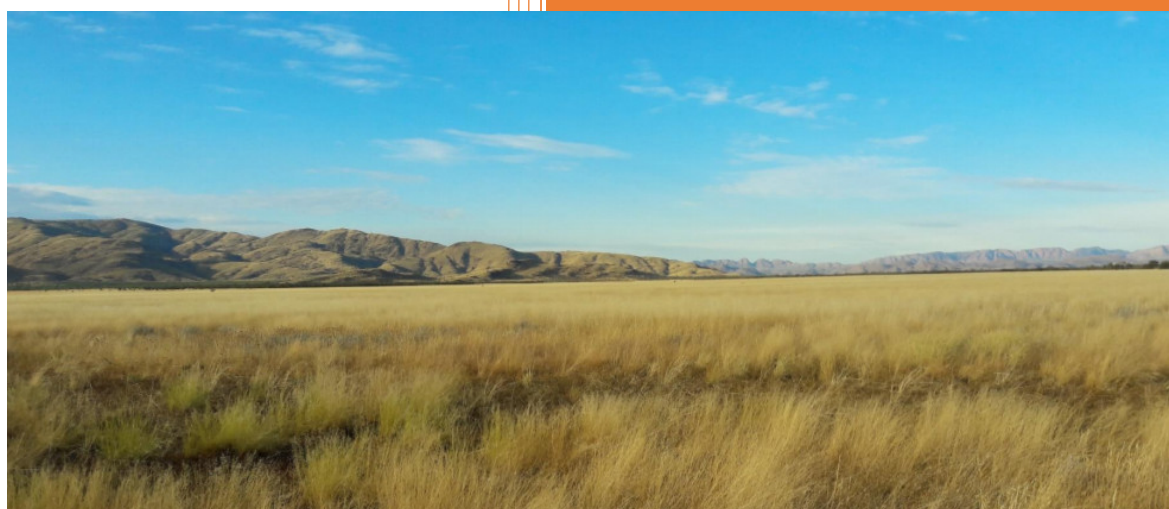


# 2018 Crossland Strategic Metals Limited Annual Report



CUX Limited ABN 64 087 595 980 and its controlled entities.

Prepared by  **A E Soliman & Associates**  
Accountants • Auditors • Tax Agents



## Corporate Register

### Company Secretary

Andrew Metcalf  
Accosec & Associates  
Level 2, 470 Collins Street,  
Melbourne VIC 3000, AUSTRALIA

### Registered Office

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Melbourne VIC 3000, AUSTRALIA  
Tel: +61 3 9867 7199  
Fax: +61 3 9867 8597

### Mail

Suite 6, 61 Robinson Street,  
Dandenong VIC 3172, AUSTRALIA  
Email: [asxcux@gmail.com](mailto:asxcux@gmail.com)

### Banking

NAB Business Banking  
71 Smith Street,  
Darwin NT 0800, AUSTRALIA

### Company Website

[www.crosslandstrategic.com](http://www.crosslandstrategic.com)

### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street,  
Sydney NSW 2000, AUSTRALIA  
Postal: GPO Box 3993,  
Sydney NSW 2001, AUSTRALIA  
Tel: +61 2 9290 9600  
Fax: +61 2 9279 0664  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Stock Exchange Listing

Australian Stock Exchange (ASX)  
ASX code: CUX  
Website: [www.asx.com.au](http://www.asx.com.au)

### Accountants

A E Soliman & Associates  
5B/8 Station Street,  
Moorabbin VIC 3189, AUSTRALIA  
Tel: +61 3 9555 5944  
Fax: +61 3 9555 5137  
Website: [www.aesoliman.com.au](http://www.aesoliman.com.au)

### Australian Legal

HWL Ebsworth Lawyers  
Level 14, Australia Square  
264 – 278 George Street,  
Sydney NSW 2000, AUSTRALIA  
Postal: GPO Box 5408  
Sydney NSW 2001, AUSTRALIA  
Tel: +61 2 9334 8555  
Fax: 1300 369 656  
Website: [www.hwlebsworth.com.au](http://www.hwlebsworth.com.au)

### Auditor

RSM Australia Partners  
Level 21, 55 Collins Street,  
Melbourne VIC 3000, AUSTRALIA  
Tel: +61 3 9286 8000  
Fax: +61 3 9286 8199

## Board of Directors



**Dato' Sia Hok Kiang, *Non-Executive Chairman***

Dato' Sia is Managing Director of the successful Malaysian private mining company, Malaco Mining Sdn. Bhd. He is a graduate of the University of Malaya in Applied Geology, an economic geologist with more than 30 years world-wide experience. He is an active member of the Malaysian Geological Society and a Council Member of the Malaysian Chamber of Mines. Mr Sia has a solid business reputation throughout Asia, with useful contacts in several Asian countries. He has extensive experience in bulk alluvial mining in Malaysia, including the extraction of the rare earth minerals xenotime and monazite as by-products of tin mining. Mr Sia's experience is very appropriate for Crossland's Charley Creek Alluvial Rare Earth Project, which is also based on the extraction of monazite and xenotime from alluvial material.



**Eric Vesel, *Managing Director/Executive Director***

Mr Vesel, B.Eng.Min.Eng. MAusiMM, is a qualified Mining Engineer with 30 years professional experience in the mining industry. He is adept in a broad range of disciplines. His experience spans a range of technical, operations, management and corporate roles. He has worked for both small and large mining companies in Australia, Namibia, Papua New Guinea, Indonesia, CIS and Malaysia. He was formerly Chief Operating Officer for Avocet Mining PLC and has considerable international project experience. He has managed group operations including exploration projects (grass-roots through to advanced), feasibility, mine development and operating mines. He also has extensive business evaluation and project acquisition skills. He is a mining consultant, business advisor and investor based in Kuala Lumpur. Eric is an active Council Member of the Malaysian Chamber of Mines.



**Harun Halim Rasip, *Non-Executive Director***

Mr Halim Rasip, is our most recent member of the Board, he joined us on the 31st of May 2017. Harun is a businessman who brings extensive financial and corporate governance experience to Crossland. He is a qualified financial professional with a B.Commerce (Accounting) from the University of Western Australia, a Fellow of the Institute of Chartered Accountants Australia and a member of the Malaysian Institute of Accountants. He was with Price Waterhouse in Perth, Australia and in Kuala Lumpur, Malaysia for 8 years where after he established Halim Rasip Holdings Sdn Bhd ("HRH") Group and served as its Chairman and Managing Director. HRH is a multi-faceted company which has been active in the oil and gas sector in Malaysia (specifically fabrication, down-hole services, wire-line services, oilfield equipment manufacturing and marine services), a range of shipping (tankers, barges, tugs), freight services and haulage services and in infrastructure development. He was responsible for the conceptualization, promotion, development, funding, construction and served as first Chief Executive of Lumut Port in the Straits of Malacca which comprised the Lumut Maritime Terminal and Lekir Bulk Terminal, before and after their injection into Integrax Berhad in 2000-2001. He was also a member of the Executive Committee of the Federation of Public Listed Companies Bhd (FPLC) in 2004-2010, besides being a member of its Technical & Regulatory Committee and Accounting Standards Sub-Committee 2003-2010, the Chairman of Landmarks Berhad in 2006, a Non-Executive Independent Director of iCapital Biz Berhad until 2016 and a Director of several other unlisted Companies in Malaysia. He is currently the President Director of P.T. Tanah Laut Tbk, a company listed on Bursa Efek Indonesia.



**Stan Wassylko, *Non-Executive Director***

Mr Stan Wassylko was appointed to the Board of Directors on 21 March 2016. Stan has extensive experience in the resources sector and has 46 years' experience in businesses servicing the sector, in logistics, shipping, infrastructure, project construction, contract management and marketing. His long and diverse experience will be valuable as Crossland steers the Charley Creek Project towards development.

**Andrew Metcalfe, *Company Secretary***

Andrew brings over 20 years Company Secretarial, Governance and CFO experience from a range of ASX & TSX listed and unlisted Public Companies, Government and Not-for-Profit organisations across a broad industry base.

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## Chairman's Review

Crossland accomplished several objectives during the 2018 year, in early 2018, an independent review of the 2013 resource estimate and Scoping Study was completed. SRK (Perth) consultants recommended an infill drilling programme to update the resource estimate to meet current JORC reporting requirements. Drilling commenced on the 16<sup>th</sup> February 2019; it is expected to be complete in early March. We see this as a positive step toward re-establishing our project resource estimate. Only by completing this work, coupled with further metallurgical test-work only possible using samples from the drilling, can we advance our Scoping Study. We expect to update the Scoping Study by mid-2019. Our company activities for 2018 are further detailed in the Operational Report that follows.

Magnetic rare-earth mineral (Nd-Pd) have dominated the headlines in the rare-earth (RE) sector. This attention is fueled by increasing mainstream acceptance of hybrid and electric vehicles (EVs). Many manufacturers are touting their shift toward electric solutions to appear more responsible, more honestly the change is a forced hand, as there are few other solutions to meet ever tightening emission requirements. Also, as a new generation enters the market place, expectations are for green consumer products, especially in the motor vehicle segment. Consumers are likely unaware that RE minerals are key feedstock for the manufacture of high-performance magnets needed for EVs. Less known is the need for Dysprosium, a necessary additive to stabilise magnets in high-temperature applications. It also has extensive use in nuclear applications. We are reliant on these minerals to provide the technology we have become accustomed to, as only REs can provide unique properties to certain manufactured materials. In effect, these minerals are the only reason for these products existing, in their current form. Because of the diversity of uses and pervasive integration of RE minerals in our products we too are often surprised to find products incorporating REs. Substitution is unforeseeable, even in the long-term. The fact is that product usage and growth will demand greater mineral availability for the future.

The Chinese government have almost monopolistic control of RE supply. Recently greater control has been exercised over renegade miners to consolidate and control production and efforts are being made to rein in pollution. As most their production is through ionic clay leaching, a vast amount of material must be treated using cheap production methods and low capital technology to keep up with supply and be profitable. Elsewhere in the world, such deposits would not be mined due to the environmental impact. Current RE pricing is not conducive to sustainable production, especially as demand grows. Alarm bells should be ringing, as we reach the point of singularity in regard to filling this potential RE supply void. The precarious strategic nature of the situation internationally is bewildering, should China find a reason to not share REs with the world. Surprisingly despite greater demand, RE prices have remaining at levels as seen for the same period last year. Not just for the magnetic REE minerals but all RE products. We postulate that prices and supply are currently being controlled, to shut-out other producers outside of China coming on-line. The reality is that responsible mines requiring significant investment in well-regulated countries cannot be built over night. Whilst the rhetoric that rare-earth minerals are not so rare, RE minerals litter the earth and deposits are available for the taking from the bottom of the sea is devoid of business sense. The reality is that significant money and effort is needed to identify economically viable deposits that can be mined acceptably and responsibly. At the fear of generalizing, most rare-earth occurrences outside of China, are either high-grade in situ or low-grade alluvial. In the case of the Charley Creek project, alluvial grades may be lower than in situ deposits but operationally the economics are offset by lower development/capital requirements and acceptable environmental impact, which we believe is our strength to moving the project forward quickly. In this regard, for the hardest to attain minerals Charley Creek Project is especially well poised, with its mineral sands bearing a high proportion of heavy rare-earth minerals. The criticality and strategic importance of these minerals is recognized by many analysts and organisations, our web-site [www.crosslandstrategic.com](http://www.crosslandstrategic.com) provides some more information. Given alternatives, perhaps society will demand traceability and legitimize their consumption. Right now, we all use rare-earths but the price for sustainability is not

## Chairman's Review (continued)

built in. On cue, Crossland is working toward this goal, our mantra “solutions for an advanced sustainable future” holds fast. Charley Creek and other potential operations within our tenements would provide a sustainable RE supply outside of China, with a traceable origin and low-carbon footprint.

