined below:

Auclair Extension (Beryl Property)

In order for Cygnus to acquire a 100% interest in the project and all mineral rights, Cygnus will be required to pay the Vendors C\$395,000 cash payment and 4,000,000 fully paid ordinary shares in Cygnus, in aggregate. In addition to the above payments, Cygnus must incur exploration expenditure of the amount of C\$1,000,000 within the first 36 months following the closing of the Option Agreement.

The consideration is payable via the following stages, at the election of Cygnus (other than stages 1 and 2):

Option Stage	Cash	Shares
1. Within 5 business days following satisfaction of the last of the conditions precedent ("Beryl Approval Date")	C\$125,000	1,500,000 ¹
2. The date that is 12 months from the Beryl Approval Date	C\$75,000	900,000
3. The date that is 24 months from the Beryl Approval Date	C\$75,000	1,000,000
4. The date that is 36 months from the Beryl Approval Date	C\$120,000	600,000
TOTAL	C\$395,000	4,000,000

Note:

1. Subject to a 6-month voluntary escrow period from the issue date.

Sakami Project

In order for Cygnus to earn a 100% interest (in all mineral rights) at Sakami, Cygnus will be required to pay the Vendors C\$300,000 cash payment and 3,450,000 fully paid ordinary shares in Cygnus, in aggregate. In addition to the above payments, Cygnus must incur exploration expenditure to the amount of C\$1,000,000 within the first 36 months of closing the Option Agreement.

The consideration is payable via the following stages, at the election of Cygnus (other than stage 1):

Option Stage	Cash	Shares
1. Within 5 business days following satisfaction of the last of the conditions precedent ("Sakami Approval Date")	C\$75,000	1,500,000 ¹
2. The date that is 12 months from the Sakami Approval Date	C\$75,000	900,000
3. The date that is 24 months from the Sakami Approval Date	C\$75,000	600,000
4. The date that is 36 months from the Sakami Approval Date	C\$120,000	450,000
TOTAL	C\$300,000	3,450,000

Note:

1. Subject to a 6-month voluntary escrow period from the issue date.

REVIEW OF OPERATIONS (CONTINUED)

The above acquisitions are subject to the Company obtaining shareholder approval for the stage 1 consideration shares of the Sakami acquisition and stage 1 and 2 consideration shares of the Beryl acquisition, respectively, but if Cygnus elects to proceed with the remaining option stages, the remaining consideration shares are intended to be issued using the Company's available placement capacity under ASX Listing Rule 7.1.

Cygnus will grant a 2% net smelter royalty on both the Sakami Project and the Auclair Extension Project, payable to CMH and Anna Rosa Giglio in equal proportions. There are no other substantive conditions precedent outstanding and Cygnus expects completion to occur following shareholder approval.

EXPLORATION - AUSTRALIA

Cygnus Metals' Australian exploration activities are focused in the Southwest Terrane (SWT), an underexplored region of highly prospective geology within the prolific Yilgarn Craton, Western Australia.

The Company has approximately 1,750km² (100% Cygnus) granted tenements covering interpreted and known greenstone belts where previous explorers identified numerous prospects with widespread high grade, near surface gold and/or base metals mineralisation.

Cygnus continued exploration on priority tenure prospective for lithium as well as Rare Earth Elements (REEs), nickel, copper and PGEs during 2023.

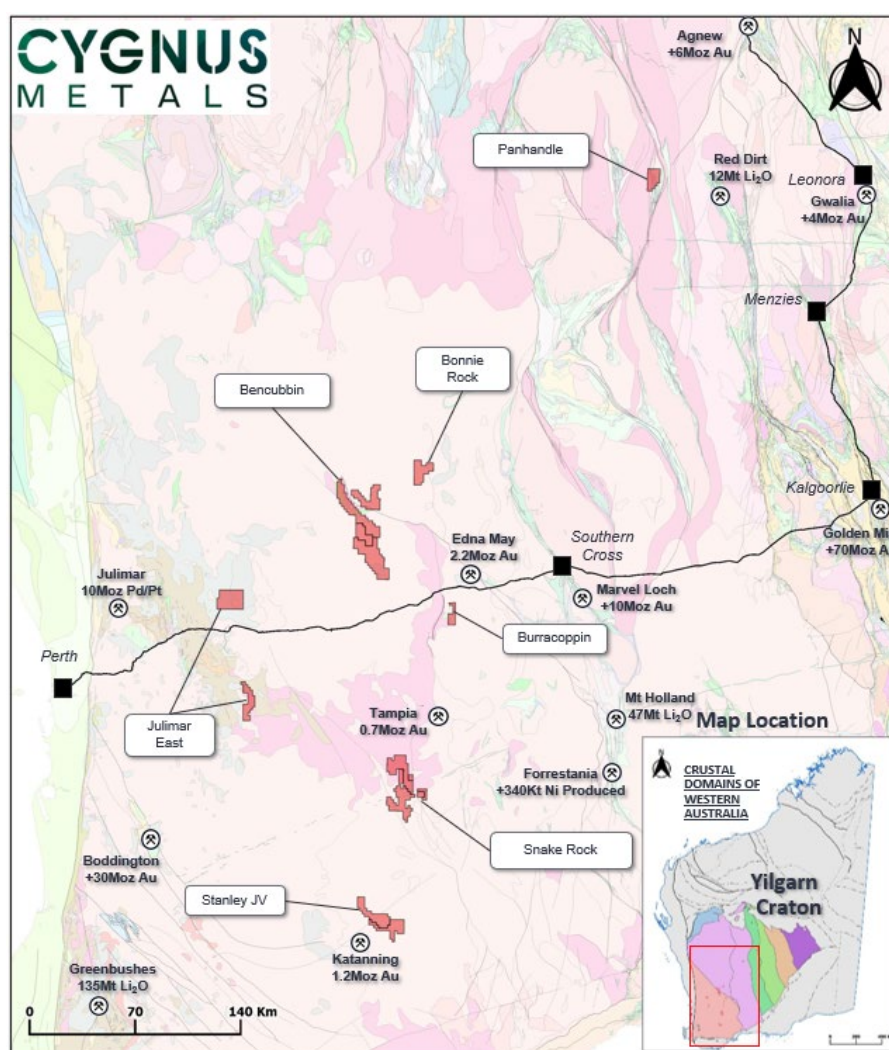


Figure 7: Cygnus current Australian tenure with background geology from GSWA mapped regional geology (1:500,000) (refer CY5's December 2022 Quarterly Activities Report).

REVIEW OF OPERATIONS (CONTINUED)

BENCUBBIN REE & LCT PROJECT (100% CY5)

The ~800km² Bencubbin Project is located ~220km northeast of Perth and covers the Bencubbin Greenstone Belt, an underexplored greenstone sequence extending for over 70km of strike, and up to 5km in width. Greenstone belts such as Bencubbin are highly prospective for LCT pegmatites around late granitoid intrusions, many of which have been identified in the recently flown airborne magnetics (refer ASX release dated 26 April 2022).

