



3 September 2024

Mr James Rowe  
Head of Listings Compliance (Perth)  
Australian Securities Exchange  
Level 40, Central Park  
152 -158 St George's Terrace  
PERTH WA 6000

By email: [james.rowe@asx.com.au](mailto:james.rowe@asx.com.au)

Dear James,

## **RESPONSE TO ASX AWARE LETTER**

Legacy Iron Ore Limited (the "Company" or "Legacy") responds to the letter received from the Australian Securities Exchange ("ASX") dated 30 August 2024 in regards to the financial position of the Company.

The Company's response below correspond to the numbering of the questions listed in the ASX letter:

- 1) At the date of this letter, Legacy has approximately \$4m cash. The Company expects revenue and cash flow to improve in coming months given significant upfront costs associated with pre-stripping and mining have been incurred. As with an initial mining operation, significant costs occur at the commencement of mining, which are used to generate feed piles for processing. Now this has occurred, the Company expects increased haulage capacity will lead to increased revenue.
- 2) Yes. The Board also notes that it is advancing capital raising options to raise additional funds for ongoing mining operations and liquidity.
- 3) Not applicable
- 4) Yes. Refer to answers to question 1 and 2 above.
- 5) Yes.
- 6) The auditors were unable to obtain sufficient, appropriate audit evidence in relation to the recoverable amount of the Mt Celia cash-generating unit (CGU) due to several key factors, despite management's explanations and forecasts for the Mt Celia project.

Under AASB 136 Impairment of Assets, an entity is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If such an indication exists, the entity must estimate the recoverable

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amount of the asset, which is defined as the higher of its fair value less costs of disposal and its value in use.

*As per the audit “We noted several impairment indicators for non-financial assets at Mt Celia, primarily due to actual performance not aligning with budgeted expectations in terms of grade, recoveries, and revenue. Management's impairment assessment relied on assumptions that included a significant increase in the gold price and a sensitivity adjustment to the predicted gold grade/oz produced. However, the model was highly sensitive to these assumptions, particularly the grade, which had consistently been below the levels anticipated in the mine model.*

*Despite management's representation that higher-grade ore remains to be mined, no supporting evidence was provided to validate this claim. As a result, we were unable to obtain sufficient and appropriate audit evidence to determine the accurate recoverable amount of the Mt Celia CGU. The potential impact of this lack of evidence is both material and pervasive to the financial report. Consequently, under ASA 705 Modifications to the Opinion in the Independent Auditor's Report, we may need to consider issuing a disclaimer of opinion due to the inability to obtain adequate audit evidence.”*

It is noted that the Company management provided a detailed memorandum to the auditors explaining the variances between the initial financial model projections and the actual mining results during the reporting period.

The differences were attribute to several factors, including:

- Changes in Mineral Resource Models: The earlier financial model was based on an earlier mineral resource model. Since then, there have been numerous updates to the model due to increased drill density, new mineralization data, and different estimation methodologies, leading to changes in the mining inventory's quantity and grade.
- Operational and Environmental Challenges: Management pointed out operational constraints and force majeure events, such as significant rain events that caused wall failures in key pits. These events necessitated changes in the mining schedule and the extraction sequence, which led to lower grades being mined initially.
- Ongoing Optimizations and Revisions: Management advised that work was ongoing in relation to revising and optimizing the mining model. Management also advised that the remediation works in the affected pits was underway, and once completed, higher-grade ore would be accessible, leading to potential improvements in the recoverable amount.
- Upside Potential: Management presented a revised upside case to the Board of Legacy on [board meeting], suggesting that the Mt Celia CGU has the potential to generate a net cash of around \$20 million based on the current model revisions. However, it is noted that this revised amount was

based on the final modified physicals and financials, which would only be available after completing the ongoing revisions and optimizations.

While management has provided detailed reasons and plans for future improvements, the auditors have not been able to verify these claims due to the lack of sufficient supporting evidence. The ongoing revisions and potential future optimizations cannot be reliably measured at this point, leaving significant uncertainty about the CGU's recoverable amount. This uncertainty has led to the auditors' conclusion that a disclaimer of opinion may be warranted, given the material and pervasive nature of the potential misstatements in the financial report.

- 7) The Board are presented with forecasts and cashflows by management including the Chief Executive Officer and the finance manager. The Board also receive a Section 295A declaration by the Chief Executive Officer and the Finance Manager that the reports are prepared in accordance with a sound system of risk management and internal control. The Company also uses external consultants where needed.

