

For personal use only

Lightning Minerals Ltd
ABN 40 656 005 122
Annual Report to Shareholders
For the Year Ended June 30 2023

TABLE OF CONTENTS

| | |
|---|----|
| Corporate directory | 1 |
| Review of operations | 2 |
| Directors' Report..... | 14 |
| Auditor's Independence Declaration..... | 28 |
| Statement of Profit and Loss and Other Comprehensive Income | 29 |
| Statement of Financial Position | 30 |
| Statement of Changes in Equity..... | 31 |
| Statement of Cash Flows..... | 32 |
| Notes to and Forming Part of the Financial Statements | 33 |
| Directors' Declaration | 51 |
| Independent Auditor's Report | 52 |
| Shareholder Information | 56 |

For personal use only

CORPORATE DIRECTORY

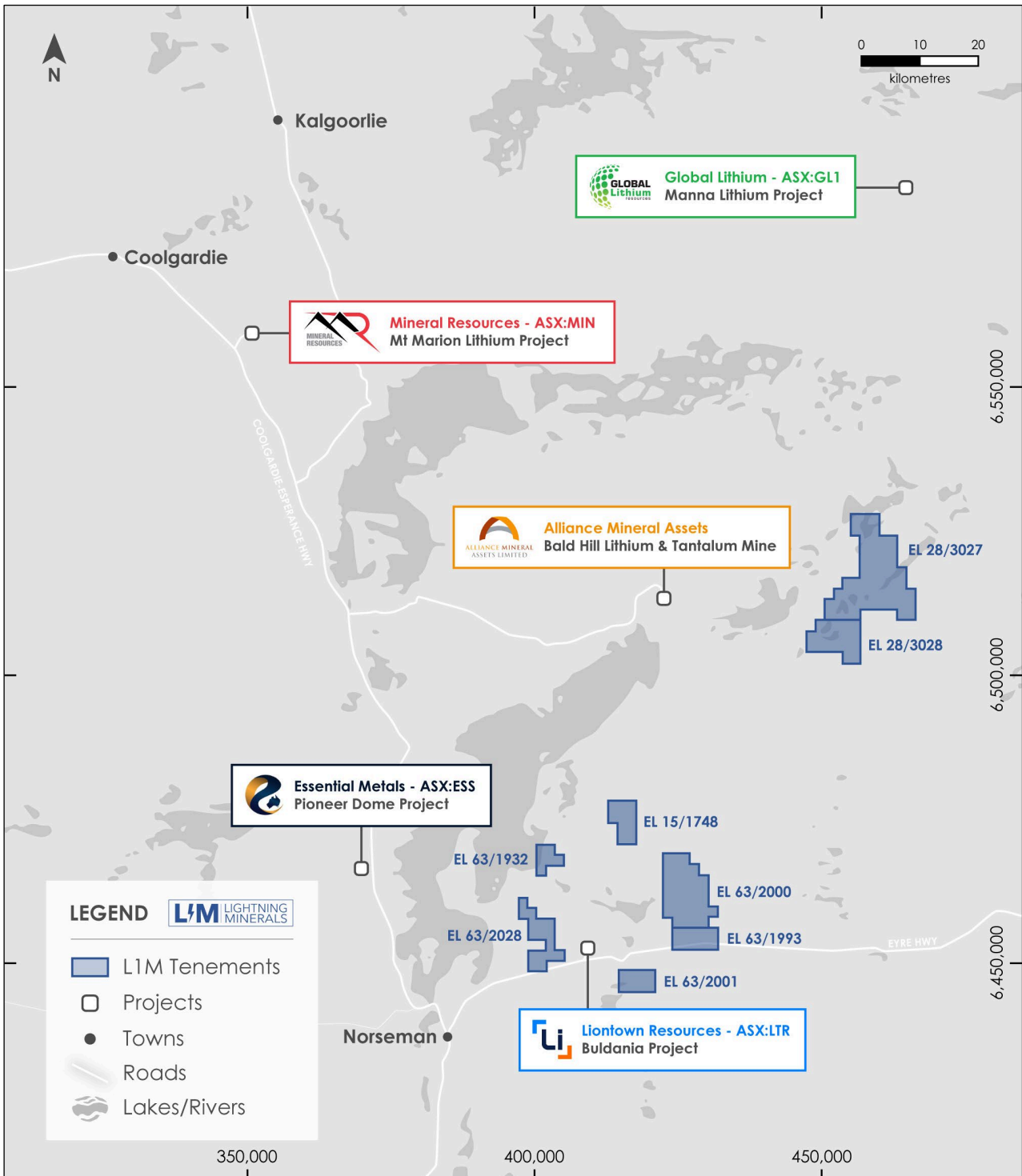
| | |
|------------------------------------|--|
| Directors | Mr Alexander Biggs (Managing Director and CEO) Mr Craig Sharpe (Non-Executive Director) Mr Francesco Cannavo (Non-Executive Director) |
| Company Secretary | Justyn Stedwell |
| Registered Office | Level 6, 505 Little Collins Steet Melbourne VIC 3000 Telephone: (08) 9429 8806 |
| Perth Office | Level 11, 40 The Esplanade Perth, WA, 6000 Telephone: (08) 9429 8806 |
| Auditors | HLB Mann Judd (VIC) Partnership Level 9, 550 Bourke Street Melbourne VIC 3000 |
| Legal Advisers | Moray and Agnew Lawyers Level 6, 505 Little Collins Steet Melbourne VIC 3000 |
| Share Registry | Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000 Telephone: 1300 288 664 Email: hello@automic.com.au Website: www.automic.com.au |
| Securities Exchange Listing | Lightning Minerals Limited shares are listed on the Australian Securities Exchange (ASX) ASX Code: LIM |
| Website | www.lightningminerals.com.au |

REVIEW OF OPERATIONS

DUNDAS PROJECT (100% LIM)

Exploration works started on the Company’s flagship Dundas Project immediately post listing on the Australian Securities Exchange on the 22nd November 2022. Initial works focused on ground reconnaissance, identifying multiple pegmatites across the Company’s Dundas tenements then progressed to soil sampling, geochemistry, geophysical interpretation and drilling which began in June 2023 and is ongoing subsequent to end of year.

Figure 1: Location of Dundas project tenements



For personal use only

MULTIPLE OUTCIPPING PEGMATITES IDENTIFIED AT DUNDAS E63/2001 TENEMENT

During site visits in December 2022 (ASX Announcement 13 December 2022) and February 2023 (ASX Announcement February 16 2023) multiple outcropping pegmatites were identified in the north of tenement E63/2001 which were to then be targeted during Drilling in June 2023.

Figure 2: Pegmatite outcrop identified within E63/2001 during February field reconnaissance. Photograph taken looking South from approximately 417731mE, 6447983mN (MGA94-Zone51)



GEOPHYSICS PROGRAM IDENTIFIES MULTIPLE LITHIUM ANOMALIES

Southern Geoscience Consultants (SGC) were commissioned during late 2022 to complete a 1: 50,000 scale litho-structural interpretation and target generation for the greater Dundas Project. The objective of the geophysical reinterpretation was to analyse and reprocess data from historical geophysical surveys collected over the last 25 years. Modern geophysical data processing techniques may now be able to identify areas of potential prospectivity for a range of critical minerals that warrant further exploration.

The interpretative work principally focused on a detailed analysis of the aeromagnetic data, with the added context of contemporary geological knowledge, in conjunction with historic drilling and outcrop information. The review resulted in the delineation of structural and lithological complexity that had not been recognised in previously available open file outcrop mapping and GSWA interpreted bedrock data. The result of this work is the generation of 28 discreet geophysical targets over the greater Dundas Project as shown in Figure 3 and Figure 4. Target generation criteria was focused firstly on lithium

mineralisation, and where appropriate nickel and platinum group elements (PGE) targets have also been Identified when ultramafic and differentiated Jemberlana Dyke lithologies have been interpreted.

Of the 28 targets identified, 22 of these occur within the Dundas South project area, notably eight of those within E63/2001. The remainder occur on the Dundas North tenements. Targets have been prioritised into three categories based upon the geological and geophysical details at each location. Priority one targets are displayed in red, with priority two and priority three shown in orange and green respectively (ASX announcement 09 February 2023).

Four of these structural targets within E63/2001 are interpreted as high priority, occurring within felsic volcanic lithologies of the Black Flag Group. These targets are also broadly coincident with soil geochemical anomalism identified in the Company's recent soil sampling campaign (ASX announcement 23 January 2023) which are less than 10km along strike of known lithium mineralisation and within a similar geological setting.

For personal use only

Figure 3: Aeromagnetic data for the Dundas project tenure. Imagery - Reduced to Pole, pseudo linear draped second vertical derivative (2VD)

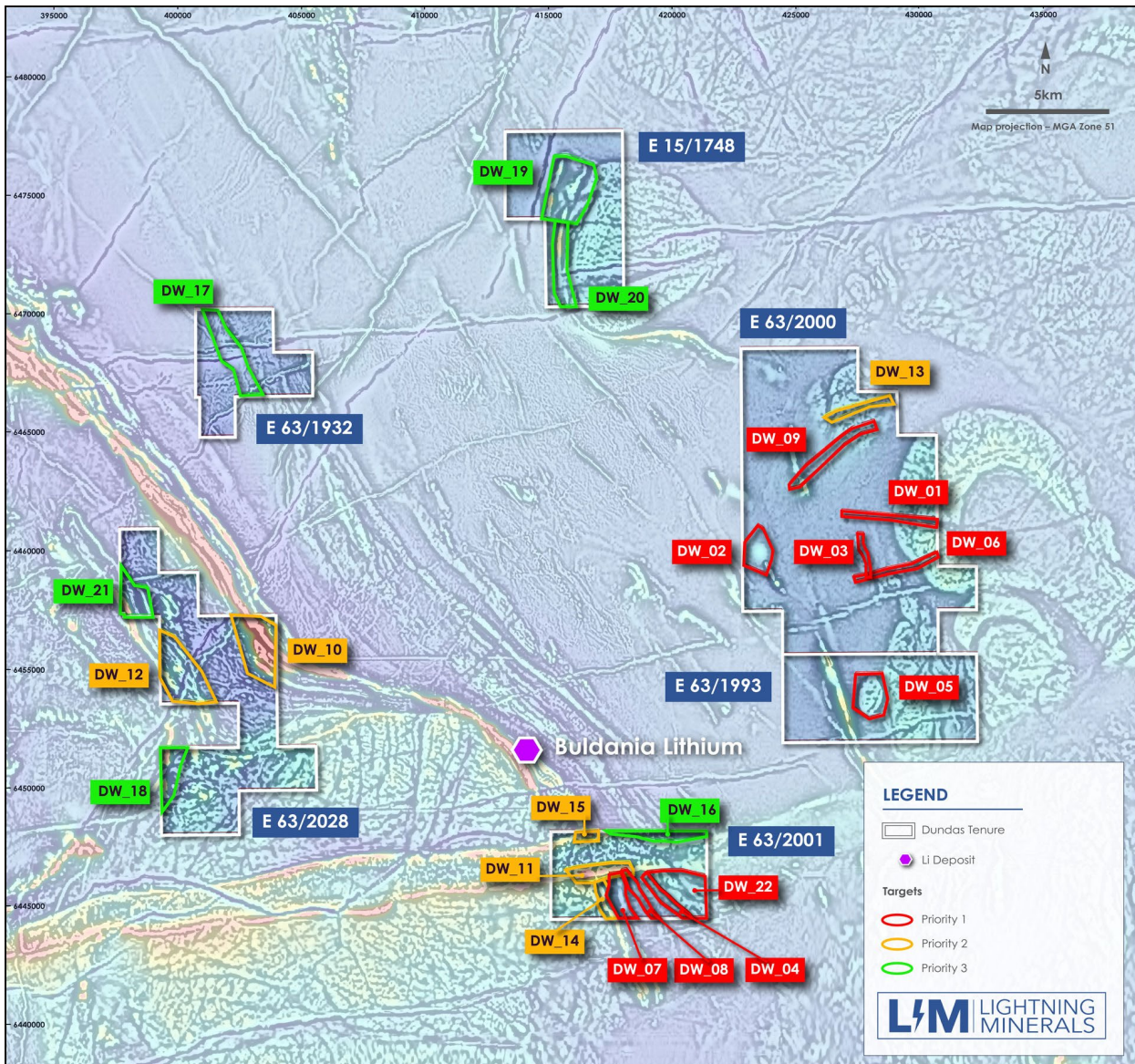
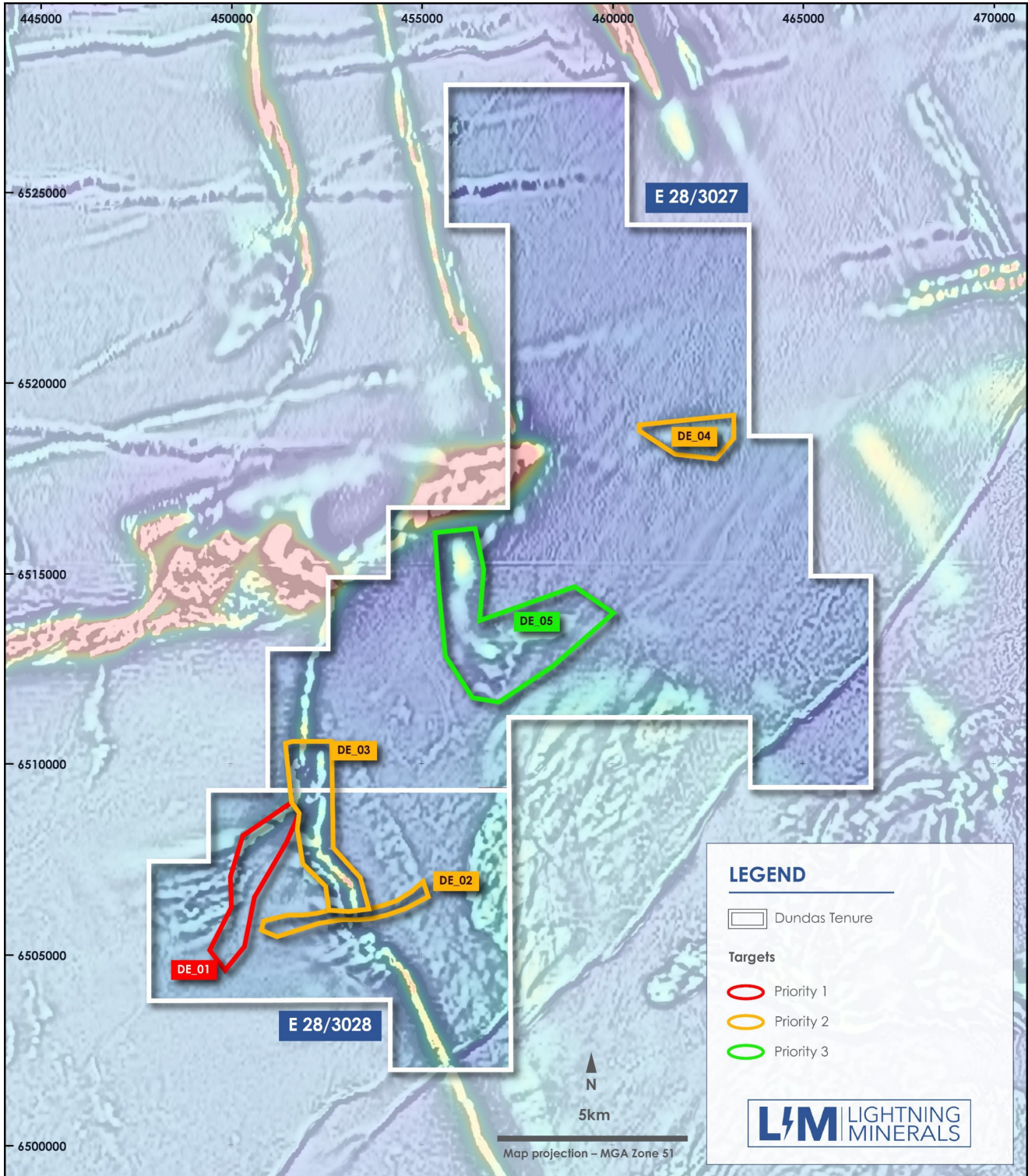


Figure 4: SGC Aeromagnetic Data for the Dundas North Project Tenure (E28/3027 and E28/3028). Imagery-- Reduced to Pole, pseudo linear draped second vertical derivative (2VD)

For personal use only



GEOCHEMISTRY PROGRAM IDENTIFIES MULTIPLE LITHIUM ANOMALIES

A comprehensive soil sampling campaign that identified multiple lithium in soil anomalies across the Company’s tenements began in November 2022.