Our promotion is low-key, we will inform the market progressively and more so as we achieve milestones significant to the project. Our immediate objective is to re-establish our business model for the Charley Creek project. This will give us the platform to raise funds for feasibility work. Our foundational work by way of studies and enquiries, that we have built over the last few years, will allow us to rapidly advance the next steps of project development. The Charley Creek project will be developed to incorporate extremely cost-effective systems and more importantly with minimal impact on the environment. Two key ingredients for a viable and sustainable business.

We thank you for your continued support and look forward to sharing the prosperous times ahead.

Best wishes,

A handwritten signature in black ink, appearing to be 'Sia Hok Kiang', with a long, sweeping flourish extending to the right.

Dato' Sia Hok Kiang  
Chairman  
**Crossland Strategic Metals Limited**

## Review of Operations

### Reporting

The operations of the Company are described in detail in our quarterly operations reports to the ASX. This operational review summarises the information contained in the quarterly reports and on the company's website, which is being updated and will be kept current with the most recent announcements and reports. We invite shareholders to visit the company's website which can be accessed at [www.crosslandstrategic.com](http://www.crosslandstrategic.com).

### Finance

Crossland committed to several new loans during the year and extended existing loans already in place. Details of the terms of these facilities were announced on the ASX during 2018. On 4<sup>th</sup> April a loan of \$250,000 was received from EMMCO Mining Sdn. Bhd., a Malaysian Incorporated Company (EMMCO), payable by the 4<sup>th</sup> October 2018. On the 1<sup>st</sup> June 2018, a further loan of \$190,140.75 (plus \$2,000 for fees) has been entered with EMMCO. These funds were used to settle Stamp Duty owed to the Northern Territory Revenue Office for the acquisition of prior joint venture partner Essential Mining Resources Pty. Ltd. on the 7<sup>th</sup> June 2017. This loan also matures on the 4<sup>th</sup> October 2018. On the 30<sup>th</sup> June 2018, the following unsecured loans to Atlas Offshore Services Pty Ltd. (AOS) expired and were rolled forward to the due date of 4<sup>th</sup> October 2018 under the same loan agreement terms:

- Loan 1: 9<sup>th</sup> November 2016 for amount of \$350,000 with accrued interest of \$86,157.57.
- Loan 2: 10<sup>th</sup> April 2017 for amount of \$350,000 with accrued interest of \$64,150.89.

The total of unsecured loans including accrued interest rolled forward from AOS is \$850,308.22 with additional interest of \$33,546.41 payable at expiry. For administrative simplicity, the due dates were rolled forward to 4<sup>th</sup> October to coincide with EMMCO expiry dates.

Both loan providers (EMMCO and AOS) have agreed, by way of renewed Master Agreements signed on the 5<sup>th</sup> October 2018, to roll-over both loans to a new maturity date of 4<sup>th</sup> April 2019.

Details of the renewed loan agreements with EMMCO, effective 5<sup>th</sup> October 2018, are tabled below:

| Date of Original Loan          | Principal<br>AUD\$ | Flat Interest<br>Rate per annum<br>Or pro-rata thereof | Interest Applicable to<br>Due Date<br>AUD\$ | Due Date                         |
|--------------------------------|--------------------|--------------------------------------------------------|---------------------------------------------|----------------------------------|
| 2 <sup>nd</sup> November 2017  | 113,849.32         | 15%                                                    | 8,468.52                                    | 4 <sup>th</sup> April 2019       |
| 28 <sup>th</sup> November 2017 | 56,390.41          | 15%                                                    | 4,194.52                                    | 4 <sup>th</sup> April 2019       |
| 9 <sup>th</sup> February 2018  | 54,869.86          | 15%                                                    | 4,081.42                                    | 4 <sup>th</sup> April 2019       |
| 4 <sup>th</sup> April 2018     | 268,801.37         | 15%                                                    | 19,994.40                                   | 4 <sup>th</sup> April 2019       |
| 1 <sup>st</sup> June 2018      | 202,010.21         | 15%                                                    | 15,026.24                                   | 4 <sup>th</sup> April 2019       |
| <b>Total Due</b>               | <b>695,921.17</b>  |                                                        | <b>51,765.10</b>                            | <b>4<sup>th</sup> April 2019</b> |

## Review of Operations (continued)

An additional loan of \$600,000 was agreed on the 31<sup>st</sup> October 2018, maturing on the 1<sup>st</sup> May 2019. This funding will be used to undertake the planned drilling programme at Cattle Creek, resource estimate update and general administrative overheads.

Details of the renewed loan agreements with AOS, effective 5<sup>th</sup> October 2018, are tabled below:

| <b>Date of Original Loan</b>  | <b>Principal<br/>AUD\$</b> | <b>Flat Interest<br/>Rate per annum<br/>Or pro-rata thereof</b> | <b>Interest Applicable to<br/>Due Date<br/>AUD\$</b> | <b>Due Date</b>            |
|-------------------------------|----------------------------|-----------------------------------------------------------------|------------------------------------------------------|----------------------------|
| 9 <sup>th</sup> November 2016 | 453,364.84                 | 15%                                                             | 33,722.89                                            | 4 <sup>th</sup> April 2019 |
| 10 <sup>th</sup> April 2017   | 430,489.79                 | 15%                                                             | 32,021.36                                            | 4 <sup>th</sup> April 2019 |
| <b>Total Due</b>              | <b>883,854.63</b>          |                                                                 | <b>65,744.25</b>                                     | 4 <sup>th</sup> April 2019 |

Non-executive Director of the Company, Mr Stan Wassylko, is a related party being Director and Shareholder of AOS. Non-executive Director of the Company, Mr Harun Halim Rasip, is a related party being Director and Shareholder of EMMCO and AOS. EMMCO and AOS have provided written assurance to the Company that they will not instigate a call on current creditor debt or loans made to the Company without a planned strategy to discharge the debt.

The Company intends to convert most of its existing loans to debt equity instruments in Q2, 2019. At this stage, the Company is investigating its options regarding the conversions, mindful of ASX and ASIC requirements. A private placement for sophisticated investors is planned during the 1<sup>st</sup> half of 2019, this will reduce the need for loans necessary for the completion of Charley Creek project technical assessment work.

### Tenements

Crossland was unable to renew leases at Cloughs Dam, namely EL25657. This was the result of our joint venture partner company being de-registered. Crossland promptly re-applied for the same area and was successfully granted title (EL31947).

A list of tenements, as at 31<sup>st</sup> December 2018, is included at page 55 of this report.

### Activities

In 2018, Crossland completed an independent review of the 2013 resource estimate and Scoping Study. SRK (Perth) consultants recommended an infill drilling programme to update the resource estimate to meet current JORC reporting requirements. Following the May 2018 AGM, the Board decided to proceed with drilling in the Cattle Creek area. Permit applications were submitted soon after. By the end of 2018, Crossland still awaited approval to drill in the Cattle Creek area. By mid-2018, MSP Engineers (Perth) completed a Stage 1 Scoping Study review. The purpose of the review was to re-assess the project and identify necessary project work. The review indicated further process recovery test work was needed to firm several of our study assumptions and determine our potential product specification. With basket RE prices significantly lower in 2018 compared to 2013, selling primary monazite/xenotime concentrate was not a viable option. The 2013 Study incorporated a detailed study for a refinery that would produce mixed rare-earth carbonates. The 2018 study review identified some improvements and necessary changes to the refinery. Our team conceptualised further downstream processing options to separate concentrate into rare earth product groups such as magnet (Nd, Pr), light (Ce, La), heavy (Dy, Tb) and mixed carbonate. Further test work is planned to firm our thinking about the refinery. Fortunately, drilling the resource provides an opportunity to recover enough samples for metallurgical characterization test work and "Proof of Concept" bulk sample process test work. This is akin

## Review of Operations (continued)

to pilot plant testing, whereby Crossland would obtain reliable product yield estimates and generate concentrate needed for diagnostic leaching, refinery process modelling, amongst other technical parameters. Ultimately, this work would indicate the concentrator plant and refinery potential yields and quality of the rare-earth and industrial metal products. By mid-February 2019, drilling commenced at Cattle Creek. The funds in treasury will allow the company to update the mineral inventory. Further fund raising will be required in Q2, 2019 to undertake "Proof of Concept" work, a necessary requirement to update the Scoping Study. At the completion of this milestone, we will then be able to raise funds necessary for our Pre-Feasibility Study.

### Our Concept

At Charley Creek, as well as our other tenements, nature has done all the work of breaking down the rock matrix to liberate the minerals containing the rare earth and other industrial minerals. Sand mining on a large scale is very low cost, especially when coupled with efficient transport and high recovery low-tech processing methods to produce a small quantity of upgraded mineral concentrate. Our current operational concept is for a 20Mtpa strip-mining operation based on the average resource grade. Using a centralized semi-mobile processing facility, we can reduce bulk material transport costs. This also allows us to return depleted sand and co-dispose of benign refinery by-products back to the void. This means reclaiming as we progress. During 2018, we worked with major heavy equipment suppliers to determine the mining fleet equipment requirements and costs for an owner-operator mining fleet. Further investigations into in-pit conveyor haulage were put on-hold as the company lacked resources to further this work. As part of the 2018 Scoping Study review, engineers MSP (Perth) have reconfigured the processing plant to incorporate large-scale screening and material back-haul to the pit.

Crossland believes the unique properties of the Charley Creek project are its strength. With continued momentum we will advance the project from the study stage to a substantial long-term supplier of the full spectrum of Lanthanide REE and yttrium from sustainable, low cost operations that benefit all stakeholders.

The market will be kept appraised of developments, as required under ASX Listing Rules and in accord with Continuous Disclosure requirements.



Eric Vesel  
CEO and Director  
**Crossland Strategic Metals Limited**

## Directors Report

The directors of Crossland Strategic Metals Limited (the Company) submit herewith the annual financial report for the financial year ended 31 December 2018. To comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names and positions of the directors and company secretary of the Company during or since the end of the financial year are:

| Name                      | Position               | Status  |
|---------------------------|------------------------|---------|
| Dato' Sia Hok Kiang       | Non-Executive Chairman | Current |
| Eric Vesel                | Executive Director     | Current |
| Stanislaw (Stan) Wassylko | Non-Executive Director | Current |
| Harun Halim Rasip         | Non-Executive Director | Current |
| Andrew Metcalfe           | Company Secretary      | Current |

### Principal Activities

The principal activities of the consolidated entity are the exploration for rare earth elements (REE) in the Northern Territory. There has been no change in the principal activities during the year.