In relation to the auditors opinions, the Board received as memo from the Chief Executive Officer and the Finance Manager explaining the variances. Further details are set out in section 8 below.

- 8) Yes. Legacy acknowledges the receipt of a disclaimed audit opinion but notes this is in relation to the modelling of the mining process. The Company remains confident that it has an appropriate system of risk management and internal control that is operating effectively.

Despite the audit opinion, Legacy believes that its risk management and internal control systems are robust and have been designed to effectively manage the inherent risks of its operations. The disclaimed audit opinion was primarily due to the auditors' inability to obtain sufficient, appropriate audit evidence in relation to the recoverable amount of the Mt Celia cash-generating unit (CGU). However, this does not reflect a deficiency in Legacy's internal controls or risk management processes but rather the unique and challenging circumstances faced during the reporting period and the initial mining phase of a new project.

Factors Contributing to the Auditor's inability to form an opinion on the recoverable amount of the Mt Celia cash-generating unit include:

- Force Majeure Events: Significant and unforeseeable events, such as the severe rain in the goldfields during March/April 2024, led to operational disruptions, including wall failures in key pits. These events necessitated changes in the mining schedule and extraction sequence, which resulted in temporary deviations from the expected operational outcomes.
- Constant Upgradation of Mining Models: Legacy has been continuously updating its mineral resource models due to increased drill density, new mineralization data, and revised estimation methodologies. These ongoing revisions, while necessary for accuracy and future optimization, introduced variability in the mining inventory's quantity and grade, which contributed to

the discrepancies between the initial financial model and actual performance to date.

- Operational Adaptations: To mitigate the impact of these unforeseen challenges, Legacy has taken interim steps such as initiating extraction from different pits with lower grades while remediation works were conducted. These operational adjustments were necessary to maintain continuity and safety, even if they temporarily impacted financial projections.

Legacy's internal control framework includes rigorous processes for monitoring, assessing, and managing risks across all areas of its operations.

Legacy remains confident in the effectiveness of its risk management and internal control systems. The company's internal controls continue to operate effectively, and the Company is taking steps to increase cash reserves ahead of expected gold sales.

- 9) No
- 10) Grade control drilling is an activity performed for a short-term mining schedule that includes up to 2 benches/10 vertical metres. Grade from grade control drilling can fluctuate bench by bench relative to the underlying resource and given the short-term range of the drilling versus mining activity, the variance is usually considered negligible to the shareholders. Resource Definition drilling results are considered to have a long-term impact on the operation and by extension the shareholder. Legacy has and will continue to release the results of the Resource Definition drilling, which is material to Legacy shareholders. The grade control drilling is an operational requirement and not considered material to investors.
- 11) Yes
- 12) The first results from grade control drilling were received in November 2023. The Company has since undertaken additional grade control drilling and plans to continue to undertake such drilling as mining continues.
- 13) The Company does not believe grade control results are market sensitive as they do not affect the underlying mineral resource estimate but rather are used purely for sequencing purposes as mining continues.
- 14) No
- 15) The change to the mineral resource estimate contained in the annual report merely reflects the depletion due to mining. The Company has reported the depletion in compliance with ASX Listing Rule 5.21.3 and 5.21.4. The Company the variance from the 2022 Resource as being:

<b>Project</b>	<b>2022 ounces</b>	<b>2024 ounces</b>	<b>Depletion / variance</b>	<b>Depletion as % of 2022 ounces</b>
<b>Mt Celia Indicated</b>	168,300	161,500	6,800	4.04%
<b>Mt Celia Inferred</b>	144,300	144,200	100	0.07%
<b>Kangaroo Bore Indicated</b>	123,100	120,400	2,700	2.19%
<b>Kangaroo Bore Inferred</b>	108,700	108,700	0	0.00%
<b>Blue Peter Indicated</b>	45,200	41,200	4,000	8.85%
<b>Blue Peter Inferred</b>	19,300	19,200	100	0.52%
<b>Margot Find Indicated</b>	0	0	0	0.00%
<b>Margot Find Inferred</b>	16,300	16,300	0	0.00%
<b>Average</b>				1.96%

As can be seen from the table above, the depletion of the resources from 2022 to 2024 is less than 10% for any project and on average is 1.96%. The Company does not believe this is material variance and is accurately reflected in accordance with Listing rule 5.21.3 and 5.21.4.

