



22 February 2024

Madeleine Green
Principal Adviser, Listings Compliance Perth,
ASX Limited,
Level 40, Central Park,
152-158 St Georges Tce,
Perth WA 6000

Dear Madeleine,

RE: Lion One Metals Limited - ASX Query

Reference is made to the letter from ASX Compliance dated 19 February 2024.

In response to your request for further information, the Company responds as follows (in question order):

Question 1: The Company incorrectly assumed that the ASX would defer to the TSX Venture Exchange as LLO's primary market with respect to capital raises. Once it became apparent that was not the case LLO was not in a position to reverse course. It was already obligated to proceed under the terms of the underwriting agreement signed with its Canadian underwriters. Moreover, LLO determined that no sales were being made into Australia and LLO was able to monitor securities being registered for trading in Australia since it is necessary to convert common shares into CDIs before they can be traded on the ASX. This gave LLO comfort that it would be possible to ensure that the February 2024 Capital Raising could be confined to the Canadian market. LLO is ramping up production at its Tuvatu mine in Fiji and required capital to manage working capital through the ramp up phase. There would not have been time to go back and seek shareholder approval without losing the offering and being in breach of obligations under the underwriting agreement. This would have resulted in a much more adverse result for LLO shareholders. The TSXV does not require shareholder approval for financings and Canadian market practice requires very quick execution of capital raisings like this one, so there was ultimately no time to reverse course and no way to reflect ASX approvals in the offering since the Canadian underwriters were not focused on ASX approvals. LLO's primary market is the TSXV and the company has historically raised little capital in Australia.

Question 2: There were two additional issues of options made during the period under review that are not listed. The issues were made under the Company's Employee Share Option Plan. 6.63 million options were issued in December 2023 and 500,000 options were issued in January 2024. An appendix 3G was lodged in each case.

A listing rule 7.1 work sheet is attached as requested.

Questions 3 and 4:



On 14 December 2023 the Company advised in an ASX release that it had issued 6.63 million options to employees, consultants, and directors. The options that were issued to Directors were as part of the Omnibus Equity Incentive Plan in Canada. The issue to Directors should have been approved under Listing Rule 10.11. Shareholder approval was not obtained for the issue of options to Directors. None of the share issues during the breach period were to parties affected by LR 10.11 and 10.14.

Question 5 and 6: The Company was granted a number of waivers by ASX in 2013. As the issue of securities by the Company had to satisfy TSX rules and Canadian corporation laws the Company incorrectly assumed a waiver to LR 7.1 and 10.11 was given. This was an oversight which the Company takes full responsibility for and accepts the fact the Listing Rules were inadvertently breached. This response does not include the recent breach which was done with the knowledge that a breach would occur.

Now that the Company is aware that Listing Rules 7.1, 10.11 and 10.14 do apply to the Company, the corporate division of the Company in Canada must now advise the Company's Australian representatives of any proposed security issues so that advice can be provided in relation to ASX Listing Rule requirements.

Question 7: The responses in this letter have been approved and fully supported by the board of directors of the Company.

Yours faithfully,

A handwritten signature in black ink that reads "D McArthur".

David McArthur
Company Secretary



19 February 2024

Mr David McArthur
Company Secretary
Lion One Metals Limited

By email: david.mcarthur@broadwaymgt.com.au

Dear Mr McArthur

Lion One Metals Limited ('LLO'): ASX Query

ASX refers to the following:

Previous capital raises and security issues

A. LLO's announcement entitled "*LLO Announces C\$12.5m Bought Deal Public Offering*" lodged on the ASX Market Announcements Platform ('MAP') on 23 September 2022 and the Appendix 3G lodged on MAP on 10 October 2022, which disclosed LLO had raised CAD\$12,504,800 by the issue of the following securities on 28 September 2022:

- (i) 17,348,000 common shares;
 - (ii) 8,674,000 share warrants; and
 - (iii) 1,040,880 share warrants.
- ('September 2022 Capital Raise')

B. LLO's announcement entitled "*LLO Announces Debt Financing Facility and US\$2m Placement*" and the accompanying Appendix 3G lodged on MAP on 13 February 2023, which disclosed LLO had entered into a financing facility and issued the following securities:

- (i) 3,125,348 common shares; and
 - (ii) 15,333,087 warrants.
- ('February 2023 Security Issue')