### Review of Operations

Information on the operation and financial position of the consolidated entity and its business strategies and prospects are set out in the review of operations. Results The results of the operations of the Company and the consolidated entity during the financial year were as follows:

|                           | Consolidated |             |
|---------------------------|--------------|-------------|
|                           | 2018         | 2017        |
|                           | \$           | \$          |
| Net loss after income tax | (388,151)    | (2,955,891) |

The decrease in net loss after income tax was mainly due to write-off of Exploration and Evaluation assets in 2017 for \$2,460,874.

### Significant Changes in The State of Affairs

There was no significant change in the state of affairs of the consolidated entity and parent entity other than that referred to in the financial statements or notes thereto.

### Matters Subsequent to The End of The Financial Year

There were at the date of this report no other matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- (i) the operations of the consolidated entity,
- (ii) the results of those operations, or
- (iii) the state of affairs of the consolidated entity in the financial year subsequent to 31 December 2018.

## Directors Report (continued)

### Future Developments

The Company hopes to develop future rare earth metals extraction opportunities and assess opportunities which are perceived to offer outstanding value. At this stage, the Company will resume studies and tests to determine the optimum applications of technology and resources needed to realise the Charley Creek REE Project.

### Directors' Benefits

During the year no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the notes to the accounts) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### Environmental Regulations

Crossland Strategic Metals Limited, through its subsidiaries, holds exploration tenements in Australia that are subject to various governmental statutes and guidelines for environmental impacts in relation to exploration activities. These provide for the satisfactory rehabilitation of the areas of exploration.

There have been no known material breaches of the licence conditions.

### Dividends

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018.

### Share Options

Particulars of options granted over unissued shares:

|                                                                              | 2018 | 2017 |
|------------------------------------------------------------------------------|------|------|
| Total number of options granted by the Company over unissued ordinary shares | Nil  | Nil  |
| Options issued during the year (see note below)                              | Nil  | Nil  |
| Shares issued in the year as the result of the exercise of options           | Nil  | Nil  |
| Options expired during the year                                              | Nil  | Nil  |

Full details of options on issue are shown in Note 19.

### Indemnification of Officers

The Company has not 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's a lack of good faith.

During or since the financial period, the Company has not paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

### Indemnification of Auditors

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related party against a liability incurred by the auditor.

## Directors Report (continued)

### Indemnification of Auditors (continued)

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.

### Proceeds on Behalf of the Company

No person has appeared to the Court under Section 237 of the *Corporation Act 2001* for leave to bring proceedings on behalf of the Company or to 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 part of those proceedings.

### Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director).

|            | Board of Directors |        | Audit Committee |        |
|------------|--------------------|--------|-----------------|--------|
|            | Held               | Attend | Held            | Attend |
| H K Sia    | 4                  | 3      | -               | -      |
| E Vesel    | 4                  | 4      | 1               | 1      |
| S Wassylko | 4                  | 4      | 1               | 1      |
| H H Rasip  | 4                  | 4      | -               | -      |

### Auditor

RSM Australia Partners holds office in accordance with section 327 of the *Corporations Act 2001*.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Consolidated entity are important.

Details of the amounts paid or payable to the auditor (RSM Australia Partners) for non-audit services provided during the year are set out in Note 25.

The board of directors, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not adversely affect the integrity and objectivity of the auditor,
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year no fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

## Directors Report (continued)

### Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

### Remuneration Report (Audited)

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

- A. Principles used to determine the nature and amount of remuneration
- B. Service agreements
- C. Details of remuneration
- D. Share based compensation

The information provided under headings A- D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

#### A. Principles used to determine the nature and amount of remuneration

The objective of the Consolidated entity's executive reward framework is to ensure reward for performance, being the development of the Crossland Strategic Metals exploration tenements. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The Consolidated entity has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organization.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value;
- and attracts and retains high calibre executives.

Alignment to programme executives' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the consolidated entity, the balance of this mix shifts to a higher proportion of "at risk" rewards.

## Directors Report (continued)

### Non-executive directors

Fees and payments to non-executive directors reflect the demands, which are made on, and the responsibilities of, the directors. The Board reviews non-executive directors' fees and payments annually. The Board may from time to time seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

### Directors' fees

No Directors fees were awarded for the period of 2018.

Directors are entitled to remuneration out of the funds of the company, but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the company in general meeting for that purpose. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$200,000 per year in aggregate.

For the 2018 year, the Board of Directors decided on a moratorium regarding Directors Fees until the Company's financial position improves.

### Executive pay

The executive pays and reward framework has four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in Crossland Strategic Metals Limited incentive shares, and
- other remuneration such as superannuation.

### Base pay

Structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

### B. Service agreements

There are no service agreements in place.

## Directors Report (continued)

### C. Details of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Crossland Strategic Metals Limited and the Crossland Strategic Metals Limited Consolidated entity are set out in the tables on pages 14 and 15.

The key management personnel of Crossland Strategic Metals Limited and the Consolidated entity includes the Directors. Remuneration paid to key management personnel of Crossland Strategic Metals and of the Consolidated entity is reported in the following table

#### Payment to Directors

| 2018                           | Short-term employee benefits |                       |                       | Post-employment benefits |                                                    | Share-based payments | Total |
|--------------------------------|------------------------------|-----------------------|-----------------------|--------------------------|----------------------------------------------------|----------------------|-------|
|                                | Salary<br>\$                 | Directors'<br>Fees \$ | Consulting<br>Fees \$ | Superannuation<br>\$     | Long Service<br>Leave<br>Payments<br>Accrued<br>\$ | Options<br>\$        |       |
| <b>Name</b>                    |                              |                       |                       |                          |                                                    |                      |       |
| <b>Non-Executive Directors</b> |                              |                       |                       |                          |                                                    |                      |       |
| H K Sia                        | -                            | -                     | -                     | -                        | -                                                  | -                    | -     |
| H H Rasip                      | -                            | -                     | -                     | -                        | -                                                  | -                    | -     |
| E Vesel                        | -                            | -                     | -                     | -                        | -                                                  | -                    | -     |
| S Wassylko                     | -                            | -                     | -                     | -                        | -                                                  | -                    | -     |
| <b>Executive Directors</b>     |                              |                       |                       |                          |                                                    |                      |       |
| E Vesel                        | -                            | -                     | -                     | -                        | -                                                  | -                    | -     |
| <b>Totals</b>                  | -                            | -                     | -                     | -                        | -                                                  | -                    | -     |

## Directors Report (continued)

| 2017                           | Short-term employee benefits |                       |                       | Post-employment benefits |                                                    | Share-based payments | Total         |
|--------------------------------|------------------------------|-----------------------|-----------------------|--------------------------|----------------------------------------------------|----------------------|---------------|
|                                | Salary<br>\$                 | Directors'<br>Fees \$ | Consulting<br>Fees \$ | Superannuation<br>\$     | Long Service<br>Leave<br>Payments<br>Accrued<br>\$ | Options<br>\$        |               |
| <b>Name</b>                    |                              |                       |                       |                          |                                                    |                      |               |
| <b>Non-Executive Directors</b> |                              |                       |                       |                          |                                                    |                      |               |
| R Richardson *                 | -                            | 5,151                 | -                     | 489                      | -                                                  | -                    | 5,640         |
| P Walker *                     | -                            | -                     | -                     | -                        | -                                                  | -                    | -             |
| H K Sia                        | -                            | -                     | -                     | -                        | -                                                  | -                    | -             |
| S Wassylko                     | -                            | -                     | -                     | -                        | -                                                  | -                    | -             |
| <b>Executive Directors</b>     |                              |                       |                       |                          |                                                    |                      |               |
| E Vesel                        | -                            | -                     | -                     | -                        | -                                                  | -                    | -             |
| G S Eupene                     | -                            | -                     | 33,000                | -                        | -                                                  | -                    | 33,000        |
| M K Smartt *                   | -                            | -                     | -                     | -                        | -                                                  | -                    | -             |
| <b>Totals</b>                  | -                            | <b>5,151</b>          | <b>33,000</b>         | <b>489</b>               | -                                                  | -                    | <b>38,640</b> |

### D. Share-based compensation

#### Options

Options are granted on the recommendation of the Directors. Options are granted for no consideration. Options are granted for a five-year period and are exercisable immediately after the vesting date. Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

No options over ordinary shares in the company were provided as remuneration to each director of Crossland Strategic Metals Limited and each of the key management personnel of the Consolidated entity during the financial year.

#### Shares provided on exercise of remuneration options

No ordinary shares in the company were provided as a result of the exercise of remuneration options to each director of Crossland Strategic Metals Limited and other key management personnel of the Consolidated entity.

#### Shares under option

There are no options on issue at 31 December 2018, however, there is a reserve in the accounts for the old options.

## Directors Report (continued)

### Shares issued on the exercise of options

No ordinary shares of Crossland Strategic Metals were issued during the year ended 31 December 2018 on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

### Directors' interests in shares and options

The relevant interest of each Director in the share capital of the Company as at the date of this report is as follows:

| 2018            | H K Sia    | E Vesel | S Wassylo | H H Rasip   | G Eupene   |
|-----------------|------------|---------|-----------|-------------|------------|
| Ordinary Shares | 53,157,817 | Nil     | 622       | 557,554,961 | 24,629,718 |
| Options         | Nil        | Nil     | Nil       | Nil         | Nil        |
| 2017            | H K Sia    | E Vesel | S Wassylo | H H Rasip   | G Eupene   |
| Ordinary Shares | 53,157,817 | Nil     | 622       | 557,554,961 | 24,629,718 |
| Options         | Nil        | Nil     | Nil       | Nil         | Nil        |

This report is made in accordance with a resolution of the Directors.



Eric Vesel  
**Director**  
Kuala Lumpur, 29<sup>th</sup> March 2019

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Crossland Strategic Metals Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to be 'J S Croall'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to be 'J S Croall'.

**J S CROALL**  
Partner

Dated: 29 March 2019  
Melbourne, Victoria

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Crossland Strategic Metals Limited**

#### **Opinion**

We have audited the financial report of Crossland Strategic Metals Limited. (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Consolidated Entity is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) 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 Consolidated Entity 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.

## Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Consolidated Entity incurred a loss of \$388,151 and reported negative operating cash flows of \$700,697 for the year ended 31 December 2018. As at 31 December 2018 the Consolidated Entity has net current liabilities of \$1,948,518. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

## 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How our audit addressed this matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impairment of Exploration Assets</b><br>Refer to Note 14 in the Consolidated Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>The Consolidated Entity has capitalised exploration and evaluation expenditure, with a carrying value of \$4.7m as at 31 December 2018.</p> <p>Under AASB 6 Exploration for and Evaluation of Mineral Resources, the Consolidated Entity is required to test the exploration and evaluation asset for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value of the asset.</p> | <p>Our audit procedures in relation to the carrying value of exploration and evaluation expenditure included:</p> <ul style="list-style-type: none"> <li>obtaining evidence that the Consolidated Entity has valid rights to explore in the specific areas of interest;</li> <li>enquiring with management and reviewing the basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exists;</li> <li>enquiring with management and reviewing budgets and plans to determine that the Consolidated Entity will incur substantive expenditure on further exploration and evaluation of mineral resources in the specific areas of interest;</li> <li>reviewing whether management has received sufficient data to conclude that the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and</li> <li>performing detailed testing on a sample basis on exploration costs that occurred in the period to ensure that they meet the capitalisation criteria under AASB 6.</li> </ul> |

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2018, but does not include the financial report and the 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 Consolidated Entity 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 Consolidated Entity 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf).

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Crossland Strategic Metals Limited for the year ended 31 December 2018, 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.



## **RSM AUSTRALIA PARTNERS**



**J S CROALL**

Partner

Dated: 29 March 2019  
Melbourne, Victoria

## Directors' Declaration

### CROSSLAND STRATEGIC METALS LIMITED AND CONTROLLED ENTITIES

#### DIRECTORS' DECLARATION

In accordance with a resolution of directors, I state that in the opinion of the directors:

- the financial statements and notes, as set out on pages 23 to 55, are in accordance with the *Corporations Act 2001* and comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
- give a true and fair view of the financial position as at 31 December 2018 and of the financial performance for the year ended on that date of the company and consolidated entity; and
- in the Directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Finance Officer.

Signed in accordance with a resolution of directors made to Section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board of Directors

Harun Halim Rasip,



Kuala Lumpur, 29<sup>th</sup> March 2019

## Statement of Consolidated Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

|                                                                                        |      | Consolidated      |                   |
|----------------------------------------------------------------------------------------|------|-------------------|-------------------|
|                                                                                        | Note | 31 Dec 2018<br>\$ | 31 Dec 2017<br>\$ |
| <b>Revenue from continuing operations</b>                                              | 5    | <b>5,831</b>      | 1,084             |
| <b>Expenses</b>                                                                        |      |                   |                   |
| Administration expenses                                                                |      | (165,024)         | (313,052)         |
| Borrowing costs                                                                        | 6    | (217,123)         | (97,631)          |
| Consultant fees                                                                        |      | (7,000)           | (33,000)          |
| Depreciation and amortisation expense                                                  | 6    | (785)             | (2,710)           |
| Employee benefit expenses                                                              |      | -                 | (32,355)          |
| Exploration expenditure written off                                                    |      | -                 | (2,460,874)       |
| Occupancy expenses                                                                     |      | -                 | (6,476)           |
| Other expenses                                                                         |      | (19,763)          | (10,878)          |
| Reversal of employee benefits                                                          |      | 15,713            | -                 |
| <b>Loss before income tax benefit</b>                                                  |      | <b>(388,151)</b>  | (2,955,891)       |
| Income tax benefit                                                                     | 7    | -                 | -                 |
| <b>Net loss after related income tax benefit</b>                                       |      | <b>(388,151)</b>  | (2,955,891)       |
| <b>Total comprehensive income for the period</b>                                       |      | <b>(388,151)</b>  | (2,955,891)       |
| Total comprehensive loss attributable to members of Crossland Strategic Metals Limited |      | (388,151)         | (2,955,891)       |
|                                                                                        |      | <b>Cents</b>      | <b>Cents</b>      |
| Basic earnings per share                                                               | 8    | (0.00038)         | (0.0039)          |
| Diluted earnings per share                                                             | 8    | (0.00038)         | (0.0039)          |

The above statement of consolidated profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Consolidated Financial Position

As at 31 December 2018

|                                |      | Consolidated      |                   |
|--------------------------------|------|-------------------|-------------------|
|                                | Note | 31 Dec 2018<br>\$ | 31 Dec 2017<br>\$ |
| <b>Assets</b>                  |      |                   |                   |
| <b>Current assets</b>          |      |                   |                   |
| Cash and cash equivalents      | 9    | 526,531           | 93,433            |
| Trade and other receivables    | 10   | 40,790            | 41,399            |
| Other current assets           | 11   | 9,511             | 9,511             |
| Total current assets           |      | 576,832           | 144,343           |
| <b>Non-current assets</b>      |      |                   |                   |
| Other non-current assets       | 12   | 36,829            | 40,506            |
| Plant and equipment            | 13   | 4,776             | 3,567             |
| Exploration expenditure        | 14   | 4,687,767         | 4,404,783         |
| Total non-current assets       |      | 4,729,372         | 4,448,856         |
| <b>Total assets</b>            |      | 5,306,204         | 4,593,199         |
| <b>Liabilities</b>             |      |                   |                   |
| <b>Current liabilities</b>     |      |                   |                   |
| Trade and other payables       | 15   | 66,488            | 228,716           |
| Interest bearing liabilities   | 16   | 2,458,862         | 1,043,764         |
| Provisions                     | 17   | -                 | 151,713           |
| Total current liabilities      |      | 2,525,350         | 1,424,193         |
| <b>Non-current liabilities</b> |      |                   |                   |
| Provisions                     | 17   | 20,000            | 20,000            |
| Total non-current liabilities  |      | 20,000            | 20,000            |
| <b>Total liabilities</b>       |      | 2,545,350         | 1,444,193         |
| <b>Net assets</b>              |      | 2,760,854         | 3,149,006         |
| <b>Equity</b>                  |      |                   |                   |
| Share capital                  | 18   | 22,972,145        | 22,972,145        |
| Reserves                       | 20   | 343,790           | 343,790           |
| Accumulated losses             |      | (20,555,081)      | (20,166,929)      |
| <b>Total equity</b>            |      | 2,760,854         | 3,149,006         |

The above statement of consolidated financial position should be read in conjunction with the accompanying notes.

## Statement of Consolidated Changes in Equity

For the year ended 31 December 2018

|                                                            | Equity            | Reserve        | Accumulated Losses  | Total Equity     |
|------------------------------------------------------------|-------------------|----------------|---------------------|------------------|
| <b>Consolidated</b>                                        |                   |                |                     |                  |
| Balance 1 January 2018                                     | 22,972,145        | 343,790        | (20,166,929)        | 3,149,006        |
| Loss after income tax expense for the year                 | -                 | -              | (388,151)           | (388,151)        |
| Other comprehensive income for the year, net of tax        | -                 | -              | -                   | -                |
| Total comprehensive income for the year                    | 22,972,145        | 343,790        | (20,555,081)        | 2,760,854        |
| <i>Transactions with owners in the capacity as owners:</i> |                   |                |                     |                  |
| Share-based payments                                       | -                 | -              | -                   | -                |
| Shares issued during the year                              | -                 | -              | -                   | -                |
| Transaction costs                                          | -                 | -              | -                   | -                |
| Balance at 31 December 2018                                | <u>22,972,145</u> | <u>343,790</u> | <u>(20,555,081)</u> | <u>2,760,854</u> |
|                                                            | Equity            | Reserve        | Accumulated Losses  | Total Equity     |
| <b>Consolidated</b>                                        |                   |                |                     |                  |
| Balance 1 January 2017                                     | 19,996,460        | 343,790        | (17,211,038)        | 3,129,212        |
| Loss after income tax expense for the year                 | -                 | -              | (2,955,891)         | (2,955,891)      |
| Other comprehensive income for the year, net of tax        | -                 | -              | -                   | -                |
| Total comprehensive income for the year                    | 19,996,460        | 343,790        | (20,166,929)        | 173,321          |
| <i>Transactions with owners in the capacity as owners:</i> |                   |                |                     |                  |
| Share-based payments                                       | -                 | -              | -                   | -                |
| Shares issued during the year                              | 2,975,685         | -              | -                   | 2,975,685        |
| Transaction costs                                          | -                 | -              | -                   | -                |
| Balance at 31 December 2017                                | <u>22,972,145</u> | <u>343,790</u> | <u>(20,166,929)</u> | <u>3,149,006</u> |

The above statement of consolidated changes in equity should be read in conjunction with the accompanying notes.

## Statement of Consolidated Cash Flows

For the year ended 31 December 2018

|                                                                  |      | Consolidated |             |
|------------------------------------------------------------------|------|--------------|-------------|
|                                                                  | Note | 31 Dec 2018  | 31 Dec 2017 |
|                                                                  |      | \$           | \$          |
| <b>Cash flows from operating activities</b>                      |      |              |             |
| Receipts from customers                                          |      | 5,739        | (30,650)    |
| GST recovered from ATO                                           |      | (3,260)      | 7,320       |
| GST paid to the ATO                                              |      | -            | (320)       |
| Payments to suppliers and employees                              |      | (330,078)    | (415,146)   |
| Interest and other finance costs paid                            |      | -            | 48,928      |
|                                                                  |      | <hr/>        | <hr/>       |
| Net cash used in operating activities                            | 28   | (327,600)    | (389,868)   |
| <b>Cash flows from investing activities</b>                      |      |              |             |
| Purchase of E&E assets                                           |      | (284,979)    | (344,721)   |
| Sales of non-financial assets                                    |      | 3,677        | 9,748       |
|                                                                  |      | <hr/>        | <hr/>       |
| Net cash used in investing activities                            |      | (281,302)    | (334,973)   |
| <b>Cash flows from financing activities</b>                      |      |              |             |
| Loans received from directors and related parties                |      | 1,042,000    | 709,221     |
|                                                                  |      | <hr/>        | <hr/>       |
| Net cash from financing activities                               |      | 1,042,000    | 709,221     |
| Net increase/(decrease) in cash and cash equivalents             |      | 433,098      | (15,620)    |
| Cash and cash equivalents at the beginning of the financial year |      | 93,433       | 109,053     |
|                                                                  |      | <hr/>        | <hr/>       |
| Cash and cash equivalents at the end of the financial year       |      | 526,531      | 93,433      |

The above statement of consolidated cash flows should be read in conjunction with the accompanying notes.

## Notes to the Consolidated Financial Statements

### 1. Summary of accounting policies

#### Statement of compliance

These consolidated financial statements and Notes represent those Crossland Strategic Metals Limited and its Controlled Entities (the “consolidated entity”). Crossland Strategic Metals Limited is a for profit company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Crossland Strategic Metals Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29th March 2019 by the directors of the company.

#### Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Crossland Strategic Metals Limited and its subsidiaries.

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The consolidated entity has adopted relevant new and revised accounting standards and pronouncements with no material impact.

#### New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

#### Basis of preparation

These general-purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### 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 consolidated entity'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 3.