In December 2022, Cygnus completed a 34-hole air core program in the north-east of the Bencubbin Project to test a distinct magnetic anomaly. The program successfully defined a REE enriched felsic suite with a well-developed clay profile over at least 2.3km of strike. Recently received assays (refer ASX release dated 20 June 2022) have returned thick, near surface, high grade intersections which include:

- 23m @ 1,862ppm TREO from 12m including 12m @ 2,405ppm TREO
- 34m @ 1,276ppm TREO from 8m including 4m @ 2,112ppm TREO

These results are in addition to the previously reported assays (refer ASX release **dated 7 June 2023**) which include:

- 19m @ 1,541ppm TREO from 8m including 11m @ 1,960ppm TREO and 4m @ 2,356ppm TREO
- 25m @ 1,117ppm TREO from 32m including 9m @ 1,608ppm TREO

Significantly, REE mineralisation demonstrates consistent grades and continuity in a well-developed enriched clay profile, with mineralisation starting from just 4m deep in places. To date, 34 holes have been drilled across the project identifying greater than 1,000ppm TREO over at least 2.3km with mineralisation completely open in all directions. The latest results continue to show that mineralisation appears to exhibit an association with a significant magnetic anomaly in the geophysics, interpreted to be the margin of a granitic body. This anomaly is 23km long with current drilling only covering 2.3km of this feature, highlighting the potential for significant scale REE mineralisation.

The latest results have also delivered the highest magnet rare earth oxide (MREO) proportions to date with up to 34% MREO (refer ASX release dated 20 June 2022). MREO is comprised of the high value rare oxides including Neodymium (Nd), Praseodymium (Pr), Dysprosium (Dy) and Terbium (Tb) that are used in magnets for electric motors. The MREO content of clay-hosted REE deposits is often a key value driver, with demand set to continue due to their role in EV production and the use of high-intensity magnets in electric motors and other clean energy applications. Governments of Australia, US, EU, Canada and the UK have listed Rare Earths as critical minerals for their strategic and economic importance in the transition to a renewable energy future and they highlight a need for local sources to secure supply for these elements.

The Bencubbin Project is ideally located due to geology, hydrology and land use. The levels and type of saline weathering of regional scale fertile granites and pegmatites produces an environment which can allow clay-hosted REE deposits to form. The project is also located on freehold farmland with access agreements in place and strong community support and engagement.

As a result, this area is becoming a significant region of clay-hosted REE exploration with both IGO Limited and Rio Tinto positioning themselves in the region. IGO Limited in particular has a significant ground position with the Lake Campion Project which has been established specifically for clay hosted REE exploration and high value heavy rare earths (HREE).

A follow-up air core drilling programme was commenced in June to both infill and extend the current known mineralisation. In addition, a regional program of auger sampling was planned for July 2023 to step out significantly along strike testing the 23km long magnetic feature, of which only 2.3km has been tested to date. Geophysics is also being considered as a tool to map out the depth to basement and to target areas of thick clay development.

Additionally, an extensive and significant auger geochemical pathfinder anomaly with elevated Li, Ta and Nb, typically associated with LCT pegmatite mineralisation, has been identified in the project auger data over the Bencubbin greenstone belt. Peak values in the auger returned values up to 152 ppm Li₂O, 55 ppm Ta₂O₅ and 152 ppm Nb₂O₅, with two large coherent anomalies defined over 2.2km of strike, both proximal to late granite intrusions (refer ASX release dated 30 May 2022).

REVIEW OF OPERATIONS (CONTINUED)

A secondary phase of auger was completed in December to test the southern anomaly where a significant 2km long LCT pathfinder anomaly has been defined with values of up to 55ppm Ta₂O₅ (refer ASX release dated 30 May 2022). This area is an open 4km area along strike of the existing trend however it has been under crop for the exploration period and was sampled when access was granted. RC drill lines were completed on a 500m spacing to test the bedrock around late granite intrusions. A total of 33 holes for 855m were completed. Results from the RC drilling are currently being interpreted.

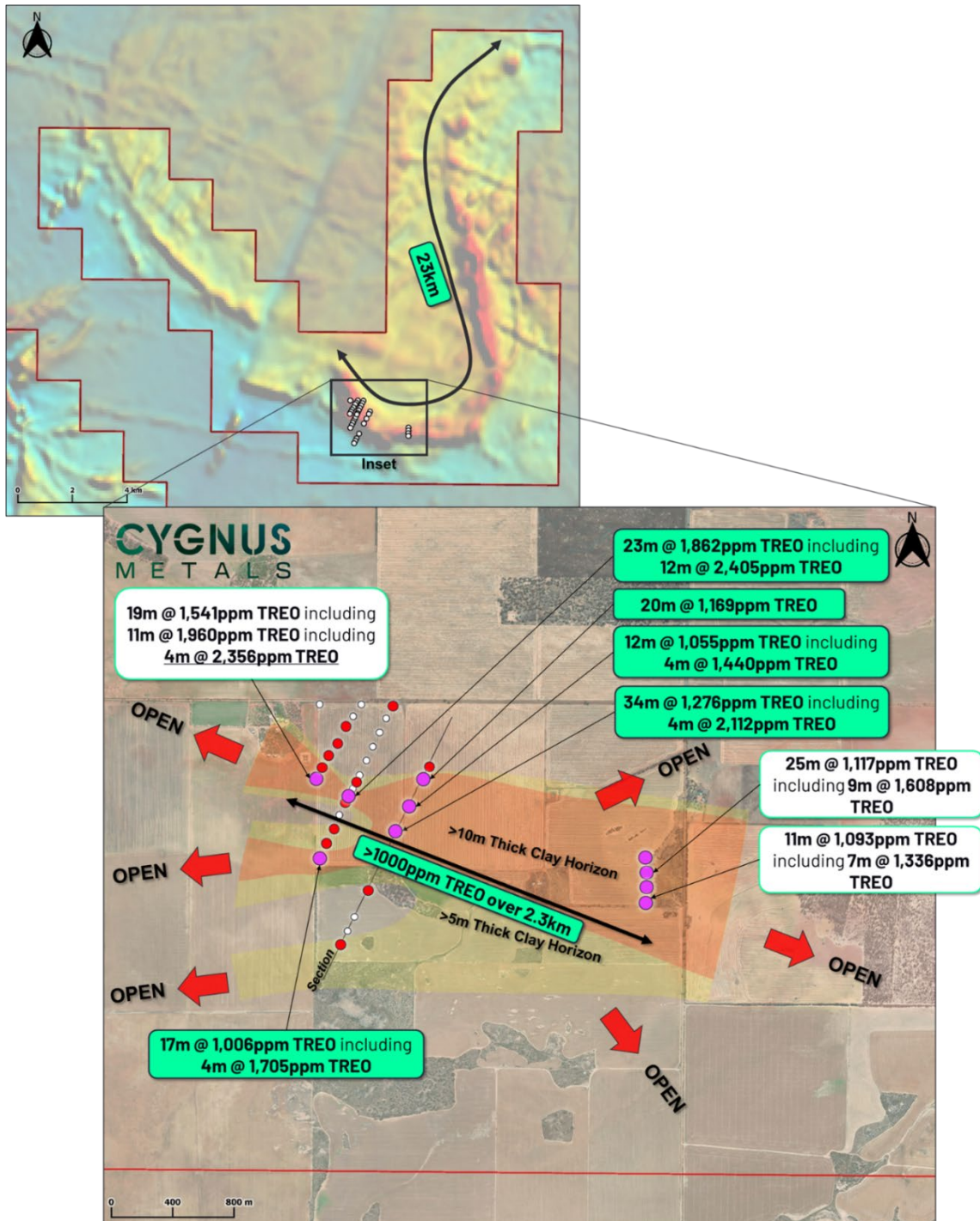


Figure 8: Above – Current limited drill coverage over distinct 2.3 km long magnetic anomaly. Below – Thick (>10m) clay horizon at >1000ppm TREO over 2.3km of strike and open in all directions.