C. LLO's, announcement entitled "*LLO Announces C\$27m Bought Deal Offering of Units*" and the accompanying Appendix 3G lodged on MAP on 4 May 2023 and Appendix 3G lodged on MAP on 12 May 2023, which disclosed LLO had raised CAD\$27,002,000 by the issue of the following securities:

- (i) 29,350,000 common shares; and
 - (ii) 14,675,000 warrants.
- ('May 2023 Capital Raise')

February 2024 Capital Raise

D. Various phone calls and emails between LLO and ASX between 8 and 9 February 2024 through which the following became apparent to ASX:

- (i) LLO proposed to undertake a ~CAD\$10,000,000 capital raise in Canada by the issue of common shares ('February 2024 Capital Raise'); and
- (ii) LLO may have breached its Listing Rule 7.1 capacity during its May 2023 Capital Raise.

Based on the above, ASX had serious concerns that LLO may breach its Listing Rule 7.1 capacity if it continued with the planned February 2024 Capital Raise and communicated to LLO that LLO should not proceed with the February 2024 Capital Raising.

E. LLO's announcement entitled "*LLO Announces Terms of Fully Subscribed C\$10.5m Offering*" and accompanying Appendix 3B lodged on MAP and released on Monday 12 February 2024, which disclosed the proposed issue of the following securities to raise ~\$CAD10,500,000:

- (i) 21,000,000 common shares; and
- (ii) 21,000,000 warrants.

F. The provision by LLO to ASX of LLO's Listing Rule 7.1 worksheets for the September 2022 Capital Raise, February 2023 Security Issue, May 2023 Capital Raise and February 2024 Capital Raise over the course of Monday 12 February 2024, which indicated that for each of the four security issues LLO was in breach of Listing Rule 7.1.

G. ASX's email correspondence to LLO's representative on Tuesday 13 February 2024 which stated, among other things, the following:

'If LLO proceeds with the raising in circumstances where LLO concedes it has no available Listing Rule 7.1 placement capacity nor the benefit of relying on any of the exceptions in Listing Rule 7.2 in respect of the proposed raising, LLO would be conducting the raising in breach of the ASX Listing Rules, including Listing Rule 7.1. In such circumstances, it is highly likely ASX would suspend trading in LLO's securities pursuant to ASX Listing Rule 17.3 until corrective action is taken by LLO to the satisfaction of ASX.

Corrective action may include any of the below:

- *the cancellation of any securities issued pursuant to the raising;*
- *LLO making an announcement on ASX regarding a breach of the ASX Listing Rules;*
- *LLO being subject to a censure by ASX; and*
- *ASX requiring LLO to show cause as to why LLO should remain a listed entity on ASX.*

*In light of this we require LLO to notify us of whether it intends to proceed with the raising **as soon as possible.**"*

H. LLO's request for trading date halt dated Tuesday 13 February 2024 in anticipation of an "*update to its proposed capital raising, previously announced on 12 February 2024*".

I. LLO's confirmation to ASX via email on Wednesday 14 February 2024 that it would be continuing with the February 2024 Capital Raise, notwithstanding ASX's concerns regarding LLO's compliance with Listing Rule 7.1.

J. ASX's suspension of LLO's securities under Listing Rule 17.3 on Wednesday 14 February 2024.

K. LLO's announcement entitled "*LLO Announces Closing of Upsized C\$12m Underwritten Offering*" and accompanying Appendix 3G lodged on MAP and released on Thursday 15 February 2024 which disclosed the issue of the following securities pursuant to the February 2024 Capital Raising:

- (i) 25,599,000 common shares; and
- (ii) 24,150,000 warrants.

L. Listing Rule 7.1 which states:

Subject to rules 7.1A and 7.1B, without the approval of the holders of its ⁺ordinary securities, an ⁺entity must not issue or agree to issue more ⁺equity securities than the number calculated according to the following formula.

$$(A \times B) - C$$

where:

A = the number of fully paid ⁺ordinary securities on issue at the commencement of the relevant period,