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### Going concern

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Consolidated entity recorded a net loss of \$388,151 for the year ended 31 December 2018 and the Consolidated entity's position as at 31 December 2018 was as follows:

- The Consolidated entity had negative operating cash flows of \$327,600 for the year ended 31 December 2018;
- The Consolidated entity had net current liabilities at 31 December 2018 of \$1,948,518; and
- The Consolidated entity's main activity is exploration and as such it does not have a source of income, rather it is reliant on debt and / or equity raisings to fund its activities.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- As at 31 December 2018 the Consolidated entity owed \$2,466,577 to related parties. The directors of the related parties have agreed to defer settlement of repayment of their loan balances for at least a period of 12 months from the date of this report and have provided an undertaking that they will further support the Consolidated entity's short term working capital requirements; and
- The Company will also consider additional capital raising activities through the issue of new share capital to supplement the directors' advances.

Accordingly, the Directors believe that the Consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Consolidated entity does not continue as a going concern.

#### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 4.

#### 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.

#### Foreign currency translation

The financial statements are presented in Australian dollars, which is Crossland Strategic Metals Limited's functional and presentation currency.

#### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### Foreign currency translation (continued)

translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

#### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

#### (b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

#### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### Cash and cash equivalents (continued)

known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

#### (d) Earnings per share

##### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Crossland Strategic Metals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (e) Exploration for and evaluation of mineral resources

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

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. 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 regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for 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 the restoration will be completed within one year of abandoning the site.

#### (f) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Crossland Strategic Metals Limited's functional and presentation currency.

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### (g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authorities is classified as operating cash flows.

#### (h) Impairment of assets

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*).

Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (i) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Crossland Strategic Metals Limited (the 'company') and its wholly-owned Australian subsidiaries have formed an income tax consolidated entity under the tax consolidation regime. The company and each subsidiary in the tax consolidated entity continue to account for their own current and deferred tax amounts. The tax consolidated entity has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated entity.

In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated entity.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated entity. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated entity member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the company.

#### (j) Plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### Plant and equipment (continued)

entity and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis on all plant and equipment at rates calculated to write off the cost, less estimated residual value at the end of the useful lives of the assets, over those estimated useful lives.

The following estimated useful lives are used in the calculation of depreciation.

|                     |           |
|---------------------|-----------|
| Plant and equipment | 5-8 years |
| Motor vehicles      | 5 years   |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to the profit or loss. Any revaluation surplus reserve relating to the item disposed of its transferred directly to retained profits.

#### (k) Principles of consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the parent, Crossland Strategic Metals Limited, and all of its subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability affect those returns through its power over the entity. A list of the subsidiaries is contained in Note 21 to the financial statements.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the consolidated entity. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between consolidated entity entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the consolidated entity.

Equity interests in a subsidiary not attributable, directly or indirectly, to the consolidated entity are presented as "non-controlling interests". The consolidated entity initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

#### (l) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### Provisions (continued)

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### (m) Revenue recognition

The consolidated entity recognises revenue as follows:

##### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

##### Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### Other income

Other revenue is recognised when it is received or when the right to receive payment is established. All revenue is stated net of the amount of goods and services tax.

#### (n) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been consolidated entities based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### (o) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### (p) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of accounting policies (continued)

#### **New Accounting Standards and Interpretations not yet mandatory or early 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 consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity does not have any material lease arrangements in place and therefore the adoption of this standard will not have any material impact on the financial results or financial position of the Consolidated Entity.

### 2. Financial risk management

The consolidated entity's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

#### **(a) Credit risk**

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. There is negligible credit risk on financial assets of the consolidated entity since there is limited exposure to individual customers and the economic entity's exposure is limited to the amount of cash, short-term deposits and receivables which have been recognised in the balance sheet. The parent entity has exposure to credit risk in the amount's receivable from subsidiaries, but this is limited as these amounts have been fully provided for.

#### **(b) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed finance facilities.

#### **(c) Cash flow and fair value interest rate risk**

As the consolidated entity has no significant interest-bearing assets, the consolidated entity's income and operating cash flows are not materially exposed to changes in market interest rates.

## Notes to the Consolidated Financial Statements (continued)

### 2. Financial risk management (continued)

The consolidated entity has no interest rate risk as its loans are at fixed rates.

### 3. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following critical estimates and judgements have been made in respect of the following items:

#### (a) Income taxes

The consolidated entity is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The consolidated entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### (b) Exploration and evaluation expenditure

The consolidated entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$4,687,767.

#### (c) Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

## Notes to the Consolidated Financial Statements (continued)

### 4. Parent company information

The following information has been extracted from the books and records of the parent company and has been prepared in accordance with Accounting Standards.

|                                          | 2018<br>\$       | 2017<br>\$       |
|------------------------------------------|------------------|------------------|
| STATEMENT OF FINANCIAL POSITION          |                  |                  |
| ASSETS                                   |                  |                  |
| Current assets                           | 544,623          | 112,132          |
| Non-current assets                       | 8,322,198        | 7,886,249        |
| <b>TOTAL ASSETS</b>                      | <b>8,866,821</b> | <b>7,998,381</b> |
| LIABILITIES                              |                  |                  |
| Current liabilities                      | 2,469,750        | 1,218,911        |
| Non-current liabilities                  | 15,000           | 15,000           |
| <b>TOTAL LIABILITIES</b>                 | <b>2,484,750</b> | <b>1,233,911</b> |
| <b>NET ASSETS</b>                        | <b>6,382,071</b> | <b>6,764,470</b> |
| EQUITY                                   |                  |                  |
| Issued capital                           | 22,972,145       | 22,972,145       |
| Share based payments reserve             | 343,790          | 343,790          |
| Accumulated losses                       | (16,933,864)     | (16,551,465)     |
| <b>TOTAL EQUITY</b>                      | <b>6,382,071</b> | <b>6,764,470</b> |
|                                          | -                | -                |
| STATEMENT OF COMPREHENSIVE INCOME        |                  |                  |
| Total loss                               | (382,399)        | (485,133)        |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b> | <b>(382,399)</b> | <b>(485,133)</b> |

#### Guarantees

Crossland Strategic Metals Limited has not entered any guarantees, in the current financial period, in relation to the debts of any of its subsidiaries.

#### Contingent liabilities

At 31 December 2018, Crossland Strategic Metals Limited had no contingent liabilities.

#### Contractual commitments

At 31 December 2018, Crossland Strategic Metals Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

## Notes to the Consolidated Financial Statements (continued)

### 5. Revenue

|                           | Consolidated |              |
|---------------------------|--------------|--------------|
|                           | 2018         | 2017         |
|                           | \$           | \$           |
| <b>Other income</b>       |              |              |
| Interest - other entities | 1,870        | 1,084        |
| Other income              | 3,961        | -            |
|                           | <b>5,831</b> | <b>1,084</b> |

### 6. Loss from ordinary activities

Loss from ordinary activities before income tax includes the following items of expense:

|                                     | Consolidated   |                  |
|-------------------------------------|----------------|------------------|
|                                     | 2018           | 2017             |
|                                     | \$             | \$               |
| <b>Expenses</b>                     |                |                  |
| Depreciation                        | 785            | 2,710            |
| Exploration expenditure written off | -              | 2,460,874        |
| Interest paid                       | 217,123        | 97,631           |
| Office rent                         | -              | 6,476            |
| Superannuation                      | -              | 3,937            |
|                                     | <b>217,908</b> | <b>2,571,628</b> |

### 7. Income tax

|                                                                                                                                            | Consolidated     |                    |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------|
|                                                                                                                                            | 2018             | 2017               |
|                                                                                                                                            | \$               | \$                 |
| <b>(a)</b>                                                                                                                                 |                  |                    |
| The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows: |                  |                    |
| Loss for year before income tax benefit                                                                                                    | <b>(388,151)</b> | <b>(2,955,891)</b> |
| Income tax benefit calculated at 27.5%                                                                                                     | <b>(106,741)</b> | <b>(886,767) *</b> |
| Temporary differences and tax losses not recognised                                                                                        | <b>106,741</b>   | <b>886,767 *</b>   |
| Other permanent differences                                                                                                                |                  |                    |
| - Non-deductible expenses                                                                                                                  | -                | -                  |
| Income tax benefit attributable to loss                                                                                                    | -                | -                  |

\*Calculated at 30% in 2017

## Notes to the Consolidated Financial Statements (continued)

### 7. Income tax (continued)

#### (b) Deferred tax balances not recognised

Calculated at 27.5% not brought to account as assets:

|                                                                                  | Balance Sheet    |                  | Income Statement |                |
|----------------------------------------------------------------------------------|------------------|------------------|------------------|----------------|
| Consolidated                                                                     | 2018<br>\$       | 2017<br>\$       | 2018<br>\$       | 2017<br>\$     |
| <b><i>Deferred tax assets relating to tax losses</i></b>                         |                  |                  |                  |                |
| Revenue tax losses available for offset against future taxable income            | 7,148,418        | 7,630,048        | (481,630)        | 901,236        |
| Capital tax losses available for offset against future taxable income            | -                | -                | -                | (17,340)       |
| <b>Net deferred tax asset not recognised in respect of tax losses</b>            | <b>7,148,418</b> | <b>7,630,048</b> | <b>(481,630)</b> | <b>883,896</b> |
| <b><i>Deferred tax assets relating to temporary differences</i></b>              |                  |                  |                  |                |
| Provision for amortisation of intangibles                                        | -                | -                | -                | (2,884)        |
| Provision for employee entitlement                                               | 5,500            | 6,514            | (1,014)          | (4,493)        |
| Accruals                                                                         | 9,488            | 7,200            | 2,288            | 600            |
|                                                                                  | <b>14,988</b>    | <b>13,714</b>    | <b>1,274</b>     | <b>(6,777)</b> |
| <b><i>Deferred tax liabilities relating to temporary differences</i></b>         |                  |                  |                  |                |
| Difference between book and tax values of fixed assets                           | 2,599            | 54,418           | (51,819)         | 9,990          |
|                                                                                  | <b>2,599</b>     | <b>54,418</b>    | <b>(51,819)</b>  | <b>9,990</b>   |
| <b>Net deferred tax asset not recognised in respect of temporary differences</b> | <b>17,587</b>    | <b>68,132</b>    |                  |                |

## Notes to the Consolidated Financial Statements (continued)

### 8. Loss per share

|                                                                                                                                  | Consolidated           |                        |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                                                  | 2018<br>Cents          | 2017<br>Cents          |
| <b>(a) Basic and diluted loss per share</b>                                                                                      |                        |                        |
| Loss attributable to the ordinary equity holders of the consolidated entity                                                      | <b>(0.00038)</b>       | (0.0039)               |
|                                                                                                                                  | <b>2018<br/>\$</b>     | <b>2017<br/>\$</b>     |
| <b>(b) Reconciliation of loss used in calculating loss per share</b>                                                             |                        |                        |
| <i>Basic and diluted loss per share</i>                                                                                          |                        |                        |
| Loss attributable to the ordinary equity holders of the consolidated entity used in calculating basic and diluted loss per share | <b>(388,151)</b>       | (2,955,891)            |
|                                                                                                                                  | <b>2018<br/>Number</b> | <b>2017<br/>Number</b> |
| <b>(c) Weighted average number of shares used as the denominator</b>                                                             |                        |                        |
| <i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share</i>        | <b>1,011,646,449</b>   | 764,631,121            |