REVIEW OF OPERATIONS (CONTINUED)

ONGOING EXPLORATION

The follow-up AC drilling programme for 2275m and auger sampling for REE mineralisation was completed in July 2023. Results are currently being interpreted and follow up drilling will be planned on prospective areas. Sampling throughout the Bencubbin Project for both LCT and REE enrichment has been planned to increase the known prospective areas. Additionally, passive seismic surveys are being considered to advance REE exploration.

SNAKE ROCK PROJECT (100% CY5)

The Snake Rock Project (E70/4911, E70/5098, E70/4990, E70/6386 & E70/6385) is located 230km east of Perth, Western Australia in the South West Terrane of the Yilgarn Craton. The project covers 448km² of an area considered highly prospective for Ni, Cu and PGEs; covering the south eastern extent of the same mobile belt which hosts the Julimar Ni-Cu-PGE discovery (ASX:CHN). The project is also prospective for gold mineralisation, located just 30km south west and along the same structural lineament as the 700Koz Tampia gold deposit (ASX:RMS).

In March 2023, the Company completed a five-hole reverse circulation (RC) drill programme for 855m which is co-funded by the West Australian Government Exploration Initiative Scheme. This drilling targeted areas of high magnetism and coincident high gravity. Mafic to ultramafic lithology types were intercepted and are currently being assessed. Assays from this program are currently being interpreted as thin sections are still awaiting return.

Project-wide exploration to assist in targeting has been completed which has consisted of roadside gravity traverses with roadside sampling to be completed in 2023. The gravity traverses were completed during 2023 to assess the distribution of dense ultramafic lithologies to further prioritise drilling areas. Auger, soil sampling and rock chipping has been completed throughout the larger Snake Rock Project area, initially focussing on areas delineated by the ground gravity. Land Access Agreements continue to be negotiated with landholders.

The Snake Rock project was increased in size with the addition of two new tenements to the group, however the voluntary surrender of 19 blocks of E70/5098 was completed on areas which were deemed too difficult to explore, including reserves and salt lakes.

Down hole EM results for SRRC0007 proved inconclusive with extremely high magnetic response interfering with the equipment.

REVIEW OF OPERATIONS (CONTINUED)

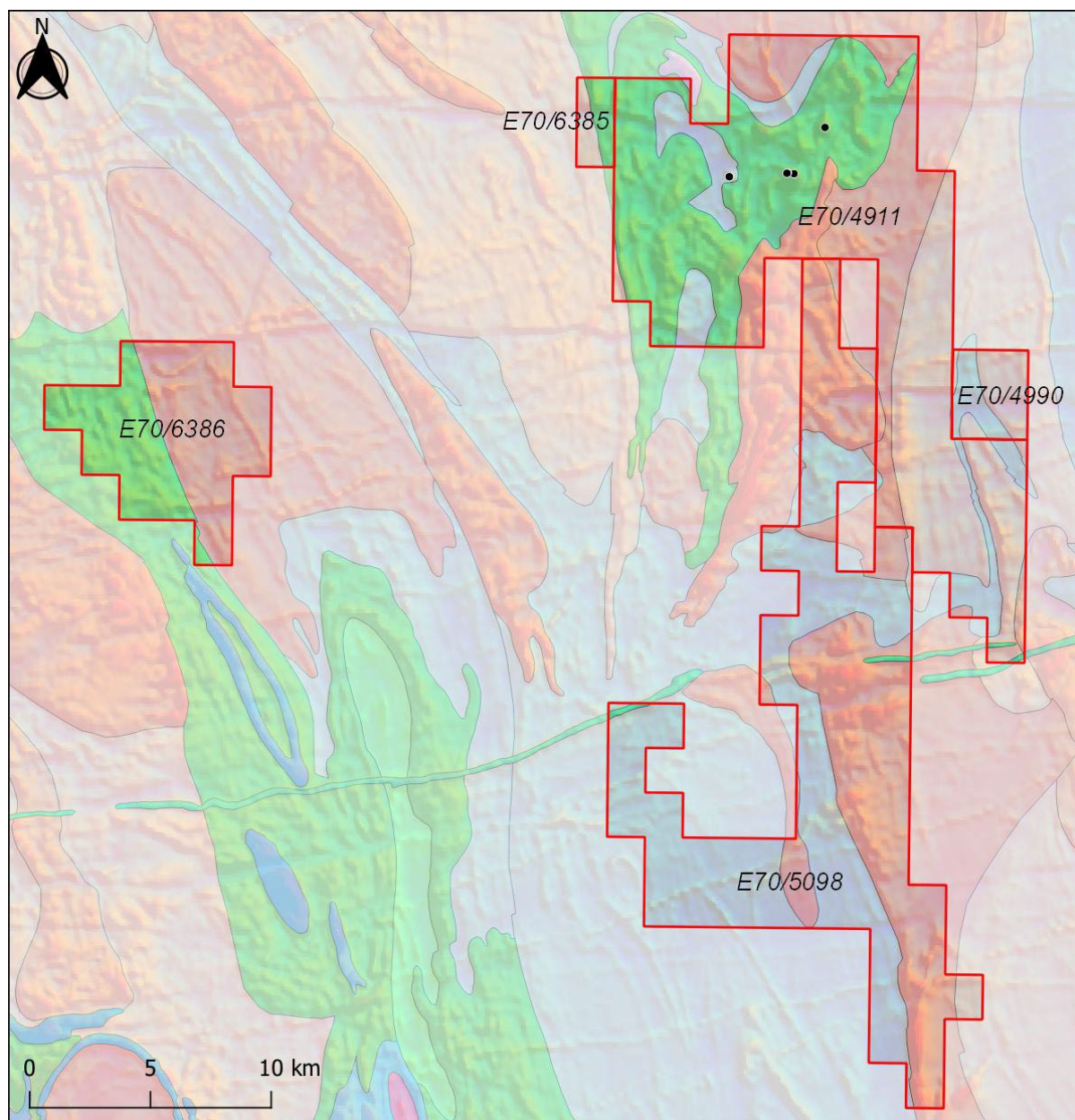


Figure 9: Map of the Snake Rock Project (E70/4911, E70/5098, E70/4990, E70/6386 & E70/6385). Location of the EIS drilling in the north is shown with black collar points.

ONGOING EXPLORATION

The initial round of drilling in 2022 demonstrated that Snake Rock Project is highly prospective for copper-gold as well as ultramafic hosted Ni, Cu and PGEs. With the lack of exploration and the significance of recent results, follow-up exploration has been planned for early 2024 when cropping cycles are completed, both continuing to focus on the Kondinin Ultramafic complex and other mineralisation styles throughout the southern package.

Mineralogical and petrographical interpretation should be returned in the coming months and, in combination with interpreted geophysical data, will guide the next exploration stage. This could include further geophysical testing on both the core and the surrounding tenement area to highlight the most prospective parts of the Kondinin Ultramafic complex.