A lithium-rubidium in soil anomaly, approximately 2km by 2km above 60ppm lithium and 60ppm rubidium with a peak assay result of 112ppm lithium was identified on tenement E63/2001 (ASX announcement 23 January 2023). Within this, a coherent zone of north south trending anomalism of

>100ppm lithium was identified, with three contiguous samples and a peak value of 112ppm lithium as shown in Figure 5. Shallow to moderate cover is present over the majority of tenement E63/2001 and for this reason the UFF+ analytical technique was utilised for assaying is applicable in an attempt to 'see through' the transported regolith profile. Rubidium anomalism was broadly coincident with the elevated lithium values related to the interpreted felsic volcanic lithology. Two zones of anomalism above 100ppm can be seen in Figure 6 with peak rubidium values within each discreet zone of 120ppm and 135ppm.

Figure 5: Lithium UFF+ soil anomalism >60ppm contours on Interpreted 1:100,000 GSWA interpreted geology

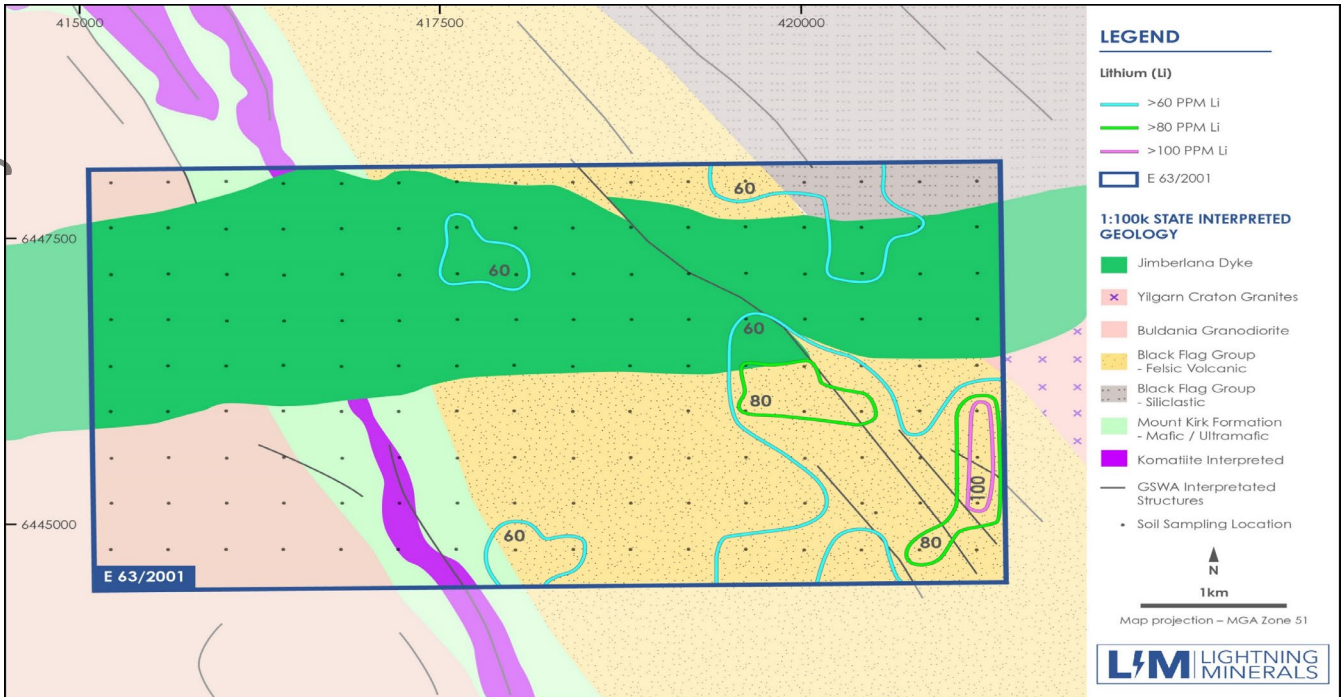
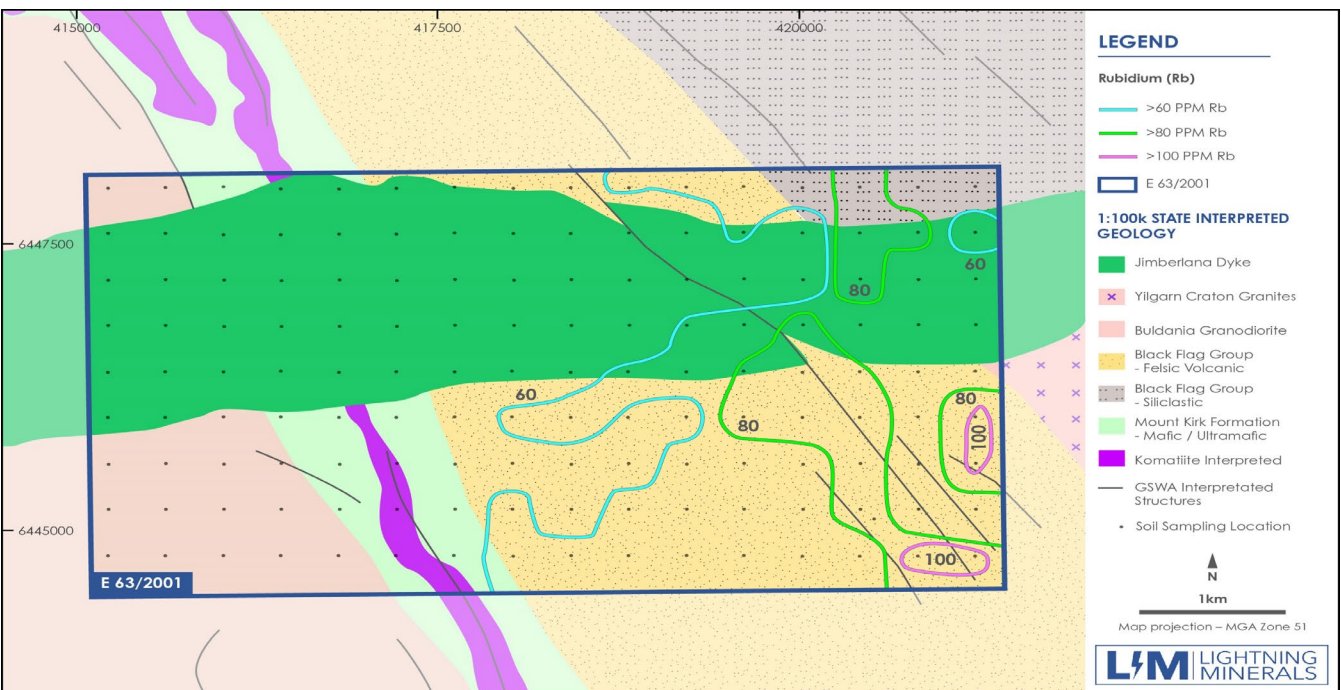


Figure 6: Rubidium UFF+ soil anomalism >60ppm contours on Interpreted 1:100,000 GSWA interpreted geology

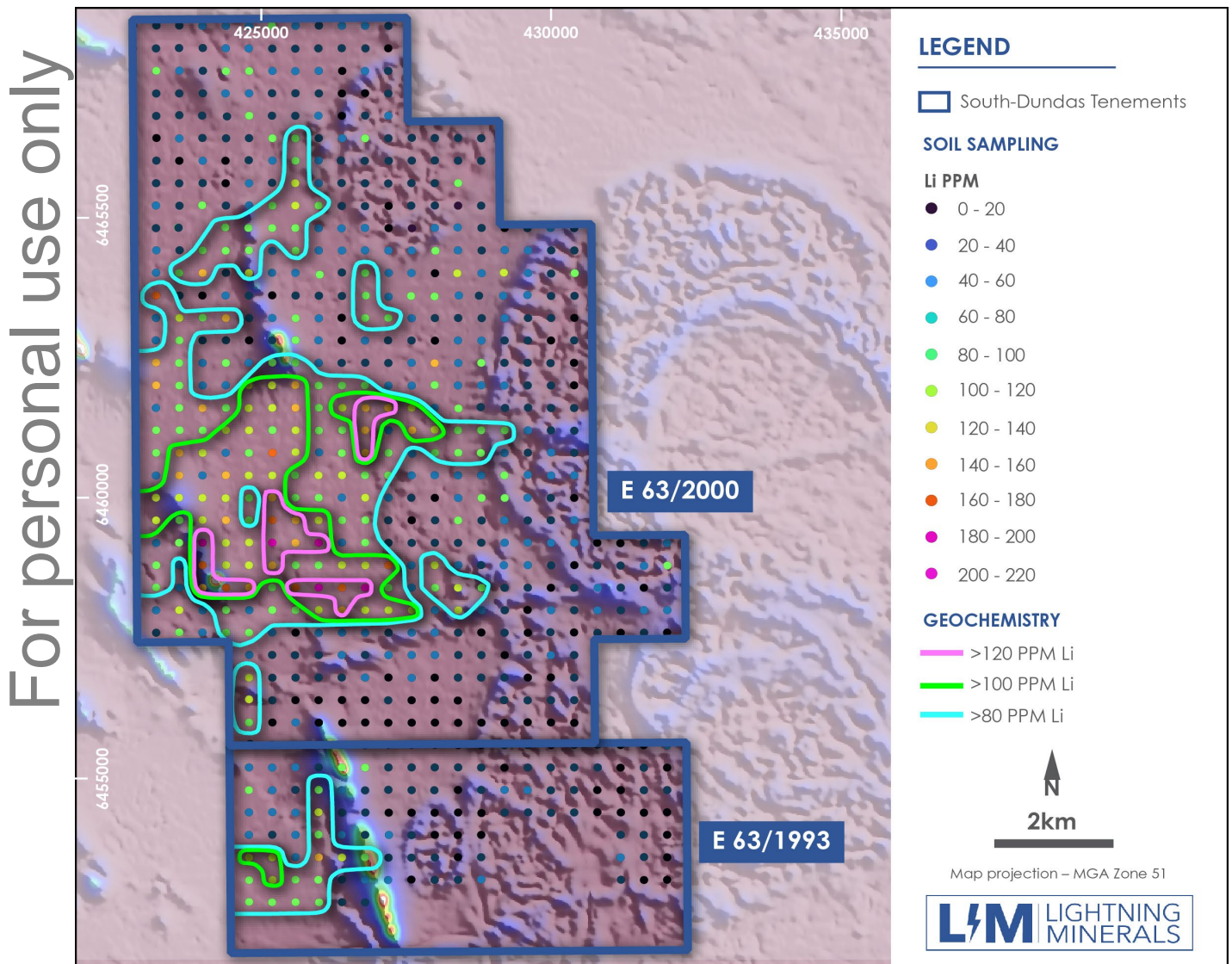


For personal use only

Elevated lithium-in-soil anomaly over a broad ~8km² area, including a peak result of 218ppm lithium was also identified on tenement E63/2000. A target was identified within E63/2000, where a broad, >80 PPM tenor lithium-in-soil geochemical anomaly was discovered over an approximate 8km² area. A smaller anomaly of the same tenor is also present within E63/1993 as shown in Figure 7.

Analytical results have also revealed areas of elevated lithium and caesium on tenement E63/2028. Elevated zones occur within greenstone lithologies similar to those that are known to host a LCT deposit approximately 10km to the south-east: Liontown Resources' (ASX: LTR) Buldania/Anna lithium project. Peak results of 60.9ppm lithium and 5.6ppm caesium warrant further follow up works.

Figure 7: Lithium in soil geochemical results within E63/2000 and E63/1993, shown on Analytic Signal Total Magnetic Intensity geophysical image