- plus the number of fully paid ⁺ordinary securities issued in the relevant period under an exception in rule 7.2 other than exception 9, 16 or 17,
- plus the number of fully paid ⁺ordinary securities issued in the relevant period on the ⁺conversion of ⁺convertible securities within rule 7.2 exception 9 where:
 - the ⁺convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the ⁺convertible securities was approved, or taken under these rules to have been approved, under rule 7.1 or rule 7.4,
- plus the number of fully paid ⁺ordinary securities issued in the relevant period under an agreement to issue ⁺securities within rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under these rules to have been approved, under rule 7.1 or rule 7.4,
- plus the number of any other fully paid ⁺ordinary securities issued in the relevant period with approval under rule 7.1 or rule 7.4,
Note: This may include fully paid ordinary securities issued in the relevant period under an agreement to issue securities within rule 7.2 exception 17 where the issue is subsequently approved under rule 7.1.
- plus the number of partly paid ⁺ordinary securities that became fully paid in the relevant period,
- less the number of fully paid ⁺ordinary securities cancelled in the relevant period;

B = 15%

C = the number of ⁺equity securities issued or agreed to be issued in the relevant period that are not issued:

- with the approval of the holders of its ⁺ordinary securities under rule 7.1 or rule 7.4;
- under rule 7.1A.2; or
- under an exception in rule 7.2; and

“relevant period” means:

- if the entity has been admitted to the official list for 12 months or more, the 12 month period immediately preceding the date of the issue or agreement; or
- if the entity has been admitted to the official list for less than 12 months, the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement.

M. Listing Rule 10.11 which states:

*Unless one of the exceptions in rule 10.12 applies, an entity must not issue or agree to issue *equity securities to any of the following *persons without the approval of the holders of its *ordinary securities.*

*10.11.1 A *related party.*

*10.11.2 A *person who is, or was at any time in the 6 months before the issue or agreement, a *substantial (30%+) holder in the entity.*

*10.11.3 A *person who is, or was at any time in the 6 months before the issue or agreement, a *substantial (10%+) holder in the entity and who has nominated a director to the board of the entity (in the case of a trust, to the board of the *responsible entity of the trust) pursuant to a relevant agreement which gives them a right or expectation to do so.*

*10.11.4 An *associate of a *person referred to in rules 10.11.1 to 10.11.3.*

*10.11.5 A *person whose relationship with the entity or a *person referred to in rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by *security holders.*

The notice of meeting to obtain approval must comply with rule 10.13.

N. Listing Rule 10.14 which states:

*An entity must not permit any of the following *persons to *acquire *equity securities under an *employee incentive scheme without the approval of the holders of its *ordinary securities.*

*10.14.1 A director of the entity (in the case of a trust, a director of the *responsible entity of the trust).*

*10.14.2 An *associate of a *person referred to in rule 10.14.1.*

*10.14.3 A *person whose relationship with the entity or a *person referred to in rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by *security holders.*

The notice of meeting to obtain approval must comply with rule 10.15.

An approval under this rule ceases to be valid if there is a material change to the terms of the scheme from those set out in the entity's notice of meeting.

O. Guidance Note 21 – Restrictions on Issuing Equity Securities in Chapter 7 of the Listing Rules, which sets out:

- (i) at section 1, the policy position behind Listing Rule 7.1:

“Listing Rule 7.1 seeks to balance the interests of an entity in being able to raise capital flexibly and the interests of its security holders in not being unfairly diluted. It does so by setting an aggregate limit on the number of equity securities an entity can issue over any 12 month period without security holder approval broadly equivalent to 15% of its fully paid ordinary issued capital. Up to that limit and subject to the constraints mentioned in the previous paragraph, the entity is free to issue equity securities at whatever price and on whatever terms its board considers appropriate. Once that limit is reached, the holders of the entity's ordinary securities must approve the issue.”

(ii) at section 10, ASX's enforcement powers:

"ASX has a range of enforcement powers it can exercise if an entity issues, or proposes to issue, securities in breach of Chapter 7 of the Listing Rules.

ASX may:

- *suspend the quotation of the entity's securities until the matter has been dealt with to ASX's satisfaction;*
- *require the entity to impose a holding lock on the securities to prevent them being disposed of until the matter has been dealt with to ASX's satisfaction;*
- *if the issue has not yet taken place, direct the entity not to proceed with the issue;*
- *if the issue has already taken place, direct the entity to cancel or reverse the issue; and/or*
- *direct the entity to convene a meeting of security holders to approve the issue under Listing Rule 7.1, 7.6 or 7.9 (as applicable).*

On the second last bullet point above, ASX recognises that in some cases there could be legal impediments to an entity cancelling or reversing an issue of securities at the direction of ASX. In those cases, ASX may instead direct the entity not to make any further issue of equity securities under Listing Rules 7.1 or 7.1A.2 for a period determined by ASX (often referred to as a "placement holiday"). The period of the placement holiday will usually be the minimum period ASX calculates it would have taken the entity to issue the number of securities in question under Listing Rule 7.1 if it had issued them in tranches that complied with that rule.