- 16) The March 2024 mineral resource estimate was only calculated at the time of preparing the annual report and was done so by factoring in the mining depletion. No new resource definition drilling was conducted prior to the release.
- 17) No. As noted in section 15 and 16, the change to the resource statement was only done for reporting under Listing Rule 5.21.3 and 5.21.4 for the Annual report. The Company notes as per section 15 that the depletion of the resource would not be deemed material to announce in any event.
- 18) Yes.
- 19) Yes. The Company notes that Listing Rule 5.8 and section 27 of the JORC Code states that a report should be made where the estimate has materially changed from the last estimate. As noted in section 15, the Company does not believe a variance of 1.96% on average and a maximum of 8.85% for any one project is material.

The Company also notes that it has recorded depletion from mining as required by Listing Rule 5.21.3 and 5.21.4.

- 20) The Company has reviewed the disclosure made in the Annual Report for the March period and has discovered a typographical error in the reported resources.

The depletion referenced in section 15 is considered accurate, but the result in the Annual Report had a typo in the grades. This is due to human error in transposing information.

- 21) LCY confirms the following tonnes and grades should have been reported as follows:

<b>Mt. Celia Total</b>			
<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Ounces</b>
Indicated	3,521,000	1.43	161,500
Inferred	3,308,000	1.36	144,200
<b>Total</b>	<b>6,829,000</b>	<b>1.39</b>	<b>305,700</b>
<b>Kangaroo Bore - Mineral Resource estimate as of Mar 2024</b>			
<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Ounces</b>
Indicated	2,946,000	1.27	120,400
Inferred	2,631,000	1.29	108,700
<b>Total</b>	<b>5,577,000</b>	<b>1.28</b>	<b>229,100</b>
<b>Blue Peter - Mineral Resource estimate as of Mar 2024</b>			
<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Ounces</b>
Indicated	575,000	2.23	41,200
Inferred	324,000	1.84	19,200
<b>Total</b>	<b>899,000</b>	<b>2.04</b>	<b>60,400</b>
<b>Margot Find - Mineral Resource estimate as of Mar 2024</b>			
<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Ounces</b>
Indicated	0	0	0
Inferred	353,000	1.44	16,300
<b>Total</b>	<b>353,000</b>	<b>1.44</b>	<b>16,300</b>

The Company again notes that the total change to resource ounces is not deemed material for the purposes of Listing Rule 5.8 and Section 27 of the JORC Code.

- 22) The Company has experienced challenging circumstances since the commencement of mining operations, gold and grade have been slower to be processed as a result of items set out in Section 8. As previously stated, as shown in the new resource table, there was not a 35% reduction in grade. The corrected MRE in question 21, Blue Peter MRE March 2024 grades are in alignment with mining activities.

- 23) Refer to section 8.

- 24) No, the production costs are expected to reduce in coming months with significant costs associated with pre-stripping and mining having been incurred as part of the

start of mining. As with any mining model, these sunk costs are expected to be recovered from gold sales as mining increases. Further the revenue would improve consider the increased haulage capacity which may lead to the increased cash flows. The Company experienced unseasonal rainfall up to June which led to slower than anticipated mining.

25) Yes. Legacy notes the responses to section 8 provided to the auditor as to why the actual performance is not aligned with the forecast performance.

26) Yes. Refer to Section 8.

27.1) As noted in section 21 there is not a 35% reduction in grade.

27.2) Regarding the cash production costs for the June 2024 Quarter, the reported \$13.69 million includes significant initial expenses related to pre-stripping activities and the development of essential infrastructure. These costs encompass the construction of office buildings, crib rooms, toilets, and the installation of utilities such as internet access, water, and electricity connections. Additionally, substantial costs were incurred for the preparation of haul roads and other site-specific infrastructure.

These costs are largely non-recurring and were primarily incurred at the start of the mining operations. As such, they are sunk costs and not expected to impact future quarters to the same extent. Consequently, operational costs for the upcoming quarters are anticipated to decrease as the mine transitions into a steady-state production phase, with the initial setup and one-time infrastructure costs already absorbed.

27.3) The June 2024 cash used in operating activities amounting to \$6.92 million reflects the challenges encountered during the initial stages of ore haulage to the Paddington processing plant. Haulage operations commenced in the last week of March 2024, but due to adverse road conditions and extreme rain events, the planned haulage quantities were not achieved. These unforeseen disruptions delayed the transportation of ore, which in turn impacted the expected revenue generation for the quarter.