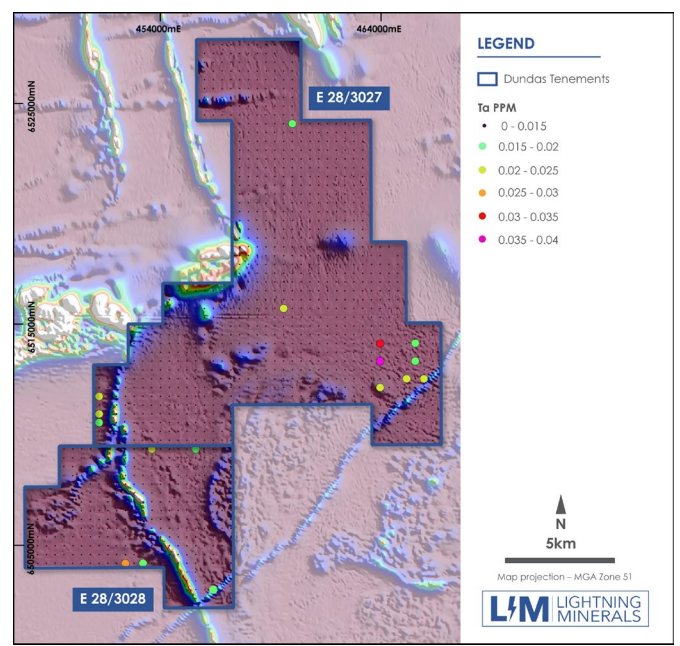
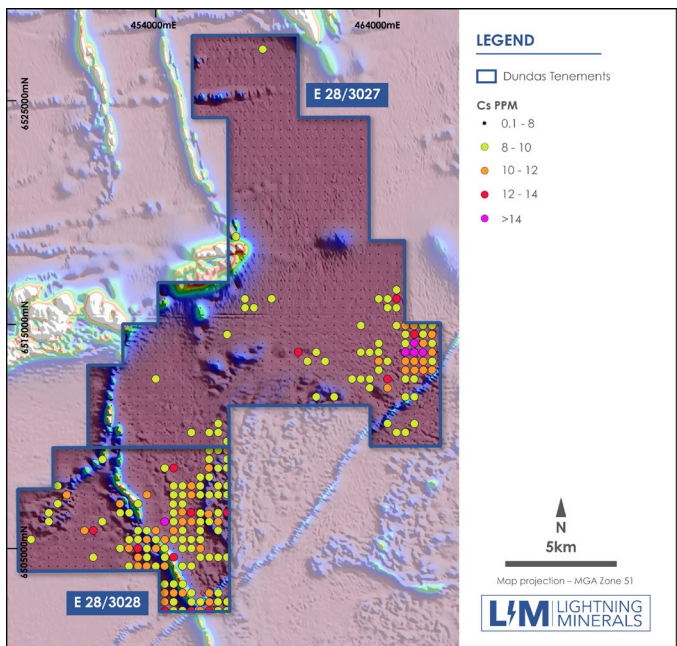
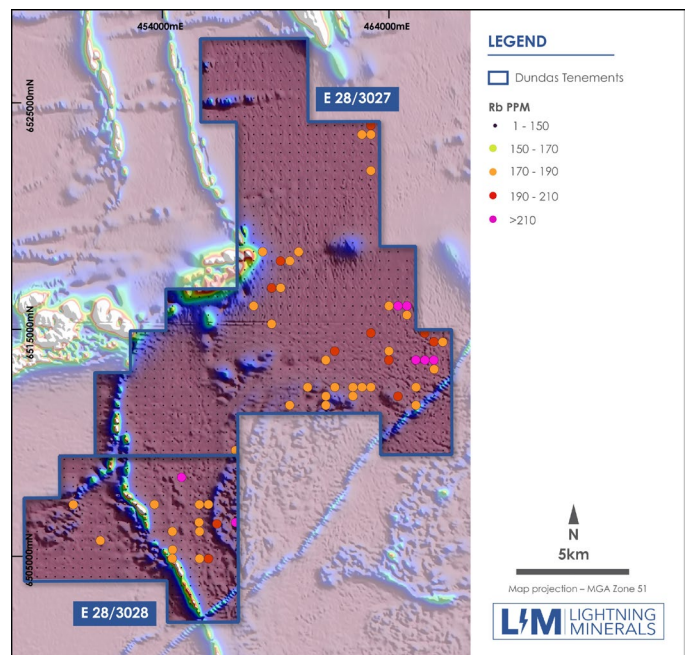
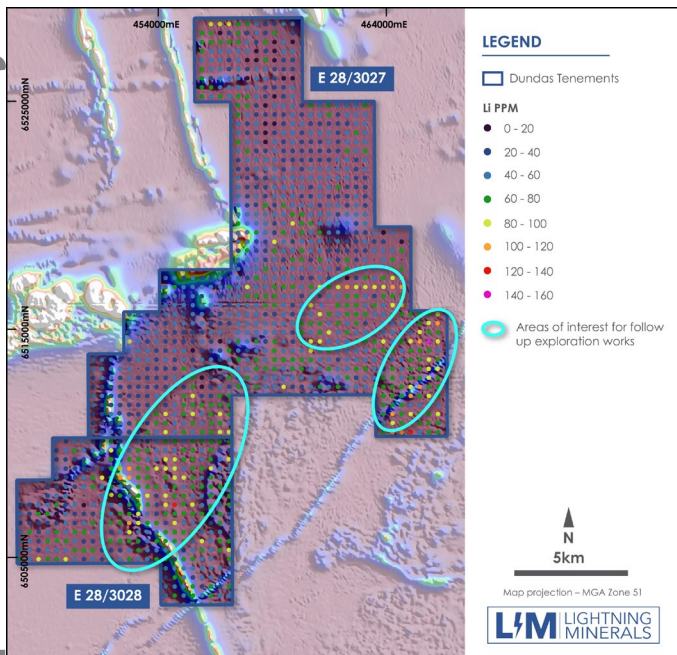
Geochemical results for the Dundas North project (tenements E28/3027 and E28/3028) highlighted three target areas that display elevated lithium in soil values up to 147ppm, with some correlative rubidium, caesium, and tantalum elevations. The areas are highlighted by light blue ellipses in Figures 8, 9, 10 and 11. The underlying geology consists of the interpreted sediments of the Mt Belches super sequence, the same geological unit that hosts the Bald Hill lithium-tantalum mine ~30km to the West.

Samples were collected on a nominal 400m x 400m grid across the tenements, with analysis completed by LabWest Minerals Analysis (LabWest). Analysis utilised the Ultrafine + (UFF+) method

with chemical analysis for a suite of 62 elements including lithium and associated pathfinders for lithium-caesium-tantalum (LCT) mineralisation. The tenor of background lithium levels within the project area and the Mt Belches lithological unit appear to be approximately 40-60ppm lithium, with the elevated zones returning multiple samples with values above 80ppm lithium and up to a peak result of 147ppm lithium. Results are thought to provide sound vectors toward potential mineralisation as the elevations are clustered and are proximal to suitable granitic protoliths within the 'goldilocks zone' for LCT pegmatite mineralisation. The 'goldilocks zone' is typically estimated to be between 2km and 10km from the source granitic body. This geological setting therefore requires follow up exploration works to ascertain the source of the anomalies.

Figures 8, 9, 10 and 11: Dundas North tenure showing returned UFF+ lithium, rubidium, caesium and tantalum soil geochemistry results

For personal use only



Rock chip sample results were returned for prior reconnaissance samples taken during December 2022 (ASX Announcement 16 February 2023). The results are encouraging as samples taken within outcropping pegmatites show adequate

potassium/rubidium (K/Rb) geochemical signatures. This may indicate that the pegmatites sampled across the Dundas projects are fractionated to the appropriate level for lithium mineralisation to occur. The potassium/rubidium (K/Rb) ratios are a tool used to indicate the fractionation state and mineralisation potential of pegmatites, with spodumene-bearing pegmatites typically having a ratio between 5 and 40 K/Rb. The lithium tenor within the returned samples is subdued, as outcropping lithologies are moderately to intensely weathered. This is interpreted as the result of lithium's mobility in the weathered profile and being readily depleted from the sampled horizon.

DRILLING AT DUNDAS SOUTH TENEMENT E63/2001

Drilling began at the Company's E63/2001 tenement targeting the areas of interest as identified during soil sampling and geophysical interpretation and was ongoing subsequent to the end of year. The drill program was designed to be up to 2,500m of reverse circulation (RC) drilling and 10,000m of Aircore (AC) drilling (Figures 12 and 13). The program targeted outcropping pegmatites in the north of the tenement and tested a 4km² lithium and rubidium in soil anomaly in the south-east of the tenement up to 112ppm lithium, with multiple samples exceeding the background of 60ppm.

Drilling in the south-east of the tenement will target potential extensions of pegmatites identified by Larvotto Resources (ASX: LRV) directly to the south of the Company's tenure (Larvotto Resources ASX announcement 03 April 2023). Subsequent to the end of year multiple pegmatites have been intersected on tenement E63/2001 (ASX Announcement 14 August 2023). This demonstrates the north-west to south-east pegmatite trend from Lontown's (ASX: LTR) Buldania project in the north to Larvotto's Merivale prospect in the south.

For personal use only

Figure 12: Reverse Circulation collar locations for drilling of outcropping pegmatites on tenement E63/2001

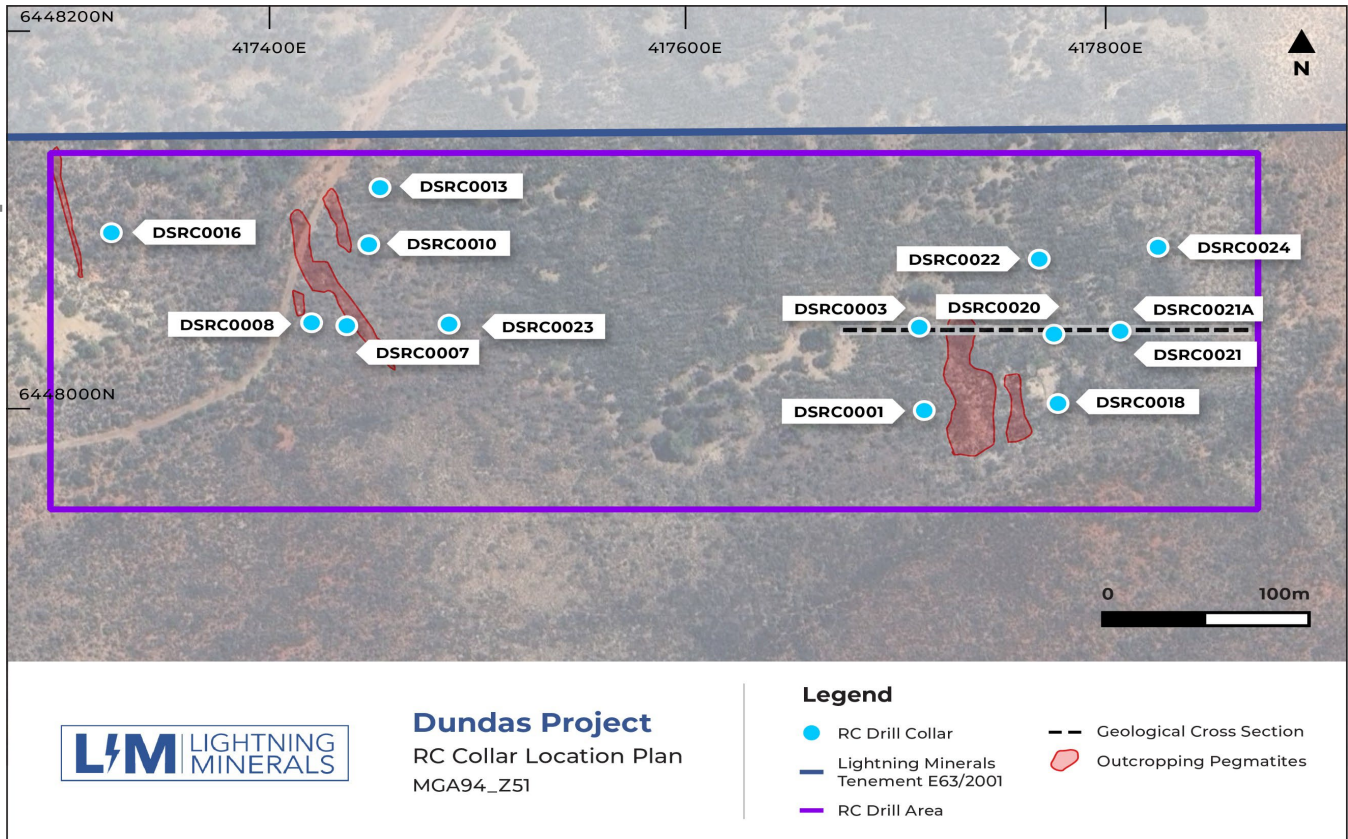
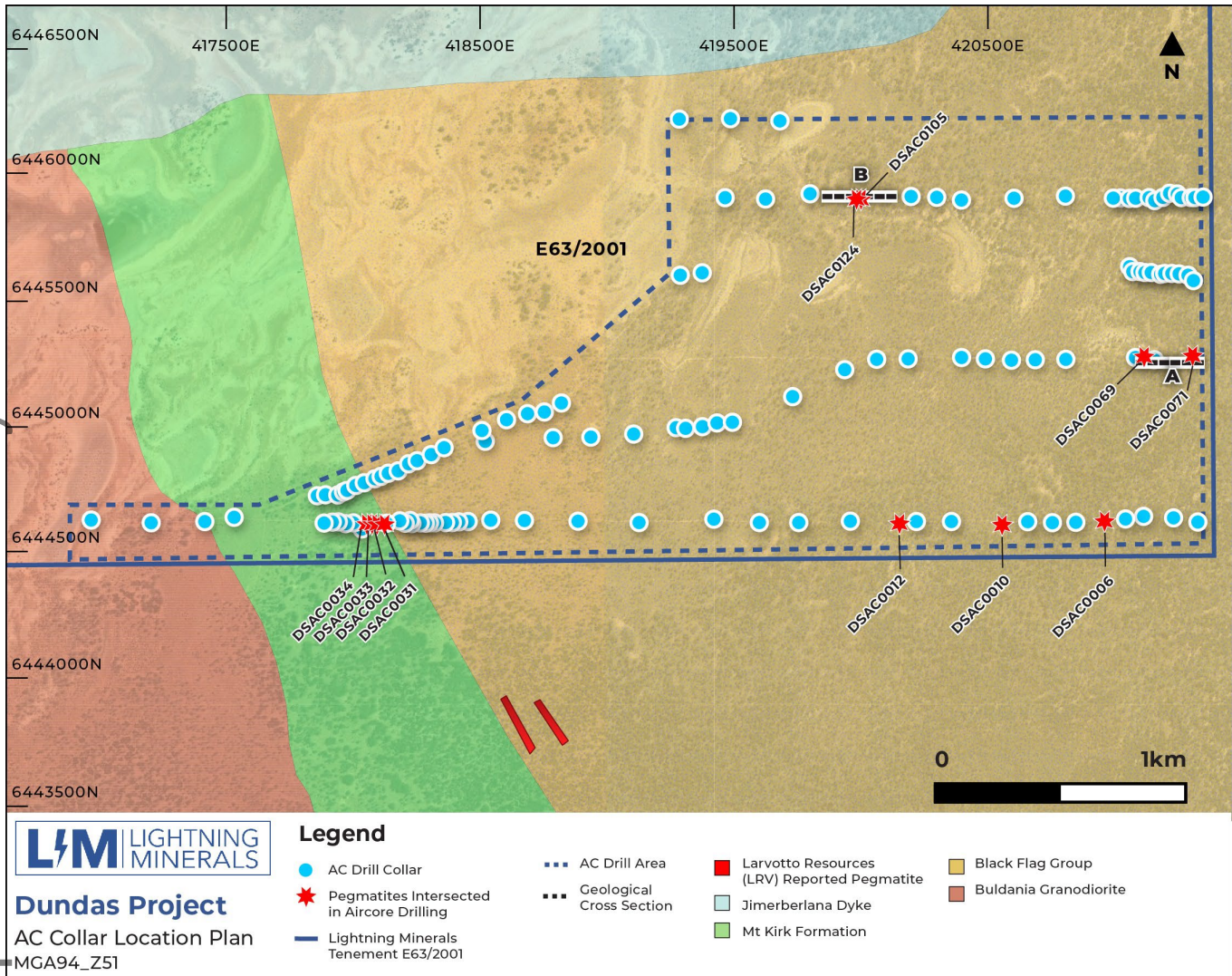


Figure 13: Drill location map showing Aircore drill area and intersected pegmatite locations



For personal use only

MT JEWELL PROJECT (100% LIM)

Work program design has been ongoing to determine appropriate exploration strategy. Data review and interpretation of existing drilling data has been completed and is ongoing. POW applications have been approved by The Department of Mines, Industry Regulation and Safety (DMIRS). Heritage agreements have been executed for the project. A site visit was completed in February 2023.