On the last bullet point above, it should be noted that ASX will not generally allow an entity that has issued securities in breach of Chapter 7 of the Listing Rules to leave the issue on foot and seek to have it ratified by the holders of its ordinary securities at a subsequent meeting. For ASX to condone that course would open Chapter 7 to avoidance and abuse. ASX is more likely instead to impose a placement holiday. More generally, where an entity issues securities in breach of Chapter 7 and ASX considers the breach to be an egregious one, ASX may:

- *censure the entity for breaching the Listing Rules;*
- *exercise ASX's discretion not to quote the securities; and/or*
- *terminate the entity's admission to the official list.*

The type of action ASX will take will depend on the nature and severity of the breach.

Whenever ASX takes enforcement action against an entity for breaching Chapter 7 of the Listing Rules, ASX will usually require the entity to make an announcement to the market explaining that action and why it was taken."

P. Definition of 'equity security' in Chapter 19 of the Listing Rules, which states:

- (a) *a share;*
- (b) *a ⁺unit;*
- (c) *an option over an issued or unissued share or ⁺unit;*
- (d) *a right to an issued or unissued share or ⁺unit;*
- (e) *an option over, or right to, a security referred to in (c) or (d) above;*
- (f) *a ⁺convertible security;*

(g) any *security that ASX decides to classify as an equity security;

(h) but not a *security ASX decides to classify as a *debt security.

Q. Listing Rule 18.8A – Censure for breach of the rules, which states:

“Without limiting any other powers ASX may exercise under these rules in relation to the breach, if ASX considers that an entity has breached the listing rules or a condition or requirement imposed under the listing rules and that it is appropriate to do so, ASX may formally censure the entity and release the censure and the reasons for it to the market.”

LLO had exhausted its Listing Rule 7.1 capacity (26,088,734) prior to the February 2024 Capital Raising. Pursuant to the February 2024 Capital Raising LLO breached its Listing Rule 7.1 capacity by the issue of 49,749,000 securities (25,599,000 common shares and 24,150,000 warrants). As a result LLO has issued 49,749,000 (i.e. 28.60% of the number of ordinary securities on issue at the start of the relevant period) more equity securities that permitted by Listing Rule 7.1.

Based on this breach alone LLO would not be permitted to issue equity securities pursuant to Listing Rule 7.1 until 11 January 2026, being 696 days after 15 February 2024 (unless the issue came within an exception in Listing Rule 7.2). ASX reserves its right:

- to compound the various Listing Rule 7.1 breaches that occurred prior to the February 2024 Capital Raise; and
- to take any further action regarding the breaches.

Request for information

Having regard to the above, ASX asks LLO to respond separately to each of the following questions and requests for information:

1. Please explain why LLO proceeded with the February 2024 Capital Raising given it was aware the issue of equity securities would breach Listing Rule 7.1.
2. Please detail any other issue of equity securities that occurred between the period 22 September 2022 to 15 February 2024 ('Breach Period') that is not otherwise the September 2022 Capital Raise, February 2023 Security Issue, May 2023 Capital Raise or February 2024 Capital Raise, in answering this question please detail whether any equity security was issued in breach of the Listing Rules.

Please provide the Listing Rule 7.1 worksheet for any issues identified (*not for release to market*).

3. Please confirm whether LLO sought shareholder approval pursuant to Listing Rule 10.11 or 10.14 in relation to an equity security issue that occurred during the Breach Period.
4. Please confirm whether any equity securities that have been issued during the Breach Period may have been issued in breach of Listing Rules 10.11 or 10.14. Please provide the relevant dates and security details for any possible breaches identified.
5. What procedures does LLO have in place to ensure breaches of Listing Rule 7.1, 10.11 and 10.14 do not occur?
6. If the current arrangements are inadequate or not being enforced, what additional steps does LLO intend to take to ensure compliance with Listing Rules 7.1, 10.11 and 10.14.
7. Please confirm that LLO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LLO with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4 PM AWST Thursday, 22 February 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, LLO's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to LLO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that LLO's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Yours sincerely

ASX Compliance

CC: Jordan McArthur, Broadway Management