REVIEW OF OPERATIONS (CONTINUED)

PANHANDLE PROJECT (100% CY5)

Cygnus Metals' E29/1075 (Panhandle Project) is located in the Central Yilgarn Craton, approximately 50km north-west of the Mt Ida lithium deposit (ASX:RDT). The ~100km² Panhandle tenement covers a 13km section of the Panhandle greenstone belt (Youanmi Terrane, Yilgarn Craton) where the Company's review of historical exploration has revealed no drilling and limited surface sampling and geophysical surveys.

Assays for the initial rock chip sampling of pegmatite outcrop have confirmed a geochemistry indicative of lithium, caesium, tantalum (LCT) fertile pegmatites. The K:Rb ratio derived from recent assays highlights the prospectivity of the southern pegmatites. This ratio is an indicator of a fractionated pegmatite; the lower the K:Rb ratio, the more fractionated and prospective the pegmatites. The occurrence of these fractionated pegmatites in a cluster in the south is highly encouraging for the potential for lithium mineralisation to be associated with these pegmatites.

Follow-up and infill mapping and rock chipping has been completed over the area of Panhandle shown in the image below. This area showed highly elevated geochemistry indicative of LCT fertile pegmatites. The outcropping pegmatite bodies are up to 23m wide on surface and appear to be dipping gently to the northwest. Phase 1 rock chipping of the large area returned results of up to 517ppm Li₂O, 78ppm Ta₂O₅, and 265ppm Nb₂O₅ from pegmatites at surface (refer ASX release dated 31 January 2023). Pegmatites are dominantly trending northeast with a shallow dip and hosted in basalts and dolerites near a major shear zone, which shows similarities to Delta's (ASX: DLI) Mt Ida Lithium Deposit.

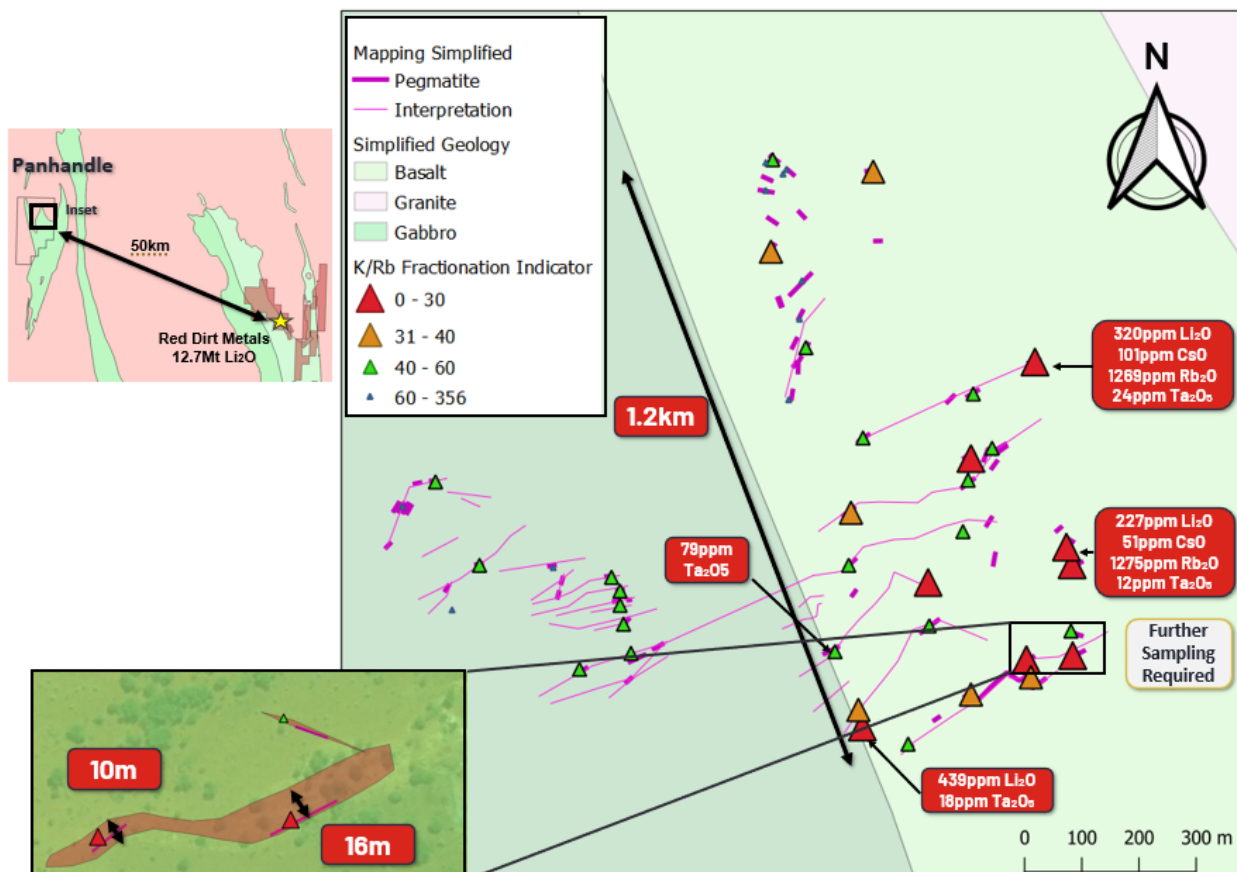


Figure 10: Cygnus' Panhandle project interpreted geology with inset of recent pegmatite mapping and sampling points.⁵ This area is displaying phase 1 results and was the focus of phase 2 infill mapping and sampling (refer ASX release dated 31 January 2023). The K/Rb ratio is an indicator of a fractionated pegmatites, the lower the K:Rb ratio, the more fractionated and prospective the pegmatites. Bottom left image shows thicknesses at surface.

REVIEW OF OPERATIONS (CONTINUED)

ONGOING EXPLORATION

Results from Phase 2 will be interpreted, and further exploration will be planned. This will likely include a site visit by the in-house Lithium specialists in late 2023 to 2024 with potential follow up sampling or to delineate drill targets from the most prospective areas.

END NOTES

1. For: James Bay (110.2Mt @ 1.3% Li₂O), refer to Allkem Ltd's ASX Announcement dated 11 August 2023; Corvette (109.2Mt @ 1.42% Li₂O), refer to Patriot Battery Metals ASX Announcement dated 30 July 2023; Whabouchi (55.7Mt @ 1.4% Li₂O), refer to Nemaska Lithium Inc's NI 43-101 dated 31 May 2019; Rose (34.2Mt @ 0.9% Li₂O), refer for Critical Elements Lithium Corp's TSX-V Announcement dated 13 June 2022; Abitibi Lithium Hub (119.1Mt @ 1.1% Li₂O) operated by Sayona Mining Limited/Piedmont Lithium Inc, refer to Sayona Mining Limited's Annual Report ASX release dated 13 October 2022; and Moblan (70.9Mt @ 1.2% Li₂O) operated by Sayona Mining Limited/SOQUEM Inc, refer to Sayona Mining Limited's ASX Presentation dated 17 April 2023.
2. Refer to Cygnus Metals' ASX announcements dated 29 July 2022, 18 January 2023, 14 February 2023, 21 March 2023 and 19 April 2023.
3. Refer to Cygnus Metals' ASX announcement dated 22 May 2023.
4. Refer to Cygnus Metals' ASX announcement dated 4 July 2023.