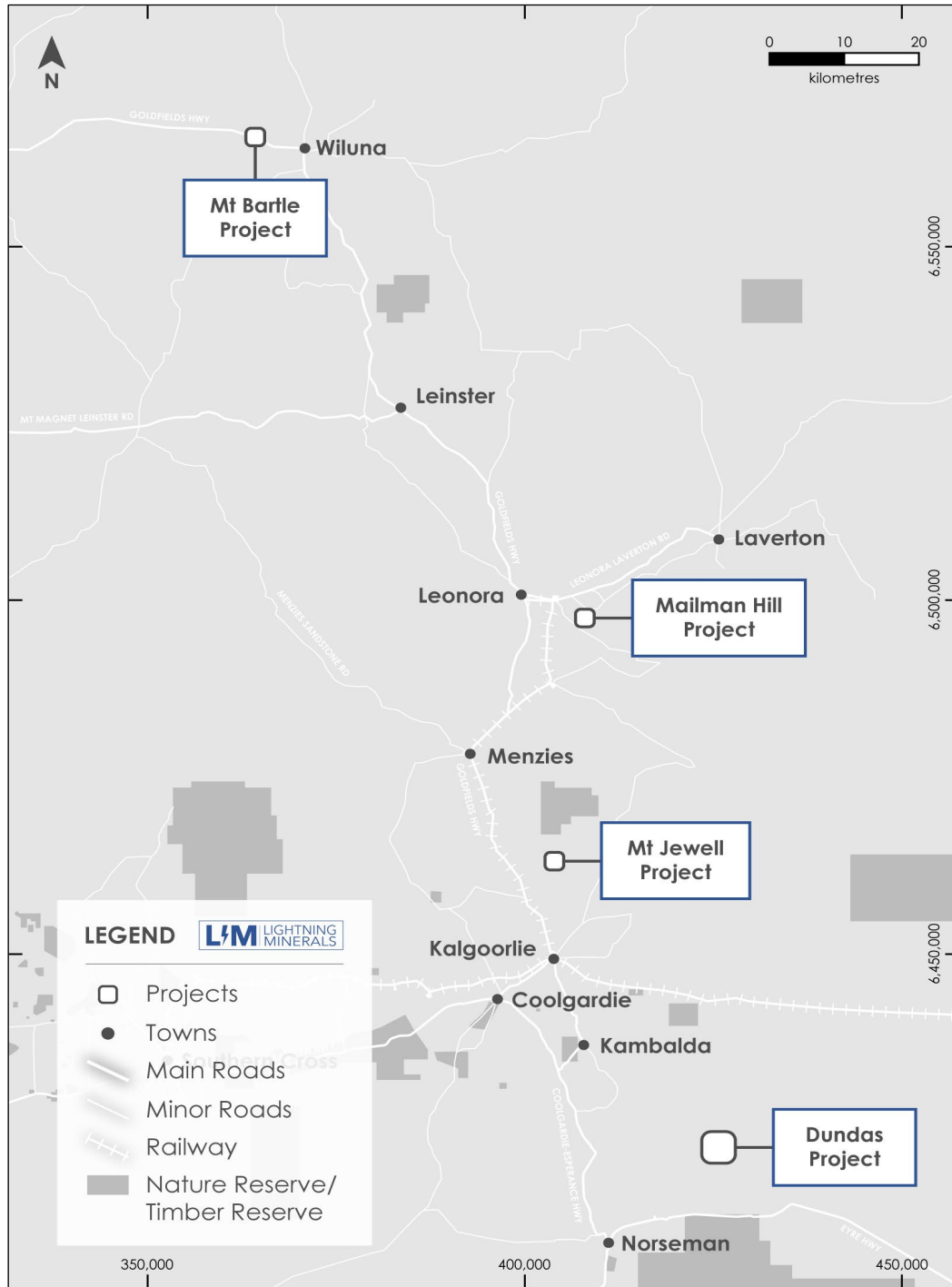
MAILMAN HILL PROJECT (100% LIM)

Work program design has been ongoing to determine appropriate exploration strategy. Data review and interpretation of existing drilling data has been completed and is ongoing. POW applications have been approved by The Department of Mines, Industry Regulation and Safety (DMIRS). Heritage agreements have been executed for the project. A site visit was completed in February 2023.

MT BARTLE PROJECT (100% LIM)

Application for the Mt Bartle tenements is still pending. Data review and analysis is ongoing and continues subsequent to the end of quarter. Discussions regarding execution of heritage agreements are ongoing.

Figure 14: Lightning Minerals' project tenement summary



For personal use only

PROJECT GENERATION

During the period the Company received a number of project opportunities, and conducted high-level internal project evaluation and will continue to identify and review projects that may be complimentary to its business. Subsequent to end of year the Company signed a binding letter of intent to acquire the Dalmas and Hiver Projects in James Bay, Quebec Canada with a due diligence period entered into (ASX Announcement 11 August 2023).

SCHEDULE OF TENEMENTS AS AT 30 JUNE 2023

| Project | Tenement | Status | Area (km ²) | Grant Date | Expiry Date | Annual Rent (A\$) | Annual Expenditure (A\$) | Royalty | Ownership |
|--------------|----------|---------|-------------------------|--------------|-------------|-------------------|--------------------------|----------|-----------|
| Dundas South | E15/1748 | Granted | 29.13 | 6/11/2020 | 05/11/2025 | 2,750 | 20,000 | 1% NSR | 100% |
| | E63/1932 | Granted | 17.01 | 30/09/2019 | 19/09/2024 | 1,650 | 20,000 | 1% NSR | 100% |
| | E63/1993 | Granted | 29.07 | 15/05/2020 | 14/05/2025 | 2,750 | 20,000 | 1% NSR | 100% |
| | E63/2000 | Granted | 93.10 | 23/10/2020 | 22/10/2025 | 8,800 | 32,000 | 1% NSR | 100% |
| | E63/2001 | Granted | 23.24 | 23/10/2020 | 22/10/2025 | 2,200 | 20,000 | 1% NSR | 100% |
| | E63/2028 | Granted | 46.50 | 14/05/2021 | 13/05/2026 | 2,448 | 20,000 | 1% NSR | 100% |
| Dundas North | E28/3027 | Granted | 160.84 | 17/05/2021 | 06/05/2026 | 8,415 | 55,000 | 1% NSR | 100% |
| | E28/3028 | Granted | 55.51 | 17/05/2020 | 16/05/2026 | 2,907 | 20,000 | 1% NSR | 100% |
| Mt Jewell | E27/566 | Granted | 8.89 | 8/11/2016 | 07/11/2026 | 2,133 | 30,000 | 1.5% NSR | 100% |
| Mailman Hill | E37/1408 | Granted | 101.83 | 12/05/2021 | 11/05/2026 | 5,202 | 34,000 | 1% NSR | 100% |
| Mt Bartle | E53/2151 | Pending | 193.62 | (01/10/2020) | - | - | - | 1% NSR | 100% |
| | E53/2159 | Pending | 78.33 | (08/09/2020) | - | - | - | 1% NSR | 100% |
| | E53/2147 | Pending | 124.98 | (18/12/2020) | - | - | - | 1% NSR | 100% |

FORWARD LOOKING STATEMENTS

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

COMPETENT PERSONS STATEMENT

The information contained herein that relates to exploration results is based on information compiled or reviewed by Mr Jarrad Woodland, who is a Competent Person and a member of the Australasian Institute of Mining and Metallurgy. Mr Woodland is a full-time employee of the company. Mr Woodland has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Woodland consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and that all material assumptions and technical parameters have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

DIRECTORS' REPORT

The Directors hereby present their Annual Report on Lightning Minerals Limited (ASX: LIM) (the Company or LIM) for the year ended 30 June 2023. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

Except as otherwise stated below, the following persons were Directors and Company Secretary of Lightning Minerals Limited during the whole year and up to the date of this Report as follows:

| Director | Title | Appointment Date | Resignation Date | Board Meeting Attendance |
|----------------------|------------------------|-------------------|-------------------|--------------------------|
| Mr Peter McNeil | Non-Executive Director | 09 August 2022 | 28 September 2023 | 6 of 6 100% |
| Dr Karen Lloyd | Non-Executive Director | 08 April 2022 | 28 September 2023 | 4 of 6 66% |
| Mr Craig Sharpe | Non-Executive Director | 08 April 2022 | N/A | 6 of 6 100% |
| Mr Francesco Cannavo | Non-Executive Director | 13 December 2021 | N/A | 6 of 6 100% |
| Mr Alexander Biggs | Managing Director | 28 September 2023 | N/A | 0 of 0 |

Details of the Directors of the Company in office at any time during or since the end of the financial year and at the date of this report are:

| | |
|--|---|
| Mr Alexander Biggs | Managing Director (appointed 28 September 2023) and Chief Executive Office |
| Qualifications and Experience | <p>Mr Alexander Biggs has been Chief Executive Officer for the Company since 01 September 2022 and he was appointed Managing Director on 28 September 2023.</p> <p>Mr Biggs is a qualified Mining Engineer and Mechanical Engineer. He has over 20 years' experience in the engineering and mining sectors including corporate, operations, consulting, finance, deal structuring and significant commercial expertise. Mr Biggs is currently a Non-Executive Director at Metals Australia (ASX:MLS) and previously Managing Director of Critical Resources (ASX:CRR). He has held executive, management and operational positions throughout the industry. Mr Biggs is a Member of the Australian Institute of Mining and Metallurgy and a graduate of the Western Australian School of Mines.</p> |
| Other Directorships in listed entities: | Metals Australia Limited (ASX: MLS) |

| | |
|---|---|
| Former Directorships in listed entities in last 3 years: | Critical Resources Limited (ASX: CRR) – resigned 15/7/22 |
| Interests in shares, options and performance rights: | 96,491 ordinary shares 500,000 share options 1,745,454 Performance Rights |

| | |
|---|---|
| Mr Craig Sharpe | Non-Executive Chairman (Appointed as Chairman on 28 September 2023) |
| Qualifications and Experience | <p>Mr Sharpe is an investment professional with over 25 years' experience. He holds a Bachelor of Commerce degree specialising in Economics and Finance. In 2005 he completed an MBA at Monash University.</p> <p>Mr Sharpe has worked across many areas of the finance industry. This includes FX, institutional, retail, corporate and management. He spent a period of time in senior management roles running private client businesses. Over the 25 years he has advised and worked with many companies in relation to IPO's, equity raisings and strategy. More recently, Mr Sharpe has spent the last 11 years at Macquarie and Bell Potter.</p> |
| Other Directorships in listed entities: | None |
| Former Directorships in listed entities in last 3 years: | Thomson Resources Ltd (ASX: TMZ, resigned 7 March 2023) |
| Interests in shares, options and performance rights: | 850,000 fully paid ordinary shares 375,000 listed share options (LIMO) 1,400,000 share options 436,364 Performance Rights |

| | |
|---|---|
| Mr Frank Cannavo | Non-Executive Director |
| Qualifications and Experience | <p>Mr Cannavo is an experienced public company director with significant business and investment experience working with companies operating across various industries, including in particular mining exploration companies, and has been instrumental in assisting several listed and unlisted companies achieve their growth strategies through the raising of investment capital and the acquisition of assets.</p> <p>Mr Cannavo is an entrepreneur with a strong network of investors and industry contacts in the public company sector throughout the Asia-Pacific region and has extensive experience in capital raisings, investment activities and IPOs.</p> |
| Other Directorships in listed entities: | Golden Mile Resources Ltd (ASX: G88, appointed 2 August 2021); Western Mines Group Ltd (ASX: WMG, appointed 6 November 2020); BPH Global Ltd (ASX: BP8, formerly Stemcell United Ltd, ASX: SCU, appointed 21 July 2021) |
| Former Directorships in listed entities in last 3 years: | Magnum Mining and Exploration Limited (ASX: MGU, resigned 10 March 2021); Agri Skylight Limited (formerly I- |

| | |
|---|--|
| | Global Holdings Limited NSX: AGS, resigned 13 September 2022) |
| Interests in shares, options and performance rights: | 3,025,000 fully paid ordinary shares 1,512,500 listed share options (LIMO) 1,400,000 share options 436,364 Performance Rights |

FORMER DIRECTORS

| | |
|---|--|
| Mr Peter McNeil | Non-Executive Chairman (resigned 28 September 2023) |
| Qualifications and Experience | <p>BSc in Geology, MSc in Geochemistry</p> <p>Mr McNeil has a B.Sc. in geology, an M.Sc. in geochemistry, forty years continuous experience as a mineral exploration geologist and thirty-one years of corporate-commercial experience; he has excellent technical, commercial, finance (capital raisings & IPOs), general legal (contracts, joint ventures & RTOs) and stakeholder liaison (indigenous landowners, JV partners and shareholders).</p> <p>Technical evaluation & field experience includes exploring for gold, porphyry copper- gold -molybdenum, polymetallic skarns (zinc -silver -gold), VHMS deposits (zinc -lead- silver -gold) and minor nickel, manganese and lithium. Mining experience (as Technical Director) includes oversight related to the development and operation of 2 small gold mines in PNG, a gold mine in Tasmania and a silver mine in Queensland.</p> <p>Mr McNeil was previously Chairman, MD or a director of three ASX listed companies (Frontier Resources Ltd, Coppermoly Ltd (ASX:COY) and Macmin Silver Ltd) and three TSX-V listed companies (New Guinea Gold Corp, South Pacific Minerals Corp and VanGold Ltd) in addition to one public unlisted exploration company (Torque Mining Ltd) and has raised and/or assisted raising approx. US\$190M (including JV partner contributions) and expended it on mineral exploration.</p> <p>Mr McNeil was a member of the Australian Institute of Geoscientists for approximately 25 years & Society of Economic Geologists for 32 years.</p> |
| Other Directorships in listed entities: | None |
| Former Directorships in listed entities in last 3 years: | None |
| Interests in shares, options and performance rights: | 500,000 share options 436,364 Performance Rights |
| Dr Karen Lloyd | Non-Executive Director (resigned 28 September 2023) |
| Qualifications and Experience | BSc (Hons) Geology, MBA, PhD (Mining and Metallurgical Engineering), FAusIMM |

| | |
|---|--|
| | <p>Dr Lloyd is a geologist, mineral economist and mining engineer with 26 years' international resource industry experience gained with some of the major mining, consulting and investment houses globally. She specialises in mineral asset valuation and provides consulting and advisory in support of project finance for merger and acquisition activity. She has been responsible for multi-disciplinary teams covering precious metals, base metals, industrial minerals and bulk commodities globally. Her PhD research at the WA School of Mines was focused on the market risk premium for gold project transactions on the Australian Securities Exchange.</p> <p>Dr Lloyd is currently appointed as Non-Executive Director of public unlisted junior mining exploration company, K2O Potash Corp. Ltd., and Tungsten Metals Group Ltd, which is a tungsten refining company.</p> <p>Dr Lloyd is a Fellow of the AusIMM and has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.</p> |
| Other Directorships in listed entities: | None |
| Former Directorships in listed entities in last 3 years: | None |
| Interests in shares, options and performance rights: | 1,400,000 share options 1,745,454 Performance Rights |

COMPANY SECRETARY

Mr Justyn Stedwell has acted as the Company Secretary during the year.

Mr Stedwell has over fifteen years' experience as a Company Secretary of ASX listed companies. He has completed a Bachelor of Commerce (Economics & Management) from Monash University, a Graduate Diploma of Accounting from Deakin University and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

PRINCIPLE ACTIVITIES

The Company holds the rights to several resource tenements in Western Australia and is actively exploring the tenements for lithium, gold and base metals.

OPERATING RESULT AND FINANCIAL POSITION

During the year, the Company made a loss \$2,176,477 (2021: \$58,533).

During the year, the Company raised \$7 million from an Initial Public Offering, before issue costs, with 35,000,000 shares issued at 20 cents each. In addition, \$20,000 was raised from investors in seed capital with a total of 200,000 ordinary shares issued, adding to the 10,132,000 ordinary shares on issue at 30 June 2022. Funds will continue to be used to enable the Company to develop its drilling programs as part of its exploration and evaluation process.

The Company issued 1.6 million shares to PAC Partners as part of payment of costs of the IPO, amounting to \$320,000, along with 5,000,000 share options, equating to a cost of \$557,100.

Ordinary shares were also issued as part payment for tenements acquired during the year.

Pursuant to an agreement signed the Company acquired rights to tenements in the Dundas project in Western Australia, in exchange for a cash payment of \$200,000, plus the issue of 1,500,000 ordinary shares. The Company also issued 25,170 ordinary shares to complete the acquisition of the tenements in the Mailman Hill project.

As a result of operations, the IPO and its investment in the exploration assets, the Company's net assets are \$6,490,934 (2022: \$505,099). Net current assets amount to \$4,378,601 (2022: \$253,099). Exploration assets amounted to \$2,041,899 (2022: \$252,000). The Company generated \$7,000,000 in cash from the IPO, with net proceeds from capital raising for the year being \$6,607,605. Cash and cash equivalents closing at \$3,694,346 (2022: \$334,865) and a term deposit of \$1,000,000 (2022: Nil)

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Other than the IPO and acquisition of the tenement assets outlined above, there were no other significant changes during the year.