### 9. Cash and cash equivalents

|                          | Consolidated   |               |
|--------------------------|----------------|---------------|
|                          | 2018<br>\$     | 2017<br>\$    |
| Cash at bank and on hand | <b>526,531</b> | <b>93,433</b> |

### 10. Trade and other receivables

|                | Consolidated  |            |
|----------------|---------------|------------|
|                | 2018<br>\$    | 2017<br>\$ |
| GST receivable | <b>7,312</b>  | 4,052      |
| Other debtors  | <b>33,478</b> | 37,347     |
|                | <b>40,790</b> | 41,399     |

### 11. Other current assets

|             | Consolidated |            |
|-------------|--------------|------------|
|             | 2018<br>\$   | 2017<br>\$ |
| Prepayments | <b>9,511</b> | 9,511      |

## Notes to the Consolidated Financial Statements (continued)

### 12. Other non-current assets

|                   | Consolidated |        |
|-------------------|--------------|--------|
|                   | 2018         | 2017   |
|                   | \$           | \$     |
| Security deposits | 36,829       | 40,506 |

### 13. Plant and equipment

|                               | Consolidated |           |
|-------------------------------|--------------|-----------|
|                               | 2018         | 2017      |
|                               | \$           | \$        |
| Plant & Equipment             | 407,727      | 407,726   |
| Less accumulated depreciation | (407,727)    | (407,567) |
| Net Plant & Equipment         | -            | 159       |
| Motor Vehicles                | -            | 280,691   |
| Less accumulated depreciation | -            | (280,691) |
| Net Motor Vehicles            | -            | -         |
| Buildings                     | 5,834        | 3,840     |
| Less accumulated depreciation | (1,058)      | (432)     |
| Total Plant & Equipment       | 4,776        | 3,408     |
|                               | 4,776        | 3,567     |

Reconciliations of the carrying amount of each class of plant and equipment at the beginning and end of the current financial year are set out below:

|                                 | Plant & Equipment | Motor Vehicles | Total   |
|---------------------------------|-------------------|----------------|---------|
|                                 | \$                | \$             | \$      |
| <b>Gross Carrying Amount</b>    |                   |                |         |
| Balance at 31 December 2017     | 411,566           | 280,691        | 692,257 |
| Additions                       | 1,994             | -              | 1,994   |
| Balance at 31 December 2018     | 413,560           | 280,691        | 694,251 |
| <b>Accumulated Depreciation</b> |                   |                |         |
| Balance at 31 December 2017     | 407,999           | 280,691        | 688,690 |
| Depreciation Expense            | 785               | -              | 785     |
|                                 | 408,784           | 280,691        | 689,475 |
| <b>Net Book Value</b>           |                   |                |         |
| Balance at 31 December 2017     | 3,567             | -              | 3,567   |
|                                 | -                 | -              | -       |
| Balance at 31 December 2018     | 4,776             | -              | 4,776   |

## Notes to the Consolidated Financial Statements (continued)

### 13. Plant and equipment (continued)

|                                                    | Consolidated |              |
|----------------------------------------------------|--------------|--------------|
|                                                    | 2018         | 2017         |
|                                                    | \$           | \$           |
| Aggregate depreciation allocation during the year: |              |              |
| – Plant and equipment                              | 785          | 2,710        |
| – Motor Vehicles                                   | -            | -            |
|                                                    | <b>785</b>   | <b>2,710</b> |

### 14. Deferred exploration and evaluation expenditure

|                                                                                       | Consolidated     |                  |
|---------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                       | 2018             | 2017             |
|                                                                                       | \$               | \$               |
| Deferred exploration expenditure                                                      | <b>4,687,767</b> | 4,404,783        |
| <b>Reconciliation of the written down values at the beginning and end of the year</b> |                  |                  |
| Balance at 1 January                                                                  | <b>4,404,783</b> | 4,383,459        |
| Additions                                                                             | <b>282,984</b>   | 301,161          |
| Assets acquired for acquisition of EMR                                                | -                | 2,181,037        |
| Amounts written off                                                                   | -                | (2,460,874)      |
| Balance at 31 December                                                                | <b>4,687,767</b> | <b>4,404,783</b> |

The ultimate recoupment of deferred exploration and evaluation expenditure carried forward in respect of an area of interest is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value.

EMR was treated as a joint operation until acquisition whereby it became a subsidiary company for Crossland Strategic Metals Limited on the 7<sup>th</sup> day of June 2017.

Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

The carrying amounts of the consolidated entity's deferred exploration and evaluation expenditure are a reasonable approximation of their fair values.

### 15. Current trade and other payables

|                               | Consolidated  |                |
|-------------------------------|---------------|----------------|
|                               | 2018          | 2017           |
|                               | \$            | \$             |
| <b>Unsecured:</b>             |               |                |
| – Trade payables              | <b>8,664</b>  | 79,768         |
| – Other payables and accruals | <b>34,500</b> | 125,624        |
| – GST payable                 | <b>23,324</b> | 23,324         |
|                               | <b>66,488</b> | <b>228,716</b> |

## Notes to the Consolidated Financial Statements (continued)

### 16. Current interest-bearing payables

|                                    | Consolidated     |                  |
|------------------------------------|------------------|------------------|
|                                    | 2018             | 2017             |
|                                    | \$               | \$               |
| Loans from directors               | -                | 15,000           |
| Loans from associates of directors | 915,455          | 700,000          |
| Loans from related parties         | 1,551,122        | 328,764          |
| Other payables                     | (7,715)          | -                |
|                                    | <b>2,458,862</b> | <b>1,043,764</b> |

### 17. Provisions

|                               | Consolidated  |               |
|-------------------------------|---------------|---------------|
|                               | 2018          | 2017          |
|                               | \$            | \$            |
| <b>CURRENT PROVISIONS</b>     |               |               |
| Long service leave            | -             | 1,713         |
| Stamp duty                    | -             | 150,000       |
|                               | -             | 151,713       |
| <b>NON-CURRENT PROVISIONS</b> |               |               |
| Site restoration              | 20,000        | 20,000        |
|                               | <b>20,000</b> | <b>20,000</b> |

|                                         | Current            | Non-current        |                  |
|-----------------------------------------|--------------------|--------------------|------------------|
|                                         | Long service leave | Long service leave | Site restoration |
| <b>Movement</b>                         |                    |                    |                  |
| Balance at beginning of financial year  | 1,713              | -                  | 20,000           |
| Amounts provided during the year        | -                  | -                  | -                |
| Amounts revoked by employee in the year | (1,713)            |                    | -                |
| Balance at end of financial year        | -                  | -                  | <b>20,000</b>    |

#### Nature and timing of provisions

##### Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the consolidated entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

## Notes to the Consolidated Financial Statements (continued)

### 17. Provisions (continued)

#### Provision for employee benefits (continued)

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

#### Provision for site restoration

A provision has been recognised for the costs to be incurred for the restoration of the sites used for exploration of minerals. It is anticipated that the sites will require restoration within 10 years. A discount rate adjusted to reflect the risk inherent in the mining operation has been applied.

The carrying amounts of the consolidated entity's current and non-current provisions are a reasonable approximation of their fair values.

### 18. Equity – issued capital

|                              | 2018<br>Shares | 2017<br>Shares | 2018<br>\$ | 2017<br>\$ |
|------------------------------|----------------|----------------|------------|------------|
| Ordinary Shares - Fully Paid | 1,011,646,449  | 1,011,646,449  | 22,972,145 | 22,972,145 |

#### *Movements in share capital*

|                                        | Date | Shares               | Issued Price | \$                |
|----------------------------------------|------|----------------------|--------------|-------------------|
| Balance at beginning of financial year |      | 1,011,646,449        | -            | 22,972,145        |
| Balance at end of financial year       |      | <b>1,011,646,449</b> | -            | <b>22,972,145</b> |

#### *Ordinary Shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the consolidated entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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 buy-back*

There is no current on-market share buy-back.

#### *Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

### 19. Options

No options were issued for the 2018 financial year. All prior options issued were lapsed in 2016.

## Notes to the Consolidated Financial Statements (continued)

### 20. Reserves

|                                        | <b>Consolidated</b> |             |
|----------------------------------------|---------------------|-------------|
|                                        | <b>2018</b>         | <b>2017</b> |
|                                        | <b>\$</b>           | <b>\$</b>   |
| Share based payments reserve           | <b>343,790</b>      | 343,790     |
|                                        | <b>343,790</b>      | 343,790     |
| <b>Share based payments reserve</b>    |                     |             |
| Balance at beginning of financial year | <b>343,790</b>      | 343,790     |
| Value of options expensed during year  | -                   | -           |
| Balance at end of financial year       | <b>343,790</b>      | 343,790     |

#### Nature and purpose of reserve

The share-based payments reserve records the value of options issued to employees, consultants and Directors, as part of the remuneration for their services.

### 21. Particulars relating to controlled entities

|                                        | <b>Country of<br/>Incorporation</b> | <b>Ownership<br/>Interest 2018<br/>%</b> | <b>Ownership<br/>Interest 2017<br/>%</b> |
|----------------------------------------|-------------------------------------|------------------------------------------|------------------------------------------|
| Crossland Diamonds Pty Limited         | Australia                           | 100                                      | 100                                      |
| Crossland Mines Pty Limited            | Australia                           | 100                                      | 100                                      |
| Crossland Nickel Pty Limited           | Australia                           | 100                                      | 100                                      |
| Paradigm Mexico Pty Limited            | Australia                           | 100                                      | 100                                      |
| Essential Mining Resources Pty Limited | Australia                           | 100                                      | 100                                      |

### 22. Commitments for expenditure

#### (a) Exploration Tenement Expenditure Requirements

In order to maintain the consolidated entity's tenements in good standing with Australian mining authorities, the consolidated entity will be required to incur exploration expenditure under the terms of each claim.

|                                                     | <b>Consolidated</b> |             |
|-----------------------------------------------------|---------------------|-------------|
|                                                     | <b>2018</b>         | <b>2017</b> |
|                                                     | <b>\$</b>           | <b>\$</b>   |
| Payable not later than one year                     | <b>585,915</b>      | 74,309      |
| Payable later than one year, but not later than two | <b>585,915</b>      | 5,459       |
|                                                     | <b>1,171,830</b>    | 79,768      |

It is likely that variations to the terms of the current and future tenement holdings, the granting of new tenements and changes in tenement areas at renewal or expiry, will change the expenditure commitment to the consolidated entity from time to time.

If funds are not available to meet the required expenditure on a tenement the relevant Australian mining authority would be contacted to negotiate a reduction of the expenditure. Should the negotiations not be satisfactory then the consolidated entity would withdraw from the tenement.