As a result, the Company was unable to realize the anticipated revenue, leading to a negative balance in operating cash flow for the period. It is important to note that this negative cash flow is primarily due to the timing of revenue recognition and is expected to stabilize as haulage operations normalize and production ramps up in subsequent quarters.

28) The Company is in compliance with Listing Rule 3.1.

29) This response has been authorised by the Board of Directors.

Yours faithfully,  
**LEGACY IRON ORE LIMITED**



**Rakesh Gupta** - Chief Executive Officer



30 August 2024

Reference: 99110

Mr Ben Donovan  
Company Secretary  
Legacy Iron Ore Limited

By email: bendonovan@legacyiron.com.au

Dear Mr Donovan

**Legacy Iron Ore Limited ('LCY'): ASX Aware Letter**

ASX refers to the following:

- A. LCY's announcement titled 'Grade control drilling completed at Mount Celia' released to the ASX Market Announcements Platform ('MAP') on 30 May 2023 which disclosed, among other things, the following:
- (i) *'The drill program totalled approximately 6,000 metres of reverse circulation (RC) drilling, targeting the mineralisation at the Blue Peter and Kangaroo Bore starter pits.'*
  - (ii) *'Samples will be dispatched to a Kalgoorlie laboratory for geochemical analysis, with results expected to be reported in Q3 of 2023.'*
- ('Grade Controlling Drilling')
- B. LCY's announcement titled 'Gold Mining at Mt Celia Commences' released to MAP on 7 November 2023 which disclosed the following:
- (i) the *'official commencement of mining at the Company's Mt Celia Gold operation'*; and
  - (ii) that *'Surface mine infrastructure works are well advanced, with pre-stripping having commenced and ore mining to commence in Blue Peter pits in the weeks ahead'*
- ('Commencement of Mining at Mt Celia')



- C. LCY's Quarterly Activities Report for the quarter ended 31 March 2024 released on MAP on 30 April 2024 which contained the below disclosure in respect of the Mount Celia Project Resource Estimate:

<b>Mount Celia - Mineral Resource Statement as of March 2022</b>			
<b>Mount Celia - Mineral Resource Statement as of February 2022</b>			
Classification	Tonnes	Au (g/t)	Ounces
Indicated	3,663,000	1.43	168,300
Inferred	3,312,000	1.36	144,300
Total	6,975,000	1.39	312,600

  

<b>Kangaroo Bore - Mineral Resource Statement as of February 2022</b>			
Classification	Tonnes	Au (g/t)	Ounces
Indicated	3,024,000	1.27	123,100
Inferred	2,631,000	1.28	108,700
Total	5,655,000	1.27	231,800

  

<b>Blue Peter - Mineral Resource Statement as of February 2022</b>			
Classification	Tonnes	Au (g/t)	Ounces
Indicated	639,000	2.20	45,200
Inferred	328,000	1.83	19,300
Total	967,000	2.07	64,500

  

<b>Margot Find - Mineral Resource Statement as of February 2022</b>			
Classification	Tonnes	Au (g/t)	Ounces
Indicated	0	0.00	0
Inferred	353,000	1.44	16,300
Total	353,000	1.44	16,300

*'The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of mineral resource estimate, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.'*

- D. LCY's annual report to shareholders for the year ended 31 March 2024, released on MAP on 28 June 2024 ('Annual Report') disclosing, amongst other things, LCY's statement of financial position at 31 March 2024 which contained assets totalling \$16,842,271 comprising the Mt Celia cash-generating unit, which represents 48% of LCY's net assets.

- E. Auditor's Report:

Attached to the Annual Report, the Auditor's report contains a Disclaimer of Opinion paragraph related to the recoverable amount of the Mt Celia cash-generating unit:

*'We do not express an opinion on the accompanying financial report of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on this financial report.'*

*Basis for Disclaimer of Opinion*

*The statement of financial position contains assets totalling \$16,842,271 which comprise the Mt Celia cash-generating unit. This represents a substantial proportion of the entity's financial statements. As part of our audit procedures, we have been unable to obtain sufficient, appropriate audit evidence in relation to the recoverable amount of the Mt Celia cash-generating unit, in particular with respect to the level of grade and recoveries to be achieved in relation to future production and consequently, the extent of any future forecast positive cash flows arising from the Mt Celia project. As a result of this matter, we*

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*were unable to determine whether any adjustments might have been found necessary in respect of the components of the Mt Celia cash-generating unit and therefore the statement of financial position in addition to the statement of profit and loss and other comprehensive income and the statement of changes in equity.'*

(Emphasis added)