** In relation to the disclosure of visual occurrences of pegmatite and spodumene, the Company cautions that visual estimates of mineral abundance should never be considered a proxy or substitute for laboratory analyses where concentrations or grades are the factor of principal economic interest. Visual estimates also potentially provide no information regarding impurities or deleterious physical properties relevant to valuations. The Company will update the market when laboratory analytical results become available.*

CORPORATE

Financial Information

The loss of the Consolidated Group for the six months ended 30 June 2023 after providing for income tax amounted to \$7,963,601 (30 June 2022: \$583,712). The net assets of the Company are \$19,703,326 as at 30 June 2023 (31 December 2022: \$17,402,441).

At 30 June 2023 the Consolidated Group had \$5,347,358 in cash and cash equivalents (31 December 2022: \$13,530,678).

Board and executive team appointments

On 1 February 2023, the Company announced that David Southam would transition from Non-Executive Director to Managing Director on 13 February 2023 and Michael Naylor from Executive Director to Non-Executive Director on 1 March 2023. Carl Travaglini also replaced Susan Field as Chief Financial Officer and Joint Company Secretary on 1 February 2023.

On 27 March 2023, the Company announced that Kevin Tomlinson would be appointed Independent Non-Executive Chairman from 3 April 2023, replacing Ray Shorrocks who transitioned to Non-Executive Director. Shaun Hardcastle also resigned from the Board of Directors effective 3 April 2023.

Name Change

On 8 February 2023, the Company announced a change in company name from Cygnus Gold Limited to Cygnus Metals Limited.

REVIEW OF OPERATIONS (CONTINUED)

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Satisfaction of Pontax stage 1 earn-in milestone

On 6 July 2023, the Company announced that it had earned the initial 51% of the Pontax Lithium Project by spending C\$4 million on exploration at the project. The Company satisfied the C\$2m milestone payment with the issue of Cygnus fully paid ordinary shares. A total of 9,129,825 shares were issued on 6 July 2023 at a deemed price of A\$0.2475 per share.

Acquisition of additional ground at Auclair (Noranda Claims)

On 28 July 2023, the Company announced that it had agreed to acquire a 100% interest in additional mining claims ("Claims") at the Auclair Project satisfied by:

- Payment of C\$100,000 in cash.
- Issue of 1,000,000 fully paid ordinary shares (500,000 to be issued at completion of the acquisition and 500,000 to be issued 12 months from completion).
- A 2% gross revenue royalty that will be payable on critical minerals and rare earth deposits extracted from the Claims.
- The following deferred milestone payments, upon and subject to the Company defining a JORC 2012 compliant mineral resource estimate of inferred or greater category for the Claims with a delineation of:
 - at least 3 million metric tonne resources with a grade of at least 1.2% Li₂O ("Milestone 1"), at the election of Cygnus:
 - the Company will pay C\$3,000,000 in cash; or
 - the Company will issue the number of Shares equal to C\$3,000,000 at a deemed issue price equal to the 20-day volume weighted average price of Cygnus Shares ("20-day VWAP") over the trading days immediately prior to the date of Milestone 1 being met;
 - at least 1 million oz of gold at a minimum grade of 3.0g/t Au ("Milestone 2"), at the election of Cygnus:
 - the Company will pay C\$3,000,000 in cash; or
 - the Company will issue the number of Shares equal to C\$3,000,000 at a deemed issue price equal to the 20-day VWAP over the trading days immediately prior to the date of Milestone 2 being met; and
 - at least 10 million metric tonne resources with a grade of at least 1.2% Li₂O ("Milestone 3"), at the election of Cygnus:
 - the Company will pay \$3,000,000 in cash; or
 - the Company will issue the number of Shares equal to C\$3,000,000 at a deemed issue price equal to the 20-day VWAP over the trading days immediately prior to the date of Milestone 3 being met.

Maiden Lithium Resource Estimate

On 14 August 2023, the Company announced a maiden JORC Code 2012-Compliant Inferred Mineral Resource Estimate of 10.1Mt at 1.04% Li₂O at the Pontax Lithium Project in James Bay, Canada.

Resource Category	Cut-off Grade (Li ₂ O)	Tonnes (Mt)	Grade (Li ₂ O)	Contained Li ₂ O (Tonnes)	Grade (Ta ₂ O ₅ ppm)
Inferred	0.5%	10.1	1.04%	105,280	74.79

REVIEW OF OPERATIONS (CONTINUED)

Flow Through Placement

On 21 August the Company announced that it had received firm commitments totalling approximately A\$11.1 million (using 0.865 AUD/CAD exchange rate) via a Capital Raising utilising:

Flow-through share provisions under Canadian tax law to raise C\$7.0 million (before costs) ("FTS Placement")

Placement of A\$3.0 million (before costs) to institutions and sophisticated investors ("Traditional Placement")

The C\$7.0 million FTS Placement raising (A\$8.1m) was priced at A\$0.4275 per Share. The A\$3.0 million Traditional Placement was priced at A\$0.225 per Share.

In addition to the Capital Raising, Cygnus also announced it would undertake a Share Purchase Plan (SPP) to eligible Shareholders at the same issue price as the Traditional Placement for up to A\$2.0 million (before costs).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group is committed to:

- exploration activities on the Pontax Lithium Project, Auclair Lithium Project, Sakami Project; and
- exploration of the Group's key assets in the Wheatbelt region of Western Australia which includes continuing to negotiate further access with private landholders in relation to these areas of interest identified.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 38 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.



David Southam

Managing Director

13 September 2023

Forward Looking Statements

This report may contain certain forward-looking statements and projections regarding estimated, resources and reserves; planned production and operating costs profiles; planned capital requirements; and planned strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Cygnus Metals Limited. The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

Cygnus Metals Limited does not make any representations and provides no warranties concerning the accuracy of the projections and disclaims any obligation to update or revise any forward-looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws. While the information contained in this report has been prepared in good faith, neither Cygnus Metals Limited or any of its directors, officers, agents, employees or advisors give any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. Accordingly, to the maximum extent permitted by law, none of Cygnus Metals Limited, its directors, employees or agents, advisers, nor any other person accepts any liability whether direct or indirect, express or limited, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the information or for any of the opinions contained in this presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this report.