AFTER BALANCE DATE EVENTS

On 11 August the Company signed a Binding Letter of Intent to Purchase Agreement ("LOI") with Lithium Rabbit Quebec Pty Ltd to acquire 100% interest in two lithium projects in the James Bay area of Quebec, Canada. An initial exclusivity fee of \$30,000 was paid under the agreement. The terms agreed in the LOI are as follows:

- Pay \$250,000 in cash consideration on completion to the vendors, less the \$30,000 exclusivity fee paid.
- Issue Lightning Minerals shares to the value of \$250,000 to the vendors (escrowed for 12 months).
- Grant a 2% Net Smelter Royalty to the vendors of which 1% may be bought back by the Company at any time for A\$1million.
- Three payments in ordinary shares totalling \$1.2 million are scheduled subsequent to completion, subject to meeting milestones set out in the Purchase Agreement.

On 27 September the Company announced that it had completed all due diligence work and that completion of the Purchase Agreement would proceed.

On 28 September 2023, Peter McNeil and Karen Lloyd resigned from the Board, and Alexander Biggs was appointed Managing Director, with Craig Sharpe appointed as Chairman. The Board wishes to thank Mr McNeil and Dr Lloyd for the service to the company.

Other than the matters noted above the Board is not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

The company's strategic focus will continue to be the development of its Western Australian exploration assets with specific focus on the results of the drilling programme at the Dundas project, whilst the interests in the Mailman Hill, Mt Jewell and Mt Bartle project are maintained. The expansion into the James Bay in Canada is in its early stage and the company will be expanding its operations at the Dalmas and Hiver projects after completion of the acquisition.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the directors and officers of the Company against a liability to the extent

For personal use only

permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITORS

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

ENVIRONMENTAL ISSUES

The Company's activities involve exploration activities on WA mining tenements and therefore would be subject to the WA laws and regulations relating to such activities including environmental approvals as may be required from time to time under the *Mining Act 1978*.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

At the date of this report the Company had 37,258,543 shares under option, as follows:

| GRANT DATE | DATE OF EXPIRY | EXERCISE PRICE | NUMBER ON ISSUE | NUMBER ESCROWED | ESCROW DATE |
|------------|----------------|----------------|-----------------|-----------------|-------------|
| 13/03/2023 | 13/03/2028 | \$0.25 | 26,728,543 | - | - |
| 22/08/2022 | 14/11/2026 | \$0.25 | 5,000,000 | 5,000,000 | 22/11/2024 |
| 22/08/2022 | 27/11/2027 | \$0.25 | 5,200,000 | 5,200,000 | 22/11/2024 |
| 01/12/2022 | 06/04/2027 | \$0.30 | 80,000 | - | - |
| 01/12/2022 | 06/04/2027 | \$0.40 | 110,000 | - | - |
| 01/12/2022 | 06/04/2027 | \$0.50 | 140,000 | - | - |

Share options do not provide the holder with the same rights as shareholders. Share options do not provide the rights to participate in rights issues, dividends, or enable the holder to vote at General Meetings.

PERFORMANCE RIGHTS

Performance rights at the date of this report are as follows:

| GRANT DATE | DATE OF EXPIRY | EXERCISE PRICE | NUMBER ON ISSUE |
|------------|--|----------------|-----------------|
| 18/11/2022 | On or before the date that is 5 years from the date of issue | \$0.00 | 4,800,000 |

These performance rights will vest and become exercisable on the later of :

- 12 months from the date of the Company's admission to the official list of the ASX; or
- The Company's shares achieving a volume weighted average price per share of 25% greater than the Company's IPO subscription price, calculated over 20 consecutive trading days on which the shares are recorded on the ASX.

No holder of the performance rights had or has any right by virtue of the performance rights to participate in any share issue of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 327 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any proceedings during the year.

REMUNERATION REPORT (AUDITED)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The remuneration report is set out under the following main headings:

- A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION
- B. DETAILS OF REMUNERATION
- C. SHARE-BASED COMPENSATION
- D. ADDITIONAL INFORMATION
- E. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL
- F. LOANS FROM KMP
- G. OTHER TRANSACTIONS WITH KMP

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives. To that end, the Company embodies the following principles in its remuneration framework:

- o aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders
- o placing a portion of executive remuneration at risk, dependent upon meeting predetermined performance benchmarks; and
- o differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential.

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel ("KMP") for the Company is based on the following:

- o The remuneration policy is to be developed and approved by the Board after professional advice is sought from independent external consultants (where applicable).
- o All executive KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives, where appropriate.
- o Performance incentives (in the form of a cash bonus) are generally only paid once predetermined key performance indicators (KPIs) have been met.
- o Apart from those detailed in this report no other share-based/options/performance rights incentives have been offered to KMP during this reporting financial year.
- o The Board, which also serves as the remuneration committee, reviews the remuneration packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- o Competitiveness and reasonableness;
- o Acceptability to shareholders;
- o Performance linkage / alignment of executive compensation; and
- o Transparency.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

For personal use only

KMP or closely related parties of KMP are prohibited from entering hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration. In addition, the Board's remuneration policy prohibits Directors and KMP from using the company's shares as collateral in any financial transaction.

Engagement of remuneration consultants

During the year, the Company did not engage any remuneration consultants.

Remuneration Structure

The structure of Non-Executive Director, Executive Director and Senior Manager remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the 2023 AGM.

Each Director receives a fee for being a Director of the Company.

Executive remuneration

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company to:

- Reward Executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company;
- Ensure total remuneration is competitive by market standards; and
- Executive remuneration is designed to support the Company's reward philosophies and to underpin the Company's growth strategy. The program comprises the following available components:
 - Fixed remuneration component;
 - Variable remuneration component including cash bonuses paid; and
 - Share based payments

Fixed Remuneration

The level of fixed remuneration is set to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The fixed (primary) remuneration is provided in cash.

Variable Remuneration

The performance of KMP is measured against criteria agreed annually with each Executive. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

The objective of the Short-Term Incentive ("STI") program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to achieve the operational targets and such that the cost to the Company is reasonable.

Actual STI payments granted depend on the extent to which specific operating targets are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance.

On an annual basis, the individual performance of each executive is rated and taken into account when determining the amount, if any, of the short-term incentive pool allocated to each executive. The aggregate of annual STI payments available for executives across the Company are usually delivered in the form of a cash bonus.

The long-term incentives ('LTI') include long service leave and share-based payments. Options and performance rights are awarded to executives based on long-term incentive measures. These include increase in shareholders value relative to the entire market.

B. DETAILS OF REMUNERATION

Details of the remuneration of the Directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Company) are set out in the tables on page 23 and 24

Key Management Personnel - Directors and Executives

The key management personnel ("KMP") of the Company consisted of the following Directors and executives during the year:

| | |
|--------------------------------|--|
| Non-Executive Directors | |
| Peter McNeil | Non-Executive Chairman |
| Dr Karen Lloyd | Non-Executive Director |
| Craig Sharpe | Non-Executive Director |
| Frank Cannavo | Non-Executive Director |
| Executive | |
| Alexander Biggs | Chief Executive Officer (Appointed 1 September 2022) |

Key Management Personnel – Service Agreements

Chief Executive Officer – Alexander Biggs

The key terms of the contract are as follows:

- o Position of Chief Executive Officer;
- o Salary of \$220,000 per annum, plus superannuation and other benefits;
- o Salary increased to \$250,000 per annum upon appointment as Managing Director on 28 September 2023.
- o Contract commenced on 1 September 2022 with no fixed term. 3 months' notice for termination is required;
- o 500,000 unlisted share options provided with the following terms:
 - o Expiry date of 5 years from the date of the Company's admission to the official list of the ASX;
 - o Exercise price of \$0.25 to convert one share option to one ordinary share;
 - o Share options vest immediately.
- o 1,745,454 performance rights provided with the following terms vesting and becoming exercisable on the later of:
 - o 12 months from the date of the Company's admission to the official list of the ASX; and
 - o The Company's shares achieving a volume weighted average price per share of 25% greater than the Company's IPO subscription price, calculated over any 20 consecutive trading days on which the shares are recorded on the ASX.
- o The performance rights expire 5 years from the date of issue.
- o Additional options provided upon appointment as Managing Director as follows:
 - o 250,000 Options with an exercise price of 25 cents per option expiring 27 September 2027 and vesting upon issue.

- 250,000 Performance Rights which vest and become exercisable (convert to shares) on the Company's shares achieving a volume weighted average price per share of at least 50 cents over any 20 consecutive trading days on which the shares have actually traded on ASX.
- 500,000 Performance Rights which vest and become exercisable (convert to shares) on the Company's shares achieving a volume weighted average price per share of at least 75 cents over any 20 consecutive trading days on which the shares have actually traded on ASX.
- 500,000 Performance Rights which vest and become exercisable (convert to shares) on the Company's shares achieving a volume weighted average price per share of at least \$1 over any 20 consecutive trading days on which the shares have actually traded on ASX.

Non-Executive Director Service Agreement – Peter McNeil

The key terms of the contract are as follows:

- Position of Non-Executive Chairman;
- Salary of \$50,000 per annum, plus of superannuation;
- Commenced on 15 September 2022 with no fixed term.

Non-Executive Director Service Agreement – Dr Karen Lloyd

The key terms of the contract are as follows:

- Position of Non-Executive Director;
- Salary of \$50,000 per annum, plus of superannuation;
- Commenced on 16 September 2022 with no fixed term.

Non-Executive Director Service Agreement – Craig Sharpe

The key terms of the contract are as follows:

- Position of Non-Executive Director;
- Salary of \$50,000 per annum, plus of superannuation;
- Commenced on 15 September 2022 with no fixed term.

Non-Executive Director Service Agreement – Francesco Cannavo

The key terms of the contract are as follows:

- Position of Non-Executive Director;
- Salary of \$50,000 per annum, inclusive of superannuation;
- Commenced on 2 August 2022 with no fixed term.

Details of Remuneration for the year ended 30 June 2023

The individual remuneration for key management personnel of the Company during the year was as follows:

| | SHORT TERM EMPLOYMENT BENEFITS | | | POST EMPLOYMENT | EQUITY BASED PAYMENTS | | TOTAL |
|----------------------------------|--------------------------------|-----------------|------------|-------------------------------|-----------------------|--------------------|------------------|
| | Cash Salary and Fees | Leave provision | Cash Bonus | Super-annuation Contributions | Options | Performance rights | |
| | \$ | \$ | | \$ | \$ | \$ | \$ |
| Non – Executive Directors | | | | | | | |
| P McNeil ¹ | 30,278 | - | - | 3,179 | 61,860 | 54,098 | 149,415 |
| K Lloyd ² | 30,278 | - | - | 3,179 | 173,208 | 216,392 | 423,057 |
| C Sharpe ³ | 45,833 | - | - | 4,813 | 173,208 | 54,098 | 277,952 |
| F Cannavo ⁴ | 50,646 | - | - | - | 173,208 | 54,098 | 277,952 |
| Sub-Total | 157,035 | - | - | 11,171 | 581,484 | 378,686 | 1,128,376 |
| Executive Directors | | | | | | | |
| A Biggs ⁵ | 183,333 | 13,889 | - | 19,250 | 61,860 | 216,392 | 494,724 |
| Sub-Total | 183,333 | 13,889 | - | 19,250 | 61,860 | 216,392 | 494,724 |
| Total | 340,368 | 13,889 | - | 30,421 | 643,344 | 595,078 | 1,623,100 |

1. Peter McNeil was paid from the date the company was admitted to the official list of the ASX.
2. Dr Karen Lloyd was paid from the date the company was admitted to the official list of the ASX.
3. Carig Sharpe was paid from 1 July 2022.
4. Frank Cannavo was paid from 1 July 2022, and is paid through a consulting firm, Golden Venture Capital Pty Ltd.
5. Alexander Biggs was appointed on 1 September 2022.

Details of Remuneration for the year ended 30 June 2022

There was no remuneration provided to Key Management Personnel in the year ended 30 June 2022.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | 2023 | | | 2022 | | |
|--------------------------------|--------------------|---------------|---------------|--------------------|---------------|---------------|
| | Fixed remuneration | At risk - STI | At risk – LTI | Fixed remuneration | At risk - STI | At risk – LTI |
| Non-Executive Directors | | | | | | |
| P McNeil | 22.4% | - | 77.6% | - | - | - |
| K Lloyd | 7.9% | - | 92.1% | - | - | - |
| C Sharpe | 18.2% | - | 81.8% | - | - | - |
| F Cannavo | 18.2% | - | 81.8% | - | - | - |
| | | | | | | |
| Executives | | | | | | |
| A Biggs | 43.8% | - | 56.2% | - | - | - |

C. SHARE-BASED COMPENSATION

During the year the Company granted share options affecting remuneration for the year to the CEO under the terms of the employment contract. The share options granted was determined to have a fair value of \$0.12 per option and had the following terms and conditions:

| | No. of options | Exercise Price | Vesting period | Expiry |
|---------------|----------------|-------------------|----------------|------------------|
| Share Options | 500,000 | \$0.25 per option | Immediately | 22 November 2028 |

In addition, share options were granted to Non-Executive Directors affecting remuneration during the year, with a determined fair value of \$0.12 per option and the following terms and conditions:

| | No. of options | Exercise Price | Vesting period | Expiry |
|------------|----------------|-------------------|----------------|------------------|
| P McNeil | 500,000 | \$0.25 per option | Immediately | 22 November 2027 |
| Dr K Lloyd | 1,400,000 | \$0.25 per option | Immediately | 22 November 2027 |
| C Sharpe | 1,400,000 | \$0.25 per option | Immediately | 22 November 2027 |
| F Cannavo | 1,400,000 | \$0.25 per option | Immediately | 22 November 2027 |

Each director and the CEO was also granted performance rights with a fair value determined of \$0.189 per right and details as follows:

| | No. of rights | Vesting period | Expiry |
|------------|---------------|--|------------------|
| P McNeil | 436,364 | Exercisable on the later of: - 12 months from the date of the Company's admission to the official list of the ASX; and - The Company's shares achieving a volume weighted average price per share of 25% greater than the Company's IPO subscription price, calculated over any 20 consecutive trading days on which the shares are recorded on the ASX. | 22 November 2028 |
| Dr K Lloyd | 1,745,454 | | 22 November 2028 |
| C Sharpe | 436,364 | | 22 November 2028 |
| F Cannavo | 436,364 | | 22 November 2028 |
| A Biggs | 1,745,454 | | 22 November 2028 |

Options and performance rights granted carry no dividend or voting rights.

All options and performance rights were granted over unissued fully paid ordinary shares in the company. Options and performance rights are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options and performance rights other than on their potential exercise.