- F. The following declaration was signed by Mr Rakesh Gupta, CEO and Executive Director (in accordance with a resolution of directors) of LCY at page 74 of the Annual Report:

*"In the directors' opinion:*

- (a) The financial statements and notes as set out on the accompanying pages, are in accordance with the Corporations Act 2001 and:*
  - (i) Comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and*
  - (ii) Give a true and fair view of the entity's financial position as at 31 March 2024 and of its performance for the financial year ended on that date..."*

- G. Note 18 of the Annual Report 'Development and Mining Assets' which states the following:

*'Management has determined that technical feasibility and commercial viability of the Mount Celia mine are demonstrable and have re-classified the exploration assets to the development and mining assets. Upon transfer, this asset was tested for impairment in accordance with the requirements of AASB 6. Based on the test, it was determined that no impairment is required to be recorded at the balance sheet date.'*

- H. The following disclosure regarding the Mount Celia Resource estimate 'as of March 2024' contained in the Annual Report:

**Updated Mineral Resource, March 2024**

Updated Mineral Resource statements for the Mount Celia deposits are presented below in Tables 9 – 12.

*Table 9 Mount Celia - Mineral Resource estimate as of Mar 2024*

Classification	Tonnes	Au (g/t)	Ounces
Indicated	3,521,000	1.44	161,500
Inferred	3,308,000	1.32	144,200
Total	6,829,000	1.39	305,700

*Table 10 Kangaroo Bore - Mineral Resource estimate as of Mar 2024*

Classification	Tonnes	Au (g/t)	Ounces
Indicated	2,946,000	1.44	120,400
Inferred	2,631,000	1.32	108,700
Total	5,577,000	1.28	229,100

*Table 11 Blue Peter - Mineral Resource estimate as of Mar 2024*

Classification	Tonnes	Au (g/t)	Ounces
Indicated	575,000	1.44	41,200
Inferred	324,000	1.32	19,200
Total	899,000	2.09	60,400

- I. LCY's Quarterly Appendix 5B Cash Flow Report for the quarter ended 30 June 2024 released on MAP on 31 July 2024 which disclosed the following:
- (i) Cash receipts from customers of \$7,772,000;
  - (ii) Cash production costs of \$13,694,000
  - (iii) Net cash used in operating activities of \$6,920,000; and
  - (iv) 0.77 quarters estimated funding available.
- J. Chapter 5 of the ASX Listing Rules, including the JORC Code.
- K. Listing Rule 12.2 which states:
- "12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing."
- L. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- M. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

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*“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.”*

- N. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled “When does an entity become aware of information?”
- O. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following 5 situations applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

- P. The concept of “confidentiality” detailed in section 5.8 of *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

*“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it is no longer a secret and it ceases to be confidential information for the purposes of this rule.”*

- Q. Listing Rule 19.11A, which states:

*19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.*

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*

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- (d) *If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) *If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

### **Request for information**

Having regard to the above, ASX asks LCY to respond separately to each of the following questions:

#### Financial Condition

1. Commenting specifically on the Cash Production Costs and estimated quarters funded of 0.77 disclosed in LCY's 30 June 2024 Appendix 5B, on what basis do the directors of LCY consider that LCY is a going concern?
2. Does LCY consider that the financial condition of LCY is sufficient to warrant the continued quotation of its securities and its continued listing as required under Listing Rule 12.2?
3. If the answer to question 2 is 'no', please explain what steps LCY has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
4. Does LCY's board consider there are reasonable grounds to believe that LCY will be able to pay its debts as and when they become due and payable? Please explain the basis for the conclusion reached in answering this question.

#### Annual Report

5. Is LCY able to confirm that in the Director's Opinion the Annual Report:
  - (a) complies with the relevant Accounting Standards; and
  - (b) gives a true and fair view of LCY's financial performance and position?
6. Please explain why LCY's auditors were unable to obtain sufficient, appropriate audit evidence in relation to the recoverable amount of the Mt Celia cash-generating unit?
7. Please explain how the directors satisfied themselves that the Annual Report adheres to Australian Accounting Standards. In providing this explanation, please comment on:
  - 7.1 the underlying assumptions used by the directors of LCY in coming to this conclusion;
  - 7.2 the matters included by LCY's auditors in the 'Basis for Disclaimer of Opinion' section of the Auditor's Report; and
  - 7.3 the enquiries made by LCY's board of management.
8. Is LCY of the view that it has an appropriate system of risk management and internal control that is operating effectively? If so, please provide the basis for that view in light of the fact that LCY received a disclaimed audit opinion.