Compliance Statements

The information in this report that relates to previously reported Exploration Results, Mineral Resources and Ore Reserves has been previously released in ASX Announcements as noted in the text and in the End Notes above. Cygnus Metals is not aware of any new information or data that materially affects the information in the said announcements, and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Disclaimer

This report has been prepared by Cygnus Metals Limited based on information from its own and third-party sources and is not a disclosure document. No party other than the Company has authorised or caused the issue, lodgement, submission, despatch or provision of this release, or takes any responsibility for, or makes or purports to make any statements, representations or undertakings in this release. Except for any liability that cannot be excluded by law, the Company and its related bodies corporate, directors, employees, servants, advisers and agents disclaim and accept no responsibility or liability for any expenses, losses, damages or costs incurred by you relating in any way to this release including, without limitation, the information contained in or provided in connection with it, any errors or omissions from it however caused, lack of accuracy, completeness, currency or reliability or you or any other person placing any reliance on this release, its accuracy, completeness, currency or reliability. This release is not a prospectus, disclosure document or other offering document under Australian law or under any other law. It is provided for information purposes and is not an invitation nor offer of shares or recommendation for subscription, purchase or sale in any jurisdiction. This release does not purport to contain all the information that a prospective investor may require in connection with any potential investment in the Company. Each recipient must make its own independent assessment of the Company before acquiring any shares in the Company.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Income			
Other Income	5	1,230,595	69,323
		1,230,595	69,323
Expenses			
Audit and accounting		(112,540)	(10,800)
Borrowing costs		-	(30)
Consultants and contractors		(250,820)	(114,950)
Corporate costs		(268,626)	(123,728)
Depreciation and amortisation		(28,277)	(15,343)
Depreciation on right of use assets		-	(17,023)
Employee benefits		(557,705)	(228,315)
Exploration and evaluation costs		(144,972)	(11,031)
Exploration expenditure impaired		-	(713)
Exploration expenditure written off		-	(34,949)
Interest expense of lease liability		-	(2,581)
Listing and compliance costs		(38,930)	(14,536)
Office rental and outgoings		(81,545)	(4,431)
Share based payments	6	(6,622,741)	-
Travel and accommodation		(193,456)	(75,168)
Foreign exchange gains		104,585	-
		(8,195,027)	(653,598)
Operating Loss		(6,964,432)	(584,275)
Finance income		32,593	563
Loss before income tax		(6,931,839)	(583,712)
Income tax expense		-	-
Deferred tax expense	9	(1,031,762)	-
Loss after income tax		(7,963,601)	(583,712)
Other comprehensive loss		15,298	-
Total comprehensive loss for the period net of tax		(7,948,303)	(583,712)
Loss per share attributable to equity holders of the Company		Cents	Cents
Basic loss per share		(0.99)	(0.50)
Diluted loss per share		(0.99)	(0.50)

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

CYGNUS
METALS

As at 30 June 2023

	Notes	30 June 2023 \$	31 December 2022 \$
ASSETS			
Current			
Cash and cash equivalents		5,347,358	13,530,678
Trade and other receivables		3,206,231	1,779,273
Total current assets		8,553,589	15,309,951
Non-Current			
Exploration and evaluation	7	14,673,750	5,538,857
Property, plant and equipment		156,053	154,967
Investments		413,333	397,895
Total non-current assets		15,243,136	6,091,719
Total assets		23,796,725	21,401,670
LIABILITIES			
Current			
Trade and other payables		2,542,152	3,530,497
Provisions		78,712	27,959
Total current liabilities		2,620,864	3,558,456
Non-current liabilities			
Deferred tax liabilities	9	1,472,535	440,773
Total non-current liabilities		1,472,535	440,773
Total liabilities		4,093,399	3,999,229
Net assets		19,703,326	17,402,441
EQUITY			
Contributed equity	8	28,885,038	25,260,644
Reserves		13,689,328	7,051,288
Accumulated losses		(22,871,040)	(14,909,491)
Total equity		19,703,326	17,402,441

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

CYGNUS
METALS

For the half year ended 30 June 2023

	Notes	Share Capital	Other Contributed Equity	Share-based Payment Reserve	Asset Revaluation Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2022		10,044,146	105,000	5,109,203	-	(12,148,263)	3,110,086
Loss after income tax		-	-	-	-	(583,712)	(583,712)
Other comprehensive loss		-	-	-	-	-	-
Total Comprehensive loss		-	-	-	-	(583,712)	(583,712)
Issue of share capital		105,000	(105,000)	-	-	-	-
Proceeds from share applications		76,396	-	-	-	-	76,396
Share issue expenses		(2,592)	-	-	-	-	(2,592)
Balance at 30 June 2022		10,222,950	-	5,109,203	-	(12,731,975)	2,600,178
Balance at 1 January 2023		25,260,644	-	7,108,222	(56,934)	(14,907,439)	17,404,493
Loss after income tax		-	-	-	-	(7,963,601)	(7,963,601)
Other comprehensive income		-	-	-	15,298	-	15,298
Total Comprehensive loss		-	-	-	15,298	(7,963,601)	(7,948,303)
Issue of share capital – Project acquisitions	7	1,850,375	-	-	-	-	1,850,375
Proceeds from share option conversions	8	1,824,000	-	-	-	-	1,824,000
Share issue expenses	8	(49,980)	-	-	-	-	(49,980)
Share-based payments	5	-	-	6,622,741	-	-	6,622,741
Balance at 30 June 2023		28,885,038	-	13,730,963	(41,636)	(22,871,040)	19,703,326

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Operating activities			
Payments to suppliers and employees		(1,463,114)	(536,559)
Payments for exploration expenditure		-	(11,031)
Interest received		32,593	741
Interest payments		-	(2,611)
Other income		29,040	50,097
Refundable sales taxes		(695,724)	-
Net cash outflow from operating activities		(2,097,205)	(499,363)
Investing activities			
Payments for acquisition of mining tenements		(339,156)	-
Payments for capitalised exploration and evaluation assets		(7,451,059)	(434,972)
Purchase of property, plant and equipment		(29,363)	(7,793)
Proceeds from sale of mining tenements		-	18,260
Payments to establish security deposits		(128,950)	-
Net cash outflow from investing activities		(7,948,528)	(424,505)
Financing activities			
Lease payments		-	(15,853)
Proceeds from issue of shares	8	1,824,000	76,396
Capital raising costs for issue of shares		(18,119)	(2,592)
Net cash inflow from financing activities		1,805,881	57,951
Net change in cash and cash equivalents		(8,239,852)	(865,917)
Effect of movement in exchange rates on cash held		56,532	-
Cash and cash equivalents at the beginning of the period		13,530,678	2,811,336
Cash and cash equivalents at the end of the period		5,347,358	1,945,419

The above statement should be read in conjunction with the accompanying notes.

1 COMPANY INFORMATION

Cygnus Metals Limited's ("Cygnus" or "the Company" or "the Group") principal activities consist of exploration and evaluation of lithium deposits in Canada and rare earth and base metals deposits in Western Australia. Cygnus is a for-profit entity for the purpose of preparing its consolidated financial statements.

The address of its registered office and its principal place of business is Level 2, 8 Richardson Street, West Perth, WA 6005.

The half year interim financial report was approved by the Board of Directors on 13 September 2023.

2 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the half-year have been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

The interim consolidated financial statements have been prepared on a historical cost basis and, except as otherwise stated, are rounded to the nearest dollar.

a) New Accounting Standards and Interpretations

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current period. Any new or Amended Standards or Interpretations that are not mandatory have not been early adopted.

b) Impact of Standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Company.

3 GOING CONCERN

As at 30 June 2023 the Group had current assets of \$8,553,589 (31 December 2022: \$15,309,951), including cash and cash equivalents of \$5,347,358 (31 December 2022: \$13,530,678), and current liabilities of \$2,620,864 (31 December 2022: \$3,558,456).

The Group's cashflow forecasts through to the period ended 30 September 2024 reflect that the Group will require additional working capital throughout this period to enable it to continue to meet its operational and planned exploration activities.

Based on the below considerations, the Directors are satisfied that there is a reasonable basis to conclude that the Group can raise additional working capital as and when required and thus it is appropriate to prepare the consolidated financial report on a going concern basis:

- i. In August 2023 the Company completed a Flow-Through Share Placement raising A\$8.1 million before costs and a Traditional Placement raising A\$3.0 million before costs.