D. ADDITIONAL INFORMATION

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The chosen method to achieve this aim is providing shares and share options to link future benefits to the performance of the Company's share price. The Company believes this policy will be effective in increasing shareholder's wealth. The earnings of the Company for the current reporting period are summarised below, along with details that are considered to be factors in shareholder returns:

| | | | | 30 June 2023 | 30 June 2022 |
|----------------------------------|--|--|--|--------------|--------------|
| Income \$ | | | | 10,985 | - |
| Net profit /(loss) after tax \$ | | | | (2,176,478) | (58,533) |
| Share price at year end \$ | | | | 0.155 | - |
| Net tangible assets per share \$ | | | | 0.13 | 0.05 |

E. ADDITIONAL INFORMATION IN RELATION TO KEY MNGEMENT PERSONNEL SHAREHOLDING

Ordinary shares held in Lightning Minerals Limited (number) 30 June 2023:

| | Balance 1 July 2022 | Granted as payment of Remuneration | On-market changes | Off-market changes | Other changes | Balance 30 June 2023 |
|-----------------|---------------------|------------------------------------|-------------------|--------------------|---------------|----------------------|
| Peter McNeil | - | - | - | - | - | - |
| Dr Karen Lloyd | - | - | - | - | - | - |
| Craig Sharpe | 750,000 | - | 100,000 | - | - | 850,000 |
| Frank Cannavo | 3,000,000 | - | 25,000 | - | - | 3,025,000 |
| Alexander Biggs | - | - | 96,941 | - | - | 96,941 |
| | 3,750,000 | - | 221,941 | - | - | 3,971,941 |

Share options held in Lightning Minerals Limited (number) 30 June 2023:

| | Balance 1 July 2022 | Granted as payment of Remuneration | On-market changes | Off-market changes | Other changes | Balance 30 June 2023 |
|-----------------|---------------------|------------------------------------|-------------------|--------------------|---------------|----------------------|
| Peter McNeil | - | 500,000 | - | - | - | 500,000 |
| Dr Karen Lloyd | - | 1,400,000 | - | - | - | 1,400,000 |
| Craig Sharpe | - | 1,400,000 | 375,000 | - | - | 1,775,000 |
| Frank Cannavo | - | 1,400,000 | 1,512,500 | - | - | 2,912,500 |
| Alexander Biggs | - | 500,000 | - | - | - | 500,000 |
| | - | 5,200,000 | 1,887,500 | - | - | 7,087,500 |

Performance Rights held in Lightning Minerals Limited (number) 30 June 2023:

| | Balance 1 July 2022 | Granted as payment of Remuneration | On-market changes | Off-market changes | Other changes | Balance 30 June 2023 |
|-----------------|---------------------|------------------------------------|-------------------|--------------------|---------------|----------------------|
| Peter McNeil | - | 436,364 | - | - | - | 436,364 |
| Dr Karen Lloyd | - | 1,745,454 | - | - | - | 1,745,454 |
| Craig Sharpe | - | 436,364 | - | - | - | 436,364 |
| Frank Cannavo | - | 436,364 | - | - | - | 436,364 |
| Alexander Biggs | - | 1,745,454 | - | - | - | 1,745,454 |
| | - | 4,800,000 | - | - | - | 4,800,000 |

F. LOANS FROM KMP

There are no loans to or from KMP.

G. OTHER TRANSACTIONS WITH KMP

There are no other transactions with KMP.

This concludes the remuneration report, which has been audited.

NON-AUDIT SERVICES

During the current year HLB Mann Judd, the Company's auditor, performed certain other services in addition to their statutory duties. The Directors were satisfied that the provision of these non-audit services by the auditor (or by another person or firm on the auditor's behalf) was compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable are as follows:

| | 2023 | 2022 |
|---------------------------------|---------------|--------|
| | \$ | \$ |
| Auditing the financial report | 36,972 | 10,450 |
| <i>Non-audit services</i> | | |
| Independent Accountant's Report | 20,458 | - |
| Tax compliance services | 4,600 | - |
| | 62,030 | 10,450 |

The Directors were of the opinion that the services as disclosed above did not compromise the external auditor's independence for the following reasons:

- o All non-audit services were reviewed and approved by the Board to ensure that they did not impact the integrity and objectivity of the auditor, and
- o None of the services undermined the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Profession and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28

AUDITOR

HLB Mann Judd continues in accordance with section 327 of the *Corporations Act 2001*. There are no officers of the Company who are former audit partners of HLB Mann Judd.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of Corporate Governance. The Company continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement. The Company's Corporate Governance statement is available on the Company's website at <https://lightningminerals.com.au/>.

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors



MR A BIGGS
MANAGING DIRECTOR
28 September 2023

For personal use only

Auditor's independence declaration

As lead auditor for the audit of the financial report of Lightning Minerals Ltd for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.



**HLB Mann Judd
Chartered Accountants**

Melbourne
28 September 2023



**Jude Lau
Partner**

hlb.com.au

HLB Mann Judd (VIC Partnership) ABN 20 696 861 713

Level 9, 550 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001

T: +61 (0) 3 9606 3888 F: +61 (0) 3 9606 3800 E: mailbox@hlbvic.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (VIC Partnership) is a member of HLB International, the global advisory and accounting network

For personal use only

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Year ended 30 June 2023 \$ | 13 December 2021 to 30 June 2022 \$ |
|--|--------------|-------------------------------------|---|
| Continuing operations | | | |
| Interest income | | 10,985 | - |
| Exploration expenditure expensed | | (38,719) | (16,158) |
| Directors' fees and salaries and wages | 12(b) | (1,680,332) | - |
| General and administrative expenses | 12(b) | (129,002) | (10,450) |
| Corporate expenses | 12(b) | (294,001) | (31,925) |
| Depreciation | | (38,519) | - |
| Finance expense | | (6,889) | - |
| Loss before income tax | | (2,176,477) | (58,533) |
| Income tax expense | 13 | - | - |
| Net Loss for the year | | (2,176,477) | (58,533) |
| Other Comprehensive income/(loss) | | | |
| Other comprehensive loss net of tax | | - | - |
| Total comprehensive loss | | (2,176,477) | (58,533) |
| | | | |
| Basic loss per share (cents per share) | 14 | (6.46) | (1.12) |
| Diluted loss per share (cents per share) | 14 | (6.46) | (1.12) |

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

STATEMENT OF FINANCIAL POSITION

| | Note | 30 June 2023 \$ | 30 June 2022 \$ |
|--------------------------------------|------|-----------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | 3(a) | 3,694,346 | 334,865 |
| Trade and other receivables | 4 | 45,717 | 3,000 |
| Prepayments | | 34,070 | 37,741 |
| Other financial assets | 5 | 1,000,000 | - |
| Total Current Assets | | 4,774,133 | 375,606 |
| Non-Current Assets | | | |
| Plant and equipment | | 3,701 | - |
| Exploration and evaluation assets | 6 | 2,041,899 | 252,000 |
| Right of use asset | 7 | 86,360 | - |
| Total Non-Current Assets | | 2,131,960 | 252,000 |
| Total Assets | | 6,906,093 | 627,606 |
| Current Liabilities | | | |
| Trade and other payables | 8 | 309,036 | 52,507 |
| Deferred consideration | | - | 70,000 |
| Lease liability | 9 | 69,401 | - |
| Employee provisions | | 17,095 | - |
| Total Current Liabilities | | 395,532 | 122,507 |
| Non-Current Liabilities | | | |
| Lease liability | 9 | 19,627 | - |
| Total Non-Current Liabilities | | 19,627 | - |
| Total Liabilities | | 415,159 | 122,507 |
| Net Assets | | 6,490,934 | 505,099 |
| Equity | | | |
| Issued capital | 10 | 6,526,499 | 563,632 |
| Accumulated losses | | (2,235,010) | (58,533) |
| Reserves | 11 | 2,199,445 | - |
| Total Equity | | 6,490,934 | 505,099 |

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

STATEMENT OF CHANGES IN EQUITY

| | Note | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total \$ |
|--|-----------|-------------------------|------------------|-----------------------------|------------------|
| At 13 December 2021 | | - | - | - | - |
| Loss for the period | | - | - | (58,533) | (58,533) |
| Other comprehensive income/(loss) | | - | - | - | - |
| Total comprehensive income/(loss) for the period | | - | - | (58,533) | (58,533) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of shares, net of costs | 10 | 563,632 | - | - | 563,632 |
| As at 30 June 2022 | | 563,632 | - | (58,533) | 505,099 |
| | | | | | |
| | Note | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total \$ |
| At 1 July 2022 | | 563,632 | - | (58,533) | 505,099 |
| Loss for the year | | - | - | (2,176,477) | (2,176,477) |
| Other comprehensive income/(loss) | | - | - | - | - |
| Total comprehensive income/(loss) for the year | | - | - | (2,176,477) | (2,176,477) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of shares, net of costs | 10 | 5,337,833 | - | - | 5,337,833 |
| Issue of share options, net of costs | | - | 24,229 | - | 24,229 |
| Share based payments | | | | | |
| - cost of equity | 11 | 320,000 | 919,023 | - | 1,239,023 |
| - options granted | 11 | - | 661,115 | - | 661,115 |
| - performance rights granted | 11 | - | 595,078 | - | 595,078 |
| - acquisition of assets | 11 | 305,034 | - | - | 305,034 |
| As at 30 June 2023 | | 6,526,499 | 2,199,445 | (2,235,010) | 6,490,934 |

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

STATEMENT OF CASH FLOWS

| | Year ended 30 June 2023 | 13 December 2021 to 30 June 2023 |
|--|--|--|
| Note | \$ | \$ |
| Cash flows from operating activities | | |
| Interest received | 6,367 | - |
| Payments to suppliers and employees | (886,104) | (25,973) |
| Interest paid | (6,889) | - |
| Net cash (used in) operating activities | (886,626) | (25,973) |
| | 3(c) | |
| Cash flows from investing activities | | |
| Payments for property and equipment | (4,885) | - |
| Exploration and evaluation expenditure and acquisition | (1,345,730) | (42,000) |
| Payments for other financial assets | (1,000,000) | - |
| Net cash (used in) investing activities | (2,350,615) | (42,000) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 7,023,000 | 431,250 |
| Proceeds from issue of share options | 24,229 | - |
| Cost of issuing shares | (415,395) | (28,412) |
| Repayment of lease liabilities | (35,112) | - |
| Net cash provided by financing activities | 6,596,722 | 402,838 |
| Net increase in cash held | | |
| | 3,359,481 | 334,865 |
| Cash and cash equivalents at the beginning of the period | 334,865 | - |
| Cash and cash equivalents at the end of the period | 3,694,346 | 334,865 |
| | 3(a) | |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Corporations Act 2001*, as appropriate for-profit oriented entities

The financial statements cover the Company for the year ended 30 June 2023. The Company is a company limited by shares, incorporated and domiciled in Australia.

Except for the Statement of Cash Flows, the financial statements have been prepared on the accruals basis.

The financial statements were authorised for issue by the Directors on 28 September 2023.

The Company's principal activities are the exploration for and evaluation lithium, gold and base metals in Western Australia.

(a) Basis of Preparation of the Financial Statements

Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, modified where appropriate by the measurement of fair value of selected non-current assets. All amounts are presented in Australian dollars unless otherwise noted.

(b) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures. The comparative information disclosed in the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity is for the period from 13 December 2021 (the company's date of incorporation) to 30 June 2022.

(c) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(d) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities can be found in the following notes:

- Note 6 Exploration and evaluation assets
- Note 11 Reserves (Share Based Payments)

3. CASH AND CASH EQUIVALENTS

| | 30 June 2023 | 30 June 2022 |
|--------------|---------------------|--------------|
| | \$ | \$ |
| Cash at bank | 3,694,346 | 334,865 |

(a) Significant Accounting Policies

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

(b) Financial Instrument Risk Management

The Company manages its exposure to key financial risks relating to cash and cash equivalents and term deposits in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The main risks arising from cash and cash equivalents is interest rate risk. The Directors manage risk by monitoring levels of exposure to interest rate and consider cash requirements in relation to ongoing cash flow budgets.

Interest Rate Risk

Exposure to interest rate risk arises on financial instruments whereby a future change in interest rates will affect future cash flows of variable rate financial instruments. At 30 June 2023, the Company had variable rate cash balances of \$3,694,346 earning interest of between 0% and 1.55% per annum (2022: \$334,865 at 0.01%). The risk attached to the interest income for the year ended 30 June 2023 was not significant.

Credit Risk

The Company banks with Westpac and considers the bank's credit worthiness appropriate to mitigate credit risk associated to the bank deposits. Westpac's credit rating is AA (Fitch, Standard & Poor-). Credit risk is managed by the Board in accordance with its policy. The Board is satisfied that banking with an institution with A+ credit rating sufficiently mitigates credit risk attached to cash deposits.

Fair value

The fair value of the cash balances approximates fair value due to the short-term nature of the deposits.

(c) Reconciliation of operating cash flows to operating result

| | Year ended 30 June 2023 \$ | 13 December 2021 to 30 June 2022 \$ |
|--|----------------------------------|--|
| Operating loss after income tax: | (2,176,477) | (58,533) |
| Share based payments | 1,256,193 | - |
| Depreciation | 38,519 | - |
| Change in net operating assets and liabilities: | | |
| (Increase) in receivables | (45,717) | - |
| (Increase) in prepayments | (34,070) | - |
| Increase in trade and other payables relating to operating expenditure | 57,831 | 32,560 |
| Increase in provisions | 17,095 | - |
| Net cash (outflow) from operating activities | (886,626) | (25,973) |

(d) Non-cash financing and investing activities

During the year, the company entered into a lease agreement in respect of its office premises. As a result, it recognised a RoU asset and a liability to the value of \$124,139.

During the year, the company also settled amounts payable to the lead manager and vendors of certain tenements acquired via the issuance of shares and options. The details are set out below:

- Shares issued to vendors amounting to a fair value of \$625,034.
- share options issued to vendors amounting to a fair value of \$921,400.

(e) Changes in liabilities arising from financing activities

| | Lease Liability and total liability \$ |
|--|---|
| Balance at 13 December 2021 and 30 June 2022 | - |
| Net cash from/(used in) financing activities | (35,112) |
| Acquisition of leases | 124,129 |
| Balance as at 30 June 2023 | <u>89,017</u> |

4. TRADE AND OTHER RECEIVABLES

| | 30 June 2023 \$ | 30 June 2022 \$ |
|-------------------|--------------------|--------------------|
| GST recoverable | 41,099 | - |
| Accrued interest | 4,618 | - |
| Sundry receivable | - | 3,000 |
| | 45,717 | 3,000 |

Significant Accounting Policies

Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Receivables expected to be collected within 12 months are classified as current assets. All other receivables are classified as non-current assets.

Financial Instrument Risk management

Amounts are recoverable from the ATO, and credit risk is considered low. No risk management policy is in place.

5. OTHER FINANCIAL ASSETS

| | 30 June 2023 | 30 June 2022 |
|--------------|------------------|--------------|
| | \$ | \$ |
| Term deposit | 1,000,000 | - |

At 30 June 2023 the Company has a fixed deposit of \$1,000,000 (2022: \$nil) with an interest rate of 3.92% maturing November 2023.

Significant Accounting Policies

Other financial assets are initially measured at fair value and are subsequently measured at amortised cost.

6. EXPLORATION AND EVALUATION ASSETS

| | 30 June 2023 | 30 June 2022 |
|--|------------------|--------------|
| | \$ | \$ |
| (a) Reconciliation of movements during period | | |
| Costs carried forward in respect of areas of interest at cost | 252,000 | - |
| Tenements and projects acquired | 532,319 | 252,000 |
| Exploration and evaluation expenditure capitalised during the period | 1,257,580 | - |
| Costs carried forward in respect of areas of interest | 2,041,899 | 252,000 |

(b) Significant Accounting Policies

Exploration and evaluation expenditures incurred are accumulated in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recouped through the successful development of the area or sale, or where exploration and evaluation activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made. In addition, a provision is raised against exploration and evaluation expenditure where the directors are of the opinion that the carried forward cost may not be recoverable. Any such provision is charged against the results for the year.

When production commences, the accumulated costs for the relevant area of interest are reclassified to mining assets and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of the relevant stage. Provisions are made for the estimated costs of restoration relating to areas disturbed during the mines operation up to reporting date but not yet rehabilitated. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with local laws and relevant clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates of the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

Accordingly, the costs have been determined on the basis that any restoration will be completed within one year of abandoning the site.

(c) Critical Judgements

The ultimate recoupment of capitalised expenditure in relation to each area of interest is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas the results of which are still uncertain.