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## Mt Celia Resource Estimate and Operations

9. Does LCY consider the Grade Control Drilling results to be information a reasonable person would expect to have a material effect on the price or value of its securities?
10. If the answer to question 9 is “no”, please advise the basis for that view.
11. Has LCY received the results from the Grade Control Drilling?
12. If the answer to question 11 is “yes”, please provide the date the Grade Control Drilling Results were received by LCY.
13. If the answer to questions 9 and 11 is “yes”, has LCY made any announcement which discloses the Grade Control Drilling Results? If so, please provide details of the announcement. If not, please explain why that information has not yet been announced to the market under Listing Rule 3.1, commenting specifically on when you believe LCY was obliged to release the information under Listing Rules 3.1 and 3.1A?
14. Does LCY consider the Mt Celia updated Mineral Resource Estimate as of March 2024 contained in its Annual Report to be information a reasonable person would expect to have a material effect on the price or value of its securities?
15. If the answer to question 14 is “no”, please advise the basis for that view.
16. On what date did LCY first become aware of the Mt Celia updated Mineral Resource Estimate as of March 2024?
17. If LCY first became aware of the updated Mt Celia Mineral Resource Estimate as of March 2024 before the date of the Annual Report, did LCY make any announcement prior to that date which disclosed the information? If not, please explain why the information was not release to the market at an earlier time, commenting specifically on when you believe LCY was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps LCY took to ensure that the information was released promptly and without delay.
18. Does LCY consider it complied with the disclosure requirements of Chapter 5 of the ASX Listing Rules including the JORC Code in disclosing the updated Mt Celia Mineral Resource Estimate as of March 2024 in its Annual Report? (emphasis added)
19. If the answer to question 18 is “yes”, please advise the basis for that view, commenting specifically on the disclosure requirements contained in Listing Rule 5.8 and clause 20 – 28 of the JORC Code.
20. Is the Total Resource Grade (2.09% Au g/t) contained in the updated Mt Celia Mineral Resource Estimate as of March 2024 for Blue Peter correct given the indicated grade is 1.44 Au g/t and inferred is 1.32 Au g/t?
21. If the answer to question 20 is “no”, please provide the correct total grade and explain why the Total Resource Grade reported in the Annual Report was incorrect for Blue Peter.
22. Since production commenced on 7 November 2023 at Mt Celia, have gold recoveries and grade recovered been as anticipated by LCY? In answering this question, please comment specifically on the 35% decrease in the estimated grade of the Blue Peter indicated resource from the February 2022 resource estimate to the March 2024 resource estimate.
23. Since production commenced on 7 November 2023 at Mt Celia, have any significant or unexpected production issues been experienced by LCY? If so, please provide details, including the date LCY first became aware of any such matters.
24. Does LCY anticipate its quarterly cash production costs (\$13,694,000 in the Quarter ended 30 June 2024) to remain a similar level in coming quarters? If not, please explain any one off or unusual factors which explain the June 2024 Quarter production costs.

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25. Please explain the factors which contributed to the reduction in the estimated grade of the Blue Peter indicated resource from 2.2g/t Au based on the February 2022 resource estimate to 1.44 g/t Au based on the March 2024 resource estimate (a 35% decrease)? In responding to this question please specifically comment on the Grade Controlling Drilling.
26. Did LCY provide its auditor with any information to address concerns contained in the audit report relating to grade and recoveries and Mt Celia? If so, please provide details.
27. On what basis did LCY's disclose at Note 18 of the Annual Report '*that technical feasibility and commercial viability of the Mount Celia mine are demonstrable*'? In answering this question, please comment specifically on the following:
- 27.1 the 35% reduction in the Blue Peter indicated resource grade contained in the Annual Report;
  - 27.2 the June 2024 Quarter cash production costs of \$13.69 million; and
  - 27.3 the June 2024 cash used in operating activities of \$6.92 million.
28. Please confirm that LCY is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
29. Please confirm that LCY'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 LCY 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 **12 PM AWST Thursday, 5 September 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, LCY's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out above and may require LCY to request a trading halt immediately if trading in LCY's securities is not already halted or suspended.

Your response should be sent by e-mail to **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow us 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.

#### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in LCY's securities under Listing Rule 17.3.

#### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to LCY'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 LCY'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.

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**Release of correspondence between ASX and entity**

We reserve 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. The usual course is for the correspondence to be released to the market.

Yours sincerely

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ASX Compliance