## Notes to the Consolidated Financial Statements (continued)

### 22. Commitments for expenditure (continued)

#### (b) Operating lease commitments

Operating leases relate to the rental of the Milton park homestead and outbuildings. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

### 23. Key management personnel disclosure

#### (a) The directors of Crossland Strategic Metals Limited during the year were:

- Sia Hok Kiang (Chairman)
- Eric Vesel (Executive Director)
- Stanislaw (Stan) Wassytko (Non-Executive Director)
- Harun Halim Rasip (Non-Executive Director)

#### (b) Other key management personnel

All directors are identified as key management personnel under AASB 124 "Related Party Disclosures".

There are no other staff that meet the definition of key management personnel.

#### (c) Key management personnel compensation

|                              | Consolidated |        |
|------------------------------|--------------|--------|
|                              | 2018         | 2017   |
|                              | \$           | \$     |
| Short-term employee benefits | -            | 38,151 |
|                              | -            | 38,151 |

There were no fees paid or payable to any key management personnel in the year.

#### (d) Equity instrument disclosures relating to key management personnel

##### i. Shareholding

The numbers of shares in the company held at the end of the financial year by each Director of the consolidated entities and other key management personnel of the consolidated entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

## Notes to the Consolidated Financial Statements (continued)

### 23. Key management personnel disclosure (continued) Shareholding (continued)

**Ordinary shares**  
**Directors of Crossland Strategic Metals Limited**  
**2018**

| Name               | Balance at the start of the year | Received during the year as incentive shares | Other changes during the year | Balance at the end of the year |
|--------------------|----------------------------------|----------------------------------------------|-------------------------------|--------------------------------|
| Sia Hok Kiang      | 53,151,817                       | -                                            | -                             | 53,151,817                     |
| Stanislaw Wassylko | 622                              | -                                            | -                             | 622                            |
| Eric Vesel         | -                                | -                                            | -                             | -                              |
| Harun Halim Rasip  | 557,554,961                      | -                                            | -                             | 557,554,961                    |

**2017**

|                                            |            |   |             |             |
|--------------------------------------------|------------|---|-------------|-------------|
| Geoffrey S Eupene (Resigned 1st June 2017) | 13,258,492 | - | 11,371,226  | 24,629,718  |
| Sia Hok Kiang                              | 44,000,000 | - | 9,151,817   | 53,151,817  |
| Stanislaw Wassylko                         | -          | - | 622         | 622         |
| Eric Vesel                                 | -          | - | -           | -           |
| Harun Halim Rasip                          | -          | - | 557,554,961 | 557,554,961 |

ii. **Options provided as remuneration and shares issued on exercise of such options**

No options were provided as remuneration and no shares were issued on the exercise of such options.

### 24. Related party disclosures

**(a) Directors**

The directors of Crossland Strategic Metals Limited during the year were:

- Sia Hok Kiang (Chairman)
- Eric Vesel (Executive Director)
- Stanislaw (Stan) Wassylko (Non-Executive Director)
- Harun Halim Rasip (Non-Executive Director)

**Company Secretary**

- Andrew Metcalf (Company Secretary)

**(b) Remuneration of directors and key management personnel**

Details of remuneration of directors are disclosed in Note 23 to the financial statements.

At 31 December 2018 there were no key management personnel other than directors.

## Notes to the Consolidated Financial Statements (continued)

### 24. Related party disclosure (continued)

#### (c) Directors interests

Interests in the shares and options of the consolidated entity held by current directors and their director-related entities are shown in Note 23.

#### (d) Associates of directors

No Directors Fees were paid to Directors for 2018

| Director          | Associated company                         |
|-------------------|--------------------------------------------|
| GS Eupene         | Eupene Exploration Enterprises Pty Limited |
| Sia Hok Kiang     | HK Rare Earth Sdn Bhd                      |
| RL Richardson     | GeoTangent Pty Limited                     |
| S Wassylko        | Atlas Offshore Services Pty Limited        |
| Harun Halim Rasip | EMMCO Mining Sdn Bhd                       |
|                   | Essential Mining Resources Pty Limited     |

#### (e) Transactions with associates of directors

|                       | Consolidated<br>2018<br>\$ | 2017<br>\$ |
|-----------------------|----------------------------|------------|
| Consulting geologists | -                          | 40,500     |
| Equipment hire        | -                          | -          |
| Rent                  | -                          | 3,683      |
| Software maintenance  | -                          | 900        |

#### (f) Outstanding balances owed to associates of directors as at 31 December

|                                            |   |        |
|--------------------------------------------|---|--------|
| Eupene Exploration Enterprises Pty Limited | - | 52,492 |
|--------------------------------------------|---|--------|

#### (g) Loans from directors as at 31 December

|            |   |        |
|------------|---|--------|
| Eric Vesel | - | 15,000 |
|------------|---|--------|

#### (h) Loans from associates of directors as at 31 December

|                                                                                                                                    | Consolidated<br>2018<br>\$ | 2017<br>\$ |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------|
| Atlas Offshore Services Pty Limited (Stanislaw Wassylko)<br>(7.5% interest, advance is repayable 6 months after date of drawdown.) | 915,455                    | 700,000    |
| EMMCO Mining Sdn Bhd (Harun Halim Rasip)<br>(7.5% interest, advance is repayable 6 months after date of drawdown.)                 | 1,551,122                  | 329,307    |

#### (i) Interest accrued on Loans from associates of directors as at 31 December

|                                                           |                |                |
|-----------------------------------------------------------|----------------|----------------|
| Atlas Offshore Services Pty Limited (Stanislaw Wassylko)* | 215,887        | 98,240         |
| EMMCO Mining Sdn Bhd (Harun Halim Rasip)*                 | 93,210         | 3,164          |
|                                                           | <b>309,097</b> | <b>101,404</b> |

## Notes to the Consolidated Financial Statements (continued)

### 24. Related party disclosure (continued)

#### (j) Additional loans received from directors and associates as at 31 December

EMMCO Mining Sdn Bhd (Harun Halim Rasip)\*

|                  |   |
|------------------|---|
| <b>1,092,000</b> | - |
| <b>1,092,000</b> | - |

\*All transactions were made on normal commercial terms and conditions and at market rate

### 25. Auditors remuneration

|                                             | <b>Consolidated</b> |             |
|---------------------------------------------|---------------------|-------------|
|                                             | <b>2018</b>         | <b>2017</b> |
|                                             | <b>\$</b>           | <b>\$</b>   |
| Remuneration of RSM Australia Partners for: |                     |             |
| – Audit and review of the financial report  | <b>29,000</b>       | 20,000      |
| Total auditors' remuneration                | <b>29,000</b>       | 20,000      |

### 26. Financial instrument disclosure

#### (a) Capital management

The consolidated entity considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the consolidated entity's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the consolidated entity seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the consolidated entity to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or reduction of debt, the consolidated entity considers not only its short-term position but also its long-term operational and strategic objectives.

It is the consolidated entity's policy to maintain its gearing ratio within the range of 0-25%. The consolidated entity's gearing ratio at the end of the financial year is shown below:

|                           | <b>Consolidated</b> |              |
|---------------------------|---------------------|--------------|
|                           | <b>2018</b>         | <b>2017</b>  |
|                           | <b>\$</b>           | <b>\$</b>    |
| Cash and cash equivalents | <b>526,531</b>      | 93,433       |
| Loans                     | <b>(2,458,862)</b>  | (1,043,764)  |
| Net debt                  | <b>(1,932,331)</b>  | (950,331)    |
| Share capital             | <b>22,972,145</b>   | 22,972,145   |
| Reserves                  | <b>343,790</b>      | 343,790      |
| Accumulated losses        | <b>(20,555,081)</b> | (20,166,929) |
| Total equity              | <b>2,760,854</b>    | 3,149,006    |
| Gearing ratio (%)         | <b>69.99%</b>       | 30.18%       |

## Notes to the Consolidated Financial Statements (continued)

### 26. Financial instrument disclosure (continued)

#### (b) *Financial instrument risk exposure and management*

In common with all other businesses, the consolidated entity is exposed to risks that arise from its use of financial instruments. This note describes the consolidated entity's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements.

#### **Financial instrument risk exposure and management (continued)**

There have been no substantive changes in the consolidated entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### (c) *Principal financial instruments*

The principal financial instruments used by the consolidated entity, from which financial instrument risk arises, are as follows:

- other receivables;
- cash at bank;
- trade and other payables; and
- loans.

#### (d) *General objectives, policies and processes*

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the consolidated entity's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the consolidated entity's competitiveness and flexibility. Further details regarding these policies are set out below:

##### *i. Credit risk*

Credit risk arises principally from the consolidated entity's trade receivables and investments in corporate bonds. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

##### *Other receivables*

Other receivables comprise GST receivable.

The maximum exposure to credit risk at balance date is as follows:

|                   | <b>Consolidated</b> |             |
|-------------------|---------------------|-------------|
|                   | <b>2018</b>         | <b>2017</b> |
|                   | <b>\$</b>           | <b>\$</b>   |
| Deposits          | <b>36,829</b>       | 40,506      |
| Other receivables | <b>33,478</b>       | 37,347      |
| GST receivables   | <b>7,312</b>        | 4,052       |
|                   | <b>77,620</b>       | 81,905      |

## Notes to the Consolidated Financial Statements (continued)

### 26. Financial instrument disclosure (continued)

#### *Liquidity risk (continued)*

##### *ii. Liquidity risk*

Liquidity risk arises from the consolidated entity's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the consolidated entity will encounter difficulty in meeting its financial obligations as they fall due.

The consolidated entity's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections in a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the consolidated entity expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Board noted the intention of directors and other related parties not to require payment for the next twelve months or until a capital raising of sufficient funds is made.

The consolidated entity does not have any financing facilities in place and does not have a bank overdraft.

#### Maturity analysis of financial assets and liability based on contractual obligations.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., trade receivables). These assets are considered in the consolidated entity's overall liquidity risk.

| Maturity Analysis - Consolidated | Weighted Average |               | Carrying Amount | Contractual Cash flows |                       |                       |                                  |
|----------------------------------|------------------|---------------|-----------------|------------------------|-----------------------|-----------------------|----------------------------------|
|                                  | 2018             | Interest Rate |                 | 1 Year or Less         | Between 1 and 2 Years | Between 2 and 5 Years | Remaining Contractual Maturities |
|                                  |                  | %             |                 | \$                     | \$                    | \$                    | \$                               |
| <i>Financial Liabilities</i>     |                  |               |                 |                        |                       |                       |                                  |
| Trade payables                   | 0.00             |               | 8,665           | 8,665                  | -                     | -                     | -                                |
| Other payables and accruals      | 0.00             |               | 57,824          | -                      | -                     | -                     | 57,824                           |
| Loans                            | 15.00            |               | 2,458,862       | -                      | -                     | -                     | 2,458,862                        |
| TOTAL                            |                  |               | 2,525,350       | 8,665                  | -                     | -                     | 2,516,686                        |

## Notes to the Consolidated Financial Statements (continued)

### 26. Financial instrument disclosure (continued)

| Maturity Analysis - Consolidated | Weighted | Carrying  | Contractual Cash flows |           |           |             |             |
|----------------------------------|----------|-----------|------------------------|-----------|-----------|-------------|-------------|
|                                  | 2017     | Average   |                        | 1 Year or | Between 1 | Between 2   | Remaining   |
|                                  |          | Interest  |                        | Less      | and 2     | and 5 Years | Contractual |
|                                  |          | Rate      |                        |           | Years     |             | Maturities  |
|                                  | %        | \$        | \$                     | \$        | \$        | \$          | \$          |
| Financial Liabilities            |          |           |                        |           |           |             |             |
| Trade payables                   | 0.00     | 79,768    | 79,768                 | -         | -         | -           | -           |
| Other payables and accruals      | 0.00     | 148,948   | -                      | -         | -         | -           | 148,948     |
| Loans                            | 15.00    | 1,043,764 | -                      | -         | -         | -           | 1,043,764   |
| TOTAL                            |          | 1,272,480 | 79,768                 | -         | -         | -           | 1,192,712   |

**iii. Market risk**

Market risk does not arise as the consolidated entity does not use interest bearing, tradable and foreign currency financial instruments.