(d) Commitments for expenditure

To maintain current rights of tenure to the exploration tenements, the Company is required to meet the minimum expenditure requirements of the Department of Mining. Minimum expenditure commitments may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts. The Company has committed to spend a total of \$1,124,000 over the periods of the granted permit areas in respect of these exploration programs. Expenditure commitment is for the term of the permit renewal. The total commitment in relation to the permits is as follows:

| | 30 June 2023 | 30 June 2022 |
|---------------------------------------|---------------------|--------------|
| | \$ | \$ |
| Expenditure commitments within 1 year | 281,000 | 70,330 |
| Expenditure commitments 2 – 5 years | 843,000 | 210,990 |
| | 1,124,000 | 281,320 |

(e) Impairment

The directors have reviewed the projects and available resources and are satisfied that no impairment is required.

7. RIGHT-OF-USE ASSET

| | 30 June 2023 | 30 June 2022 |
|--------------------------------|---------------------|--------------|
| | \$ | \$ |
| Office accommodation – at cost | 124,139 | - |
| Accumulated depreciation | (37,779) | - |
| | 86,360 | - |

The company entered into a sub-lease for office accommodation on 1 December 2022, running until 30 October 2024. There is no option to extend the lease.

Accounting policy

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

8. TRADE AND OTHER PAYABLES

| | 30 June 2023 | 30 June 2022 |
|-----------------------------|---------------------|--------------|
| | \$ | \$ |
| Trade payables | 105,217 | 38,896 |
| Accruals and other payables | 203,819 | 13,611 |
| | 309,036 | 52,507 |

Amounts due are unsecured and non-interest bearing.

Significant Accounting Policies

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Financial Instrument Risk management

The main risks arising from trade and other payables is liquidity risk. The Directors manage risk by monitoring levels of obligations arising from liabilities and commitments and consider cash requirements in relation to ongoing cash flow budgets.

Liquidity Risk

All payables are current and payable within 30 days. Accordingly, management has ensured that the Company has sufficient cash resources to meet the liabilities as and when they are due.

9. LEASE LIABILITY

| | 30 June 2023 | 30 June 2022 |
|--|---------------------|--------------|
| | \$ | \$ |
| Lease for right-of-use asset - current | 69,401 | - |
| Lease for right-of-use asset – non-current | 19,627 | - |
| | 89,028 | - |

Accounting policy

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the year in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

10. ISSUED CAPITAL

| | 30 June 2023 | | 30 June 2022 | |
|---|-------------------|------------------|------------------|---------|
| | Number of shares | \$ | Number of shares | \$ |
| Ordinary shares – fully paid (no par value) | 48,457,170 | 6,526,499 | 10,132,000 | 563,632 |

(a) Reconciliation of issued capital

| Ordinary shares | Shares | Price \$ | \$ |
|--|-------------------|----------|------------------|
| Initial seed capital | 3,250,000 | 0.001 | 3,250 |
| Initial seed capital | 1,000,000 | 0.001 | 1,000 |
| Seed investment | 4,300,000 | 0.10 | 430,000 |
| Issue of shares to lead manager | 182,000 | 0.1 | 18,200 |
| Acquisition of exploration and evaluation assets | 1,400,000 | 0.10 | 140,000 |
| Cost of issuing equity | | | (28,818) |
| At 30 June 2022 | 10,132,000 | | 563,632 |
| Additional seed capital | 200,000 | 0.10 | 20,000 |
| Shares issued in IPO | 35,000,000 | 0.20 | 7,000,000 |
| Acquisition of exploration assets | 1,500,000 | 0.20 | 300,000 |
| Settlement of IPO costs | 1,600,000 | 0.20 | 320,000 |
| Settlement of exploration asset acquisition | 25,170 | 0.20 | 5,034 |
| Cost of issuing equity | | | (1,682,167) |
| As at 30 June 2023 | 48,457,170 | | 6,526,499 |

(b) Significant Accounting Policies

Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(c) Terms and conditions of issued capital

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry rights to dividends.

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Ordinary shares have no par value. The Company does not have a limit on number of shares authorised.

(d) Escrow

At 30 June 2023, there were 9,238,970 ordinary shares in voluntary escrow (2022: nil). The escrow periods vary and are up to 2 years from the date of the Company listing on the ASX.

(e) Capital Management

The Company considers its capital to be total equity plus net debt.

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. To achieve this objective, the Company seeks to maintain a gearing ratio that balances

risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. During the exploration and evaluation phase of operations the Company does not anticipate utilising any loan funding and will rely upon capital raisings. The capital risk management policy remains unchanged from 30 June 2022.

The company is not subject to any externally imposed conditions.

11. RESERVES

| | 30 June 2023 | 30 June 2022 |
|--------------------------------|------------------|--------------|
| | \$ | \$ |
| Issued options (a) | 24,229 | - |
| Option reserve (b) | 1,580,138 | - |
| Performance rights reserve (c) | 595,078 | - |
| | <u>2,199,445</u> | <u>-</u> |

(a) Issued Options

Nature and Purpose of Reserves

The reserve is used to record the cash received for the issue of share options.

Option details

| <i>Option series</i> | <i>Expiry date</i> | <i>Exercise price</i> |
|----------------------|--------------------|-----------------------|
| LIMO | 13 March 2028 | \$0.25 |

24,228,585 share options were issued at \$0.001 per option.

(b) Option reserve

| <i>Movement in reserve</i> | Share options issued | \$ |
|---|-----------------------------|------------------|
| At 30 June 2022 | - | - |
| Issued to directors | 4,700,000 | 581,484 |
| Issued to executives | 500,000 | 61,860 |
| Issued to lead manager | 5,000,000 | 557,100 |
| Issued to employees | 330,000 | 17,769 |
| Issued to lead manager (loyalty option issue) | 2,500,000 | 361,925 |
| As at 30 June 2023 | <u>13,030,000</u> | <u>1,580,138</u> |

(i) *Nature and Purpose of Reserves*

The reserve is used to record the value of equity granted to employees and directors as part of their remuneration, and other parties as part of compensation for their services rendered to the company.

(c) Performance rights reserve

| <i>Movement in reserve</i> | \$ | \$ |
|--|----------------|-----------|
| At beginning of the period | - | - |
| Share based payments – services received | 595,078 | - |
| At end of the period | <u>595,078</u> | <u>-</u> |

Nature and Purpose of Reserves

The reserve is used to record the value of performance rights issued to employees and directors as part of their remuneration, and other parties as part of compensation for their services.

(d) Share based payments

Set out below are summaries of options and performance rights granted during the year:

Year ended 30 June 2023

Options

| Grant date | Expiry date | Exercise price | Balance at 1 July 2022 | Granted | Exercised | Expired / forfeited / other | Balance at 30 June 2023 | Exercisable at 30 June 2023 |
|---------------------------------|-------------|----------------|------------------------|------------|-----------|-----------------------------|-------------------------|-----------------------------|
| 18/11/2022 | 17/11/2027 | \$0.25 | - | 5,200,000 | - | - | 5,200,000 | 5,200,000 |
| 18/11/2022 | 17/11/2026 | \$0.25 | - | 5,000,000 | - | - | 5,000,000 | 5,000,000 |
| 1/12/2022 | 1/12/2026 | \$0.30 | - | 50,000 | - | - | 50,000 | 50,000 |
| 1/12/2022 | 1/12/2026 | \$0.40 | - | 75,000 | - | - | 75,000 | - |
| 1/12/2022 | 1/12/2026 | \$0.50 | - | 100,000 | - | - | 100,000 | - |
| 6/4/2023 | 6/4/2027 | \$0.30 | - | 30,000 | - | - | 30,000 | 30,000 |
| 6/4/2023 | 6/4/2027 | \$0.40 | - | 35,000 | - | - | 35,000 | - |
| 6/4/2023 | 6/4/2027 | \$0.50 | - | 40,000 | - | - | 40,000 | - |
| 13/3/2023 | 13/3/2028 | \$0.25 | - | 2,500,000 | - | - | 2,500,000 | 2,500,000 |
| | | | - | 13,030,000 | - | - | 13,030,000 | 12,780,000 |
| Weighted average exercise price | | | - | \$0.25 | - | - | \$0.25 | |

The weighted average share price during the financial year was \$0.20 (2022: NA).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.04 years (2022: N/A).

Performance rights

The weighted average share price during the financial year was \$0.20 (2022: NA).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.38 years (2022: N/A).

| | | | |
|------------------------------------|------------------|------------------|-----------------|
| Expiry date | 17 November 2027 | 17 November 2026 | 1 December 2027 |
| Share price at issue date | \$0.20 | \$0.20 | \$0.225 |
| Exercise price \$ | \$0.25 | \$0.25 | \$0.30 |
| Risk free rate | 3.33% | 3.33% | 3.15% |
| Volatility | 80% | 80% | 143% |
| Fair value at grant date \$/option | \$0.1237 | \$0.1114 | \$0.139 |
| Expiry date | 1 December 2027 | 1 December 2027 | 13 March 2028 |
| Share price at issue date | \$0.225 | \$0.225 | \$0.22 |
| Exercise price \$ | \$0.40 | \$0.50 | \$0.25 |
| Risk free rate | 3.15% | 3.15% | 3.0% |
| Volatility | 143% | 143% | 84% |
| Fair value at grant date \$/option | \$0.127 | \$0.117 | \$0.146 |

| | | | |
|------------------------------------|--------------|--------------|--------------|
| Expiry date | 6 April 2027 | 6 April 2027 | 6 April 2027 |
| Share price at issue date | \$0.155 | \$0.155 | \$0.155 |
| Exercise price \$ | \$0.30 | \$0.40 | \$0.40 |
| Risk free rate | 2.86% | 2.86% | 2.86% |
| Volatility | 78% | 78% | 78% |
| Fair value at grant date \$/option | \$0.069 | \$0.059 | \$0.052 |

Performance rights granted during the year

The Company granted 4,800,000 Performance Rights to its directors and chief executive, expiring 5 years from the date of grant. The performance rights vest on the later of:

- (a) 12 months from the date of the Company's admission to the official list of the ASX; and
- (b) The Company's shares achieving a volume weighted average price per share of 25% greater than the Company's IPO subscription price, calculated over any 20 consecutive trading days on which the shares have actually traded on ASX.

The inputs into the option valuations were as follows:

| | |
|---|------------------|
| Expiry date | 17 November 2027 |
| Share price at issue date | \$0.20 |
| Risk free rate | 3.75% |
| Volatility | 80% |
| Fair value at grant date \$/performance | \$0.1892 |

The value of the rights and the vesting period were estimated using the Hoadley HSO5 lattice model.

(e) Market conditions

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

(f) Significant Accounting Policies - share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(g) Critical Judgements

The Company measures the cost of equity-settled transactions with employees and service providers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

12. ITEMS INCLUDED IN PROFIT AND LOSS

(a) Interest Income

Significant Accounting Policies

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(b) Items included in profit or loss

Included in profit or loss are the following specific items: -

| | Year ended 30 June 2023 \$ | 13 December 2021 to 30 June 2022 \$ |
|---|-------------------------------------|--|
| <i>Share based payments expense</i> | | |
| Directors' fees – share options | 643,344 | - |
| Director fees – performance rights | 595,078 | - |
| Employee share options | 17,771 | - |
| | 1,256,193 | - |
| <i>Payroll costs</i> | | |
| Director fees | 157,035 | - |
| Wages and salaries | 393,204 | - |
| Wages and salaries – Capitalised to exploration | (159,455) | - |
| | 390,784 | - |
| Superannuation | 50,289 | - |
| Superannuation – Capitalised to exploration | (16,934) | - |
| | 33,355 | - |
| Total payroll costs – profit and loss account | 424,139 | - |
| Total Directors' fees and salaries and wages | 1,680,332 | - |
| <i>General & administrative expenses</i> | | |
| Audit, accounting and other professional fees | 71,422 | 10,450 |
| ASIC fees | 4,896 | - |
| Office related costs | 14,015 | - |
| Subscriptions | 6,763 | - |
| Travel and conferences | 26,269 | - |
| Other expenses | 5,637 | - |
| | 129,002 | 10,450 |
| Advertising and shareholder services | 73,848 | - |
| ASX fees | 14,169 | - |
| Company secretary fees | 36,620 | - |
| Consultants fees | 35,000 | - |
| Insurance | 39,860 | - |
| Legal fees | 44,652 | 31,925 |
| Recruitment fees | 37,293 | - |
| Share registry fees | 12,559 | - |
| | 294,001 | 31,925 |

| | Year ended 30 June 2023 \$ | 13 December 2021 to 30 June 2022 \$ |
|---------------------|-------------------------------------|--|
| <i>Depreciation</i> | | |
| Right-of-use asset | 37,779 | \$ |
| Computer equipment | 740 | |
| | <u>38,519</u> | |

Interest expense of \$6,889 relates to the finance lease for the right-of-use asset.

13. INCOME TAX

| | Year ended 30 June 2023 \$ | 13 December 2021 to 30 June 2022 \$ |
|--|-------------------------------------|---|
| <i>Income tax expense</i> | | |
| Current tax expense | - | - |
| Deferred tax movements | - | - |
| | <u>-</u> | <u>-</u> |
| <i>Reconciliation of income tax expense to prima facie tax on accounting loss</i> | | |
| Loss before income tax expense | (2,176,477) | (58,533) |
| Tax expense at Australian tax rate of 30% (2022: 30%) | (652,943) | (17,560) |
| Tax effect of amounts relating to | | |
| - Share based payments | 376,858 | - |
| - Exploration expenditure | (377,274) | - |
| - Capitalised share issue costs | (30,047) | - |
| - Other | 6,642 | (8,865) |
| | (676,764) | (26,425) |
| Unused deferred tax losses not recognised | 676,764 | 26,425 |
| Income Tax Expense | <u>-</u> | <u>-</u> |
| <i>Tax Losses</i> | | |
| Unused tax losses for which no deferred tax asset has been recognised | 2,343,962 | 88,083 |
| Potential tax benefit at 30% (2022: 30%) | <u>703,189</u> | <u>26,425</u> |

The benefit of these losses has not been brought to account at 30 June 2023 because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at 30 June 2023. These tax losses are also subject to final determination by the Taxation authorities when the Company derives taxable income. The benefits will only be realised if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;
- The Company continues to comply with the conditions for the deductibility imposed by law; and
- No changes in the tax legislation adversely affect the Company in realising the benefit of the losses.

Australian tax losses are subject to further review by the Company to determine if they satisfy the necessary legislative requirements under the Income Tax legislation for the carry forward and recoupment of tax losses.

(d) Significant Accounting Policies

Current income tax expense is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting years that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective year of realisation, provided they are enacted or substantively enacted by the end of the reporting year.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised if it arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

14. LOSS PER SHARE

| | Year ended 30 June 2023 | 13 December 2021 to 30 June 2022 |
|---|--|---|
| | CENTS | CENTS |
| Basic (loss) per share | (6.46) | (1.12) |
| Diluted (loss) per share | (6.46) | (1.12) |
| | \$ | \$ |
| Net loss from continuing operations attributable to the owners of Lightning Minerals Ltd used in calculation of basic and diluted earnings per share. | (2,176,477) | (58,533) |
| | Number | Number |
| Basic Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share | 33,701,829 | 5,244,342 |
| Diluted Weighted average number of ordinary shares and convertible redeemable cumulative preference shares outstanding and performance rights during the period used in the calculation of basic loss per share | 33,701,829 | 5,244,342 |

The Company made losses during the year. Consequently, any outstanding equity instruments would not have a dilutive in effect.

15. DIVIDENDS

No dividends were proposed or paid during the year.

16. COMMITMENTS FOR EXPENDITURE

Capital Commitments

Other than the exploration commitments set out in note 6(d) the Company has no other capital commitments.

17. CONTINGENT LIABILITIES

The Company has entered into various tenement purchase agreements that include net smelter royalty obligations as consideration payable in the event that certain parameters are achieved. These parameters are production based such that the royalty is only paid when production commences.

There are no other matters which the Company considers would result in a contingent liability as at the date of this report.

