



28 February 2024

Madaleine 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 23 February 2024.

Background:

At a meeting of shareholders of Lion One Metals Limited held on 14 December 2023, shareholders approved an Omnibus Equity Incentive Compensation Plan, extensive details of which were contained in the Notice of Meeting. The information provided stated that the Omnibus Plan included the issue of options to Directors of the Company. Shareholders approved the Omnibus Plan, with the clear understanding that it included the issue of options to Directors.

Following the above shareholder approval on 14 December 2023 the Company issued 6.63 million options under the Omnibus Plan. Of the options issued, 800,000 were issued to Directors of the Company.

When the Company lodged an appendix 3G in relation to the issue of options, it assumed that as shareholders had approved the issue of options under the Omnibus Plan, that an exception under Listing Rule 7.2 was appropriate. The Company acknowledges that the issue was not formally approved under Listing Rules 7.1, 10.11 or 10.14, however the Company was satisfied shareholders in general meeting had approved an issue to Directors.

The Company has, as you have requested, looked at remedial action. However, the Company believes that since shareholders have already approved the issue of the options to Directors that no remedial action is warranted.

The only alternative the Board could see would be the cancellation of the options, and the re-issue of new options. This would be somewhat confusing for shareholders having already approved an issue to Directors, however they could be advised it is an ASX Rule over and above the TSXV rules. The problem in Canada is that this is deemed a re-pricing and is not allowable under TSX rules if re-issued in a 6 months period. The options re-issued would also have a significantly lower exercise price based on current trading, which would not be in the best interests of shareholders.



The Board cannot simply cancel the options without the consent of the individuals who have received the options, who know they were issued with all approvals required under Canadian Corporate rules and TSXV rules. They would be unlikely to acquiesce to such a request.

The issue of options in January 2024 of 500,000 options was not made to a Director of the Company.

Your specific questions are responded to as follows:

Question 1- It is agreed the Directors are Listing Rule 10.11 parties.

Question 2- Confirmed.

Question 3- Not applicable.

Question 4- Though shareholders approved the issue of options in a general meeting, the approval was not made specifically pursuant to Listing Rule 7.2 exception 13.

Question 5- The Company believes that as shareholders had approved the issue of the options, including the issue to Directors, that it met the spirit of Listing Rule 7.2 in that approval was obtained for the issue to Directors.

Question 6- 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". The signature is written in a cursive, flowing style.

David McArthur
Company Secretary



23 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:

- A. ASX's query letter dated 19 February 2024 ('Query Letter') and LLO's response to the Query Letter dated 22 February 2024 ('Response to Query Letter') released together on the Market Announcements Platform ('MAP') on 22 February 2024, which stated, among other things, the following:

"...

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.

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.

..."

B. LLO's Appendix 3G lodged on MAP on 14 December 2023 ('December Appendix 3G'), which details:

- a. the following members of the key management personnel were issued options on 13 December 2023; and

Name of KMP	Name of registered holder	Number of +securities
Walter Berukoff	Walter Berukoff	500,000
Richard Meli	Richard Meli	100,000
Hamish Greig	Hamish Greig	200,000
Kevin Puil	Kevin Puil	100,000
Tony Young	Tony Young	750,000
David Tretbar	David Tretbar	100,000

- b. the following answers to *Part 5 – Other Listing Rule requirements*:

Part 5 - Other Listing Rule requirements

5.1 Were the +securities issued under an exception in Listing Rule 7.2 and therefore the issue did not need any security holder approval under Listing Rule 7.1?

☒ Yes

5.1a Select the number of the applicable exception in Listing Rule 7.2

13

- C. LLO's Appendix 3G lodged on MAP on 19 January 2024 ('January Appendix 3G'), which details 500,000 options were issued to a member of the key management personnel on 18 January 2024 and the following answers to *Part 5 – Other Listing Rule requirements*:

Part 5 - Other Listing Rule requirements

5.1 Were the +securities issued under an exception in Listing Rule 7.2 and therefore the issue did not need any security holder approval under Listing Rule 7.1?

☒ Yes

5.1a Select the number of the applicable exception in Listing Rule 7.2

13

- D. Listing Rule 7.2 Exception 13 which states:

"Rule 7.1 and rule 7.1A do not apply in any of the following cases

Exception 13

An issue of +securities under an +employee incentive scheme if within 3 years before the +issue date:

-
- (a) *in the case of a scheme established before the entity was listed – a summary of the *terms of the scheme and the maximum number of *equity securities proposed to be issued under the scheme were set out in the *prospectus, *PDS or *information memorandum lodged with ASX under rule 1.1 condition 3; or*
- (b) *the holders of the entity's *ordinary securities have approved the issue of *equity securities under the scheme as an exception to this rule. The notice of meeting must have included:*
- a summary of the *terms of the scheme.*
 - the number of *securities issued under the scheme since the entity was listed or the date of the last approval under this rule;*
 - the maximum number of *equity securities proposed to be issued under the scheme following the approval; and*
 - a *voting exclusion statement.*

*Exception 13 is only available if and to the extent that the number of *equity securities issued under the scheme does not exceed the maximum number set out in the entity's *prospectus, *PDS or *information memorandum (in the case of (a) above) or in the notice of meeting (in the case of (b) above).*

*Exception 13 ceases to be available if there is a material change to the terms of the scheme from those set out in the entity's *prospectus, *PDS or *information memorandum (in the case of (a) above) or in the notice of meeting (in the case of (b) above)."*

E. 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.

F. 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.

G. Guidance Note 25 – Issue of Equity Securities, which sets out at section 6 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 Listing Rule 10.11 or 10.14.

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 10.11 or 10.14 (as applicable).*

On the second last 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, if the securities are quoted on ASX, ASX may instead direct the entity to procure the recipient of the securities to dispose of the securities on-market and donate any profit from the sale to charity.

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 Listing Rule 10.11 or 10.14 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 Listing Rules 10.11 and 10.14 to avoidance and abuse. If the securities are quoted on ASX, ASX is more likely instead to direct the entity to procure the recipient of the securities to dispose of the securities on-market and donate any profit from the sale to charity.

More generally, where an entity issues securities in breach of Listing Rule 10.11 or 10.14 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 Listing Rule 10.11 or 10.14, ASX will usually require the entity to make an announcement to the market explaining that action and why it was taken."

H. 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."

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 confirm whether any persons listed on the December Appendix 3G are not considered Listing Rule 10.11 parties and explain why LLO believes any such persons are not considered Listing Rule 10.11 parties.
2. Please confirm that no other persons to whom Listing Rule 10.11 applies received securities on 13 December 2023 outside those listed on the December Appendix 3G.
3. If additional persons to whom Listing Rule 10.11 applies received securities on 13 December 2023 please provide their name, number of securities received and which limb of Listing Rule 10.11 applies.
4. Please confirm whether LLO received shareholder approval pursuant to Listing Rule 7.2 exception 13 to enable it to issue securities under its employee incentive scheme to unrelated parties the subject of the December Appendix 3G and January Appendix 3G.
5. If the answer to Question 4 is "no" please explain:
 - a) why LLO provided the answers in *Part 5 – Other Listing Rule requirements* in the December Appendix 3G and January Appendix 3G, as set out above; and
 - b) whether LLO was relying on any other exception in Listing Rule 7.2 in relation to the issue.
6. 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 Wednesday, 28 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