- ii. The Group has potential options available to manage liquidity, including one or a combination of, a placement of shares, option conversion, entitlement offer, joint venture arrangements, sale of certain assets or a change in the Company's expenditure profile.

In the event that the funding options available to the Group do not transpire or there is no change to the forecasted spending pattern, there would be material uncertainty about whether the Group is able to continue as a going concern and, therefore, realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

4 ESTIMATES

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last consolidated annual financial statements for the period ended 31 December 2022.

5 OTHER INCOME

	30 June 2023 \$	30 June 2022 \$
Recognition of Flow-Through Share tax deductions sold during the period	1,221,895	-
Other income	8,700	69,323
	1,230,595	69,323

6 SHARE BASED PAYMENTS

	30 June 2023 \$	30 June 2022 \$
Share-based payments – Performance Rights – KMP	(3,357,234)	-
Share-based payments – Performance Rights – Staff and consultants	(3,265,507)	-
	(6,622,741)	-

Notes to the Consolidated Financial Statements

Information relating to performance rights issued during and outstanding at the end of the current period is set out below. There were no performance rights issued in the comparative period.

Tranche	Grant Date	Vesting date	Expiry date	Balance at start of the period	Granted	Cancelled	Balance at end of the period	Vested and exercisable at end of the period	Value of rights expensed during the period \$
A	15/08/2022	21/10/2026	21/10/2027	8,350,000	-	(250,000)	8,100,000	-	1,124,853
B	15/08/2022	21/10/2026	21/10/2027	8,350,000	-	(250,000)	8,100,000	-	1,124,853
C	28/09/2022	21/10/2026	21/10/2027	4,500,000	-	-	4,500,000	-	652,644
D	28/09/2022	21/10/2026	21/10/2027	4,500,000	-	-	4,500,000	-	652,644
E	4/10/2022	21/10/2026	21/10/2027	150,000	-	-	150,000	-	32,197
F	4/10/2022	21/10/2026	21/10/2027	150,000	-	-	150,000	-	32,197
G	16/11/2022	15/06/2023	30/07/2025	250,000	-	-	250,000	-	95,391
H	16/11/2022	15/06/2024	30/07/2025	250,000	-	-	250,000	-	38,035
I	16/11/2022	30/11/2024	30/11/2026	100,000	-	-	100,000	-	11,783
J	16/11/2022	30/09/2023	30/09/2025	300,000	-	-	300,000	-	82,816
K	19/11/2022	21/10/2026	21/10/2027	1,000,000	-	-	1,000,000	-	281,413
L	19/11/2022	21/10/2026	21/10/2027	1,000,000	-	-	1,000,000	-	281,413
M	13/02/2023	1/11/2024	13/02/2028	-	5,000,000	-	5,000,000	-	502,552
N	13/02/2023	13/02/2028	13/02/2028	-	2,000,000	-	2,000,000	-	639,797
O	13/02/2023	13/02/2028	13/02/2028	-	2,000,000	-	2,000,000	-	639,797
P	13/02/2023	13/02/2028	13/02/2028	-	4,000,000	-	4,000,000	-	41,415
Q	13/02/2023	13/02/2028	13/02/2028	-	2,500,000	-	2,500,000	-	75,703
R	13/02/2023	13/02/2028	13/02/2028	-	2,500,000	-	2,500,000	-	72,233
S	13/02/2023	21/10/2026	21/10/2027	-	250,000	-	250,000	-	86,293
T	13/02/2023	21/10/2026	21/10/2027	-	250,000	-	250,000	-	86,293
U	23/03/2023	13/02/2028	13/02/2028	-	300,000	-	300,000	-	40,615
V	23/03/2023	13/02/2028	13/02/2028	-	400,000	-	400,000	-	3,707
W	23/03/2023	3/04/2025	3/04/2028	-	300,000	-	300,000	-	8,574
X	2/03/2023	24/02/2024	4/05/2028	-	50,000	-	50,000	-	5,850
Y	2/03/2023	24/02/2025	4/05/2028	-	50,000	-	50,000	-	2,897
Z	2/03/2023	24/02/2026	4/05/2028	-	50,000	-	50,000	-	1,927
A1	20/04/2023	22/05/2024	4/05/2028	-	50,000	-	50,000	-	2,587
A2	20/04/2023	22/05/2025	4/05/2028	-	50,000	-	50,000	-	1,349
A3	20/04/2023	22/05/2026	4/05/2028	-	50,000	-	50,000	-	913
				28,900,000	19,800,000	(500,000)	48,200,000	-	6,622,741

The terms of performance rights issued during the period include:

Tranche	Vesting conditions
N,S	The Company reporting a JORC compliant Inferred Mineral Resource of 5MT at a minimum grade of 0.8% Li ₂ O on or before 21 October 2026.
O,T,U	The Company reporting a JORC compliant Inferred Mineral Resource of 10MT at a minimum grade of 0.8% Li ₂ O on or before 21 October 2026.
M	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 1 November 2024.
P	The Company reporting a JORC compliant Inferred Mineral Resource of 20MT at a minimum grade of 0.8% Li ₂ O on or before 13 February 2028.
Q,V	The Company achieving a market capitalisation of at least \$150,000,000 over a period of not less than 10 consecutive trading days on which trades in the Company's shares actually occur.
R	The Company's share price having a 10-day VWAP of at least \$1.00 or a market capitalisation of at least \$250,000,000 over a period of not less than 10 consecutive trading days on which trades in the Company's shares actually occur.
W	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 3 April 2025.
X	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 24 February 2024.
Y	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 24 February 2025.
Z	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 24 February 2026.
A1	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 22 May 2024.
A2	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 22 May 2025.
A3	Remaining an officeholder, employee or consultant of the Company (or a wholly owned subsidiary) at all times up to and including 22 May 2026.

Notes to the Consolidated Financial Statements

Fair value of performance rights

The following table illustrates the inputs used to calculate the fair value of performance rights issued during the current reporting period:

Tranche	M	N	O	P	Q	R
Share price at grant date	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46
Vesting period commences	13/02/2023	13/02/2023	13/02/2023	13/02/2023	13/02/2023	13/02/2023
Expiry date	13/02/2028	13/02/2028	13/02/2028	13/02/2028	13/02/2028	13/02/2028
Days to expiry	1,826	1,826	1,826	1,826	1,826	1,826
Number issued	5,000,000	2,000,000	2,000,000	4,000,000	2,500,000	2,500,000
Valuation per right	\$0.46	\$0.46	\$0.46	\$0.46	\$0.4036	\$0.3851
Volatility	95%	95%	95%	95%	95%	95%
Risk-free interest rate	3.551%	3.551%	3.551%	3.551%	3.551%	3.551%
Probability	100%	90%	70%	30%	100%	100%
Valuation per class of rights	\$2,300,000	\$920,000	\$920,000	\$552,000	\$1,009,000	\$962,750
Tranche	S,T	U	V	W	X,Y,Z	A1,A2,A3
Share price at grant date	\$0.49	\$0.22	\$0.22	\$0.22	\$0.35	\$0.29
Vesting period commences	7/02/2023	26/03/2023	26/03/2023	26/03/2023	2/03/2023	20/04/2023
Expiry date	21/10/2027	23/02/2028	23/02/2028	3/04/2028	4/05/2028	4/05/2028
Days to expiry	1,717	1,785	1,785	1,835	1,898	1,849
Number issued	500,000	300,000	400,000	300,000	150,000	150,000
Volatility	95%	95%	103%	95%	95%	95%
Risk-free interest rate	3.551%	3.551%	2.955%	3.551%	3.551%	3.551%
Valuation per right	\$0.49	\$0.22	\$0.1723	\$0.22	\$0.35	\$0.29
Probability	100%	100%	100%	100%	100%	100%
Valuation per class of rights	\$245,000	\$66,000	\$68,920	\$66,000	\$52,500	\$43,500