18. SEGMENT INFORMATION

The Company has adopted AASB 8 *Operating Segments* whereby segment information is presented using a 'management approach'. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The principal business and geographical segment of the Company is mineral exploration within Western Australia.

The Board of Directors reviews internal management reports at regular intervals that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decisions including assessing performance and in determining allocation of resources.

19. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the Company is set out below:

| | Year ended 30 June 2023 | 13 December 2021 to 30 June 2022 |
|--------------------------------|------------------------------------|---|
| | \$ | \$ |
| Short term employment benefits | 354,257 | - |
| Post-employment benefits | 30,421 | - |
| Share based payments | 1,238,422 | - |
| | 1,623,100 | - |

Refer to the Remuneration Report in the Directors' Report for detailed compensation disclosures on key management personnel.

(b) Director related entities

There were no other transactions with related parties during the year (2022: Nil).

20. REMUNERATION OF AUDITORS

Remuneration paid or payable to the auditors for services rendered to the company include::

| | Year ended 30 June 2023 \$ | 13 December 2021 to 30 June 2022 \$ |
|-----------------------------------|---|--|
| Auditors of the Company: | | |
| Auditing the financial report (a) | 31,102 | 10,450 |
| Non-audit services (b) | | |
| Income tax compliance | 4,600 | - |
| Independent Accountant's Report | 20,458 | - |
| | 56,160 | 10,450 |

- (a) HLB Mann Judd ("HLB") are the auditors of Lightning Minerals Limited.
 (b) It is the Company's policy to engage HLB on assignments additional to their statutory audit duties where HLB's expertise and experience with the Company are important.

21. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. The Company has no financial instruments classified as "at fair value through profit or loss".

Classification and subsequent measurement

The Company classifies its financial instruments based on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition. The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits.

At the reporting date, the Company's financial instruments were classified within the following categories.

Cash and cash equivalents and term deposits – financial assets at amortised cost.

See note 3 and 5

Receivables at amortised cost

See note 4.

Financial Liabilities at amortised cost

Financial liabilities include trade payables and other creditors.

All of the Company's financial liabilities are recognised and subsequently measured at amortised cost, using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Impairment of financial assets at amortised cost

The Company considers all financial assets for recoverability and impairment. Where there are indicators of impairment the Company will review the carrying amount of the financial asset and estimate its recoverable amount. The Company will take all available action to recover the full amounts of financial assets, and once all efforts are exhausted the Company will record an impairment. Any impairment is recorded in a separate allowance account. Any amounts subsequently written off are offset against the impairment allowance.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Financial liabilities are derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie the Company has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Risk Management

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company manages its risk informally at Board level. The Board monitors levels of exposure to interest rate and credit risk by banking with reputable banks. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks informally.

Primary responsibility for identification and control of financial risks rests with the Board of Directors ('the Board'). The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit allowances, and future cash flow forecast projections. The company does not hedge its risks.

The carrying amounts and net fair values of the Company's financial assets and liabilities at balance date are:

| | 2023 | | 2022 | |
|------------------------------------|------------------|------------------|----------------|----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 3,694,346 | 3,694,346 | 334,865 | 334,865 |
| Trade and other receivable | 4,618 | 4,618 | 3,000 | 3,000 |
| Other financial assets | 1,000,000 | 1,000,000 | - | - |
| Non-Traded Financial Assets | 4,698,964 | 4,698,964 | 337,865 | 337,865 |

Financial Liabilities at amortised cost

| | | | | |
|---|----------------|----------------|---------------|---------------|
| Trade and other payables | 309,036 | 309,036 | 52,507 | 52,507 |
| Non-Traded Financial Liabilities | 309,036 | 309,036 | 52,907 | 52,907 |

Risk Exposures and Responses

Interest Rate Risk

Exposure to interest rate risk arises on financial instruments whereby a future change in interest rates will affect future cash flows or the fair value of the fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments. At balance date, the Company's exposure to interest rate risk was wholly related to cash and cash equivalents and is disclosed in note 3.

Interest rate risk is managed by monitoring the level of floating rate which the Company is able to secure. It is the policy of the Company to keep the majority of its cash in accounts with floating interest rates.

Sensitivity Analysis

During the current year the interest earned was \$10,985 (2022:\$nil) and has cash earning interest in an account with floating rates of \$3,601,367. The directors do not consider this material to the result or the overall financial statements and have not disclosed a sensitivity analysis.

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk.

Liquidity Risk

Liquidity Risk is the risk that the Company, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. The Company's liquidity risk relates to its trade and other payables. All payables are due within 30 days of the year end.

The Board manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit Risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with maximum exposure equal to the carrying amount of these instruments. Exposure at balance date in relation to cash and cash and cash equivalents and term deposit is discussed in note 3. Exposure in relation to trade and other receivables is considered very low as a significant portion (\$43,931) balance relates to GST recoverable where the counterparty is the Australian Tax Office. The remaining receivables are not considered significant or a significant credit risk.

Fair Value

The Company does not record any of its financial assets and liabilities at fair value after initial recognition.

22. EVENTS OCCURRING AFTER REPORTING DATE

On 11 August the Company signed a Binding Letter of Intent to Purchase Agreement (“LOI”) with Lithium Rabbit Quebec Pty Ltd to acquire 100% interest in two lithium projects in the James Bay area of Quebec, Canada. An initial exclusivity fee of \$30,000 was paid under the agreement. The terms agreed in the LOI are as follows:

- Pay \$250,000 in cash consideration on completion to the vendors, less the \$30,000 exclusivity fee paid.
- Issue Lightning Minerals shares to the value of \$250,000 to the vendors (escrowed for 12 months).
- Grant a 2% Net Smelter Royalty to the vendors of which 1% may be bought back by the Company at any time for A\$1million.
- Three payments in ordinary shares totalling \$1.2 million are scheduled subsequent to completion, subject to meeting milestones set out in the Purchase Agreement.

On 27 September the Company announced that it had completed all due diligence work and that completion of the Purchase Agreement would proceed.

On 28 September 2023, Peter McNeil and Karen Lloyd resigned from the Board, and Alexander Biggs was appointed Managing Director, with Craig Sharpe appointed as Chairman. The Board wishes to thank Mr McNeil and Dr Lloyd for the service to the company.

The Board is not aware of any other matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

23. APPLICABLE ACCOUNTING STANDARDS

(a) New, Revised or Amending Accounting Standards and Interpretations Adopted

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for the year.

(b) New, Revised or Amending Accounting Standards and Interpretations Not Yet Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting year ended 30 June 2023.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Lightning Minerals Limited (the "Company"):
 - (a) The financial report of the Company is in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
 - ii. Complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as described in Note 1(a) to the financial statements; and
3. This declaration has been made after receiving the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer for the financial year ended 30 June 2023.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*. This declaration is made in accordance with a resolution of the Directors.



Mr A Biggs
Managing Director

28 September 2023

Melbourne

Independent Auditor’s Report to the Members of Lightning Minerals Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lightning Minerals (“the Company”) which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company’s financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (“the Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| <p>Carrying value of exploration and evaluation assets Refer to note 6 of the financial report</p> | <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (“AASB 6”), for each of area of interest, the Company</p> <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • tested the capitalised exploration expenditure incurred in respect of the Company’s area of interest by evaluating supporting documentation |

hlb.com.au

HLB Mann Judd (VIC Partnership) ABN 20 696 861 713

Level 9, 550 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001

T: +61 (0) 3 9606 3888 F: +61 (0) 3 9606 3800 E: mailbox@hlbvic.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (VIC Partnership) is a member of HLB International, the global advisory and accounting network

For personal use only

capitalises expenditure incurred in the exploration for and evaluation of mineral resources. These capitalised assets are recorded using the cost model.

Our audit focussed on the Company's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the material assets of the Company. There is a risk that the capitalised expenditure no longer meets the recognition criteria of AASB 6. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

for consistency to the capitalisation requirements of the Company's accounting policies and the requirements of AASB 6;

- we obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying value;
- we considered and assessed the Directors' assessment of potential indicators of impairment;
- we obtained the exploration budget for 2023/24 and discussed with management the nature of planned on-going activities;
- we enquired with management, read ASX announcements and minutes of Directors' meetings to ensure that the Company had not decided to discontinue exploration and evaluation at its areas of interest; and
- we examined the disclosures made in the financial report against the requirements of applicable Australian Accounting Standards.

Share based payments

Refer to note 11 of the financial report

The Company pays its employees, directors and suppliers via the granting options over shares and performance rights.

During the year, there were several share-based payments made to employees, directors and suppliers.

The valuation and accounting for share-based payments is complex and is subject to management's estimates and judgement, especially those with market based terms and conditions.

Our procedures included but were not limited to:

- verified the key terms and conditions of equity settled share-based payments in respect of the options over shares and performance rights to the relevant agreements, for services rendered by employees, directors and suppliers;
- assessed and tested the fair value calculation of the share-based payments by checking the accuracy of the inputs to source documents and performing a cross check against our own findings;
- tested the accuracy of the share-based payments amortisation over the vesting periods (where applicable) and the recording of expenses in the statement of profit or loss and movement in the share-based payment reserve; and
- checked the adopted disclosures for compliance with the requirements of applicable Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 26 of the annual report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Lightning Minerals Ltd for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd
Chartered Accountants

Melbourne
28 September 2023



Jude Lau
Partner

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 July 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | |
|---------------------------------------|----------------------|--------------------------------|
| | Number of holders | % of total shares issued |
| 1 to 1,000 | 14 | 0.00% |
| 1,001 to 5,000 | 121 | 1.03% |
| 5,001 to 10,000 | 182 | 4.17% |
| 10,001 to 100,000 | 375 | 37.84% |
| 100,001 and over | 69 | 56.96% |
| | <u>761</u> | <u>100.00%</u> |
| Holding less than a marketable parcel | <u>89</u> | <u>0.50%</u> |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|--|-----------------|--------------------------------|
| | Number held | % of total shares issued |
| TORONGA PTY LTD | 5,000,000 | 10.32% |
| APERTUS CAPITAL | 3,025,000 | 6.24% |
| FMG RESOURCES PTY LTD | 1,500,000 | 3.10% |
| LEGGETTS LANE CAPITAL PTY LTD | 1,250,000 | 2.58% |
| MR BRUCE ROBERT LEGENDRE | 1,025,170 | 2.12% |
| PITHER INVESTMENTS PTY LTD <PITHER INVESTMENTS A/C> | 1,000,000 | 2.06% |
| CRAIG ANDREW SHARPE & MICHELLE ROSE SHARPE <FUNKY MONKEY SUPER FUND A/C> | 750,000 | 1.55% |
| SCINTILLA STRATEGIC INVESTMENTS LIMITED | 700,000 | 1.44% |
| NINTIETH Y PTY LTD <I K CALDWELL & CO STAFF A/C> | 700,000 | 1.44% |
| MR AARON PETER BANKS | 650,000 | 1.34% |
| PAC PARTNERS SECURITIES PTY LTD | 650,000 | 1.34% |
| MR BENEDICT CARL WILLIAM HOLLAND | 621,000 | 1.28% |
| AVANCO INVESTMENTS PTY LTD <AVANCO INVESTMENTS A/C> | 600,000 | 1.24% |
| MR FRANCESCO RIZZO & MRS FRANCESCA RIZZO | 550,000 | 1.14% |
| JOSHUA GORDON | 503,750 | 1.04% |
| PATRAS CAPITAL PTE LTD | 500,000 | 1.03% |
| MR PERRY JULIAN ROSENZWEIG | 500,000 | 1.03% |
| WELLS ESTATES PTY LTD <KK WELLS SUPER FUND A/C> | 455,000 | 0.94% |
| PAC PARTNERS SECURITIES PTY LTD | 405,500 | 0.84% |
| PAC PARTNERS PTY LTD | 400,000 | 0.83% |
| MR CRAIG RUSSELL STRANGER | 390,000 | 0.80% |
| MR BRETT ANDERSON & MRS CYNTHIA ANDERSON <B & C ANDERSON S/F A/C> | 382,500 | 0.79% |

| | | |
|---|-------------------|----------------|
| SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C> | 354,000 | 0.73% |
| | 21,911,870 | 45.22% |
| Total issued capital - selected security class(es) | 48,457,170 | 100.00% |

| | Share options | |
|--|-------------------|--------------------------|
| | Number held | % of total shares issued |
| RED SEA CAPITAL MANAGEMENT PTY LTD <RED SEA CAPITAL A/C> | 4,546,764 | 17.01% |
| MR CRAIG RUSSELL STRANGER | 3,232,736 | 12.09% |
| TORONGA PTY LTD | 2,000,000 | 7.48% |
| APERTUS CAPITAL | 1,512,500 | 5.66% |
| EMERGING EQUITIES PTY LTD | 1,259,353 | 4.71% |
| FMG RESOURCES PTY LTD | 750,000 | 2.81% |
| RIYA INVESTMENTS PTY LTD | 536,000 | 2.01% |
| DEALACCESS PTY LTD | 500,000 | 1.87% |
| MR PERRY JULIAN ROSENZWEIG | 500,000 | 1.87% |
| PITHER INVESTMENTS PTY LTD <PITHER INVESTMENTS A/C> | 425,000 | 1.59% |
| MR BENEDICT CARL WILLIAM HOLLAND | 410,000 | 1.53% |
| MRS BROOKE LAUREN PICKEN | 379,677 | 1.42% |
| CRAIG ANDREW SHARPE & MICHELLE ROSE SHARPE <FUNKY MONKEY SUPER FUND A/C> | 375,000 | 1.40% |
| MR SIMON JOHN SPINKS | 337,500 | 1.26% |
| BNP PARIBAS NOMS PTY LTD <DRP> | 323,634 | 1.21% |
| NINTIETH Y PTY LTD <I K CALDWELL & CO STAFF A/C> | 300,000 | 1.12% |
| SCINTILLA STRATEGIC INVESTMENTS LIMITED | 300,000 | 1.12% |
| PAC PARTNERS SECURITIES PTY LTD | 202,750 | 0.76% |
| PAC PARTNERS PTY LTD | 200,000 | 0.75% |
| SIMON JAMES BUSWELL-SMITH | 200,000 | 0.75% |
| MR CRAIG RUSSELL STRANGER | 195,000 | 0.73% |
| MR BRETT ANDERSON & MRS CYNTHIA ANDERSON <B & C ANDERSON S/F A/C> | 188,495 | 0.71% |
| MR AARON PETER BANKS | 187,500 | 0.70% |
| | 18,861,909 | 45.22% |
| Total issued capital - selected security class(es) | 26,728,543 | 100.00% |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|-----------------|-------------------|
| Options over ordinary shares issued | 10,530,000 | 18 |
| Performance rights | 4,800,000 | 5 |

Substantial holders

Substantial holders in the company are set out below:

Ordinary shares
% of total shares

For personal use only

| | Number held | issued |
|-----------------|----------------|--------|
| TORONGA PTY LTD | 5,000,000 | 10.32% |
| APERTUS CAPITAL | 3,025,000 | 6.24% |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share options

Option holders do not hold the right to a vote on any poll put before a General Meeting of shareholders..

Restricted securities

| Class | Escrow period | Number of shares |
|---------------------------------|---------------|---------------------|
| Ordinary shares | 22/11/24 | 7,638,970 |
| Ordinary shares | 18/11/23 | 1,500,000 |
| Share Options expiring 22/11/27 | 22/11/24 | 5,200,000 |
| Share Options expiring 16/11/26 | 22/11/24 | 5,000,000 |
| Performance Rights | 22/11/24 | 4,800,000 |
| | | <hr/> |
| | | <u>24,138,970</u> |

Securities subject to voluntary escrow

There are no securities subject to voluntary escrow.

For personal use only