7 EXPLORATION AND EVALUATION ASSETS

	30 June 2023 \$	31 December 2022 \$
Carrying amount at the beginning of the period	5,538,857	892,833
Expenditure incurred during the half-year	5,687,430	4,603,128
Acquisition costs (cash) capitalised during the half-year	1,597,088	-
Acquisition costs (non-cash) capitalised during the half-year	1,850,375	-
Exploration and evaluation expenditure written off	-	(42,896)
Carrying amount at the end of the period	14,673,750	5,538,857

8 SHARE CAPITAL AND OTHER CONTRIBUTED EQUITY

	Shares	Total \$
1 January 2022	116,407,961	10,149,146
Shares issued	67,466,251	19,530,355
Less flow-through share premium	-	(2,052,304)
Broker option issue cost	-	(1,604,498)
Share issue costs	-	(762,055)
31 December 2022	183,874,212	25,260,644
Consideration shares issued	7,466,500	1,850,376
Shares issued upon exercise of options	22,800,000	1,824,000
Share issue costs	-	(49,980)
30 June 2023	214,140,712	28,885,038

Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Cygnus Metals Limited.

9 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	30 June 2023	30 June 2022
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Opening balance	440,773	-
Temporary difference on relinquishment of qualifying expenditure to investors	1,031,762	440,773
Deferred tax liability	1,472,535	440,773

10 COMMITMENTS

The exploration and expenditure commitments have not changed materially since 31 December 2022.

11 LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent entity (Cygnus Metals Limited) as the numerator (no adjustment to losses were necessary during the six months periods to 30 June 2023 and 30 June 2022).

	30 June 2023	30 June 2022
Net loss attributable to ordinary equity holders of the Company	\$7,963,601	\$583,712
Weighted average number of ordinary shares outstanding during the half year used in calculating basic and diluted loss per share	803,023,875	117,579,348
Basic and diluted loss per share (cents per share)	(0.99)	(0.50)

As at 30 June 2023, the Group had 19,500,000 unlisted share options exercisable (2022: 29,500,000), which are not included in the diluted loss per share since Group incurred losses for the periods presented.

12 EVENTS SUBSEQUENT TO REPORTING DATE

Satisfaction of Pontax stage 1 earn-in milestone

On 6 July the Company announced that it had earned the initial 51% of the Pontax Lithium Project by spending C\$4 million on exploration at the project. The Company satisfied the C\$2m milestone payment with the issue of Cygnus fully paid ordinary shares. A total of 9,129,825 shares were issued at a deemed price of A\$0.2475.

Acquisition of additional ground at Auclair (Noranda Claims)

On 28 July the Company announced that it had agreed to acquire a 100% interest in additional mining claims ("Claims") at the Auclair Project satisfied by:

- Payment of C\$100,000 in cash.
- Issue of 1,000,000 fully paid ordinary shares (500,000 to be issued at completion of the acquisition and 500,000 to be issued 12 months from completion).
- A 2% gross revenue royalty that will be payable on critical minerals and rare earth deposits extracted from the Claims.
- The following deferred milestone payments, upon and subject to the Company defining a JORC 2012 compliant mineral resource estimate of inferred or greater category for the Claims with a delineation of:
 - at least 3 million metric tonne resources with a grade of at least 1.2% Li₂O ("Milestone 1"), at the election of Cygnus:
 - a) the Company will pay C\$3,000,000 in cash; or
 - b) the Company will issue the number of Shares equal to C\$3,000,000 at a deemed issue price equal to the 20-day volume weighted average price of Cygnus Shares ("20-day VWAP") over the trading days immediately prior to the date of Milestone 1 being met;
 - at least 1 million oz of gold at a minimum grade of 3.0g/t Au ("Milestone 2"), at the election of Cygnus:

- a) the Company will pay C\$3,000,000 in cash; or
- b) the Company will issue the number of Shares equal to C\$3,000,000 at a deemed issue price equal to the 20-day VWAP over the trading days immediately prior to the date of Milestone 2 being met; and
- at least 10 million metric tonne resources with a grade of at least 1.2% Li₂O (“Milestone 3”), at the election of Cygnus:
 - a) the Company will pay \$3,000,000 in cash; or
 - b) the Company will issue the number of Shares equal to C\$3,000,000 at a deemed issue price equal to the 20-day VWAP over the trading days immediately prior to the date of Milestone 3 being met.

Maiden Lithium Resource Estimate

On 14 August the Company announced a maiden JORC Code 2012-Compliant Inferred Mineral Resource Estimate of 10.1Mt at 1.04% Li₂O at the Pontax Lithium Project in James Bay, Canada.

Resource Category	Cut-off Grade (Li ₂ O)	Tonnes (Mt)	Grade (Li ₂ O)	Contained Li ₂ O (Tonnes)	Grade (Ta ₂ O ₅ ppm)
Inferred	0.5%	10.1	1.04%	105,280	74.79

Flow Through Placement

On 21 August the Company announced that it had received firm commitments totalling approximately A\$11.1 million (using 0.865 AUD/CAD exchange rate) via a Capital Raising utilising:

- Flow-through share provisions under Canadian tax law to raise C\$7.0 million (before costs) (“FTS Placement”)
- Placement of A\$3.0 million (before costs) to institutions and sophisticated investors (“Traditional Placement”)

The C\$7.0 million FTS Placement raising (A\$8.1m) was priced at A\$0.4275 per Share. The A\$3.0 million Traditional Placement was priced at A\$0.225 per Share.

In addition to the Capital Raising, Cygnus also announced it would undertake a Share Purchase Plan (SPP) to eligible Shareholders at the same issue price as the Traditional Placement for up to A\$2.0 million (before costs).

END OF THE INTERIM CONSOLIDATED FINANCIAL REPORT

In the opinion of the Directors of Cygnus Metals Limited:

- (a) The half year financial statements and notes of Cygnus Metals Limited and its subsidiaries (collectively, "the Group") as set out on pages 24 to 34 are in accordance with the *Corporations Act 2001*, including:
 - i Giving a true and fair view of its financial position as at 30 June 2023 and of its 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* (Cth); and
- (b) There are reasonable grounds to believe that the Group 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 Directors.



David Southam

Managing Director

13 September 2023

Independent auditor's review report to the members of Cygnus Metals Limited

Conclusion

We have reviewed the accompanying half-year financial report of Cygnus Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies 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 half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group 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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the interim financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a 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.



Ernst & Young



R J Curtin
Partner
Perth
13 September 2023

Auditor's independence declaration to the directors of Cygnus Metals Limited

As lead auditor for the review of the half-year financial report of Cygnus Metals Limited for the half-year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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



Ernst & Young



R J Curtin
Partner
13 September 2023