**iv. Interest rate risk**

- a. The Company receives interest on its cash balance and at balance date was exposed to a floating weighted average interest rate on cash balances of 1.00% (2017 – 1.00%). As surplus funds become available, they are deposited in its cash management account and are exposed to receiving a floating rate, which varies according to the amount of funds deposited. All other financial assets are non-interest bearing.
- b. Net fair value of financial assets and liabilities: the net fair value of cash and cash equivalents and non-interest-bearing financial assets and financial liabilities approximates their carrying value.
- c. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

#### Sensitivity Analysis

| Sensitivity Analysis                  |                 | Consolidated      |                   |
|---------------------------------------|-----------------|-------------------|-------------------|
|                                       | Carrying amount | +1% interest rate | -1% interest rate |
| Consolidated - 2018                   |                 | Profit & Loss     | Profit & Loss     |
| Cash at bank                          | 526,531         | 5,265             | (5,265)           |
|                                       | 526,531         | 5,265             | (5,265)           |
| Tax charge of 27.5%                   |                 | (1,448)           | 1,448             |
| Post tax profit increase / (decrease) |                 | 3,818             | (3,818)           |

#### Consolidated - 2017

|                                       |        |       |       |
|---------------------------------------|--------|-------|-------|
| Cash at bank                          | 93,433 | 934   | (934) |
|                                       | 93,433 | 934   | (934) |
| Tax charge of 30%                     |        | (280) | 280   |
| Post tax profit increase / (decrease) |        | 654   | (654) |

## Notes to the Consolidated Financial Statements (continued)

### 26. Financial instrument disclosure (continued)

#### (e) *Currency risk*

The consolidated entity's policy is, where possible, to allow consolidated entity entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where consolidated entity entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the consolidated entity.

The consolidated entity's exposure to foreign currency risk is nil.

#### (f) *Sovereign risk*

Country or sovereign risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country. These changes can adversely affect operating profits as well as the value of assets. Types of country risk include:

- *Political changes*

Governments may change economic policies. Changes in the ruling party in Australia (brought about by elections, coups or wars) may result in major policy changes. This could result in expropriation of the consolidated entity's exploration leases, inability to repatriate future profits, higher taxes, higher tariffs and import costs, elimination of FDI incentives, domestic ownership requirements and local content requirements.

- *Macroeconomics mismanagement*

The Australian government may pursue unsound monetary and fiscal policies which may lead to inflation, higher interest rates, recession and hard currency shortage.

The consolidated entity has maintained a working policy of keeping all relevant Government offices informed and updated on activities to allow clear avenues of communication with Government authorities and an understanding of any policy changes and any affects that they may have on the consolidated entity's work.

#### (g) *Accounting policies*

##### i. *Financial assets*

The consolidated entity's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The consolidated entity does not use derivative financial instruments in economic hedges of currency or interest rate risk. The consolidated entity has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the consolidated entity's financial assets are a reasonable approximation of their fair values.

##### ii. *Other receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the sale of assets and GST receivable. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the consolidated entity will be unable to collect all of the amounts due under the terms receivable, the

## Notes to the Consolidated Financial Statements (continued)

### 26. Financial instrument disclosure (continued)

#### ***Other receivables (continued)***

amount of such a provision being the difference between the net carrying amount and the present value of the future such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

#### **i. *Financial liabilities***

The consolidated entity classifies its financial liabilities as measured at amortised cost. The consolidated entity does not use derivative financial instruments in economic hedges of currency or interest rate risk.

Unless otherwise indicated, the carrying amounts of the consolidated entity's financial liabilities are a reasonable approximation of their fair values.

These financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### **ii. *Share capital***

Financial instruments issued by the consolidated entity are treated as equity only to the extent that they do not meet the definition of a financial liability. The consolidated entity's ordinary shares are classified as equity instruments.

For the purposes of these disclosures, the consolidated entity considers its capital to comprise its ordinary share capital and accumulated retained earnings. Neither the available for sale reserve nor the translation reserve is considered as capital. There have been no changes in what the consolidated entity considers to be capital since the previous period.

The consolidated entity is not subject to any externally imposed capital requirements.

### 27. Operating segments

#### ***Identification of reportable operating segments***

The consolidated entity is organised into one operating segment, being mining and exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

## Notes to the Consolidated Financial Statements (continued)

### 28. Reconciliation of loss after income tax to net cash from operating activities

|                                                                                                                             | <b>Consolidated</b> |             |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
|                                                                                                                             | <b>2018</b>         | <b>2017</b> |
|                                                                                                                             | <b>\$</b>           | <b>\$</b>   |
| Reconciliation of loss from ordinary activities after income tax to net cash outflows from operating activities as follows: |                     |             |
| Operating (loss) after income tax                                                                                           | <b>(388,151)</b>    | (2,955,891) |
| Depreciation                                                                                                                | <b>785</b>          | 2,710       |
| Exploration expenditure written off                                                                                         | -                   | 2,460,874   |
| Change in operating assets and liabilities:                                                                                 |                     |             |
| - Increase in interest payable                                                                                              | <b>217,123</b>      | -           |
| - Decrease / (increase) in receivables                                                                                      | <b>3,869</b>        | (31,734)    |
| - Decrease / (increase) in other assets                                                                                     | <b>(3,260)</b>      | 7,320       |
| - Decrease in accounts payable                                                                                              | <b>(162,229)</b>    | (8,169)     |
| - Increase / (decrease) in provisions                                                                                       | <b>(1,713)</b>      | 135,022     |
| - Other                                                                                                                     | <b>5,976</b>        | -           |
| Net cash outflow from operating activities                                                                                  | <b>(327,600)</b>    | (389,868)   |

## Crossland Strategic Metals Limited Shareholder Information

The shareholder information set out below was applicable as at 31st December 2018

### A. Distribution of Ordinary Shareholders -Analysis of Holdings

Class of equity security

|                  | Number of shareholders | Number of shares | Percentage |
|------------------|------------------------|------------------|------------|
| 1 - 1,000        | 74                     | 33,848           | 0.003%     |
| 1,001 - 5,000    | 167                    | 547,118          | 0.054%     |
| 5,001 - 10,000   | 178                    | 1,531,510        | 0.151%     |
| 10,001 - 100,000 | 430                    | 17,278,579       | 1.708%     |
| 100,001 and over | 223                    | 992,255,394      | 98.083%    |
|                  | 1,072                  | 1,011,646,449    | 99.999%    |

**Unmarketable Parcels** - As at 31 December 2018 there were 844 shareholders with an unmarketable share parcel of less than 71,429 shares at the prevailing share price of 0.7 cents.

### B. Top 20 Holdings of Ordinary Shares (CUX)

|                                                  | Ordinary shares<br>number held | Percentage of issued<br>shares |
|--------------------------------------------------|--------------------------------|--------------------------------|
| Emmco Mining SDN BHD                             | 557,554,961                    | 55.11%                         |
| Asia Infra Partners Limited                      | 57,571,428                     | 5.69%                          |
| HK Tin SDN BHD                                   | 53,151,817                     | 5.25%                          |
| Asia One Corp Limited                            | 50,000,000                     | 4.94%                          |
| Amburla Nominees Pty Limited                     | 23,277,735                     | 2.30%                          |
| Hock Hee Sia                                     | 20,000,000                     | 1.98%                          |
| Mr Geoffrey Samuel Eupene                        | 15,371,226                     | 1.52%                          |
| Mr Chris Connellan                               | 15,000,000                     | 1.48%                          |
| Mr Roderick James Trigwell                       | 12,485,714                     | 1.23%                          |
| Mr Robert Lewis Richardson & Ms Susanne Brint    | 10,000,000                     | 0.99%                          |
| Bond Street Custodian Limited                    | 9,972,705                      | 0.99%                          |
| Mr Malcom Keith Smartt & Ms Janice Leonie Smartt | 9,000,000                      | 0.89%                          |
| Mr Bruce Jazie Ozimek                            | 8,035,879                      | 0.79%                          |
| Garden Nominees Pty Ltd                          | 7,124,795                      | 0.70%                          |
| Diah(NT) Pty Ltd                                 | 6,666,667                      | 0.66%                          |
| Eupene Nominees Pty Ltd                          | 6,028,571                      | 0.60%                          |
| M & K Korkidas Pty Limited                       | 5,997,402                      | 0.59%                          |
| Excess Pty Limited                               | 5,458,447                      | 0.54%                          |
| ACN 108 884 779 Pty Limited                      | 3,892,326                      | 0.38%                          |
| Madisons Pty Ltd                                 | 3,700,000                      | 0.37%                          |
|                                                  | 880,289,673                    | 87.02%                         |
| Other shareholders                               | 86,668,583                     | 8.57%                          |
| Total securities of top 100 holdings             | 966,958,256                    | 95.83%                         |
| Total of securities                              | 1,011,646,499                  |                                |
| Total amount of securities not listed            | 44,688,193                     |                                |

## Crossland Strategic Metals Limited Shareholder Information (continued)

### C. Substantial Shareholders

|                             | Number of shares held | Shareholding percentage |
|-----------------------------|-----------------------|-------------------------|
| Emmco Mining SDN BHD        | 557,554,961           | 55.11%                  |
| Asia Infra Partners Limited | 57,571,428            | 5.69%                   |
| HK Tin SDN BHD              | 53,151,817            | 5.25%                   |

### D. Voting Rights

#### **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.

#### **Options**

There are no voting rights attached to the options.

## Schedule 1 Tenements at 31st December 2018

The Consolidated entity held the following tenements at 31 December 2018:

### Project Area: Charley Creek Project Consolidated entity 2

Tenements held by Crossland Nickel Pty Ltd 56.28% / Essential Mining Resources Pty Ltd 43.72%

| Tenement   | Name / Location    | Status  | Date Granted | Renewal Date | AREA (Sub-block) | AREA (km <sup>2</sup> ) |
|------------|--------------------|---------|--------------|--------------|------------------|-------------------------|
| EL 28434   | Hamilton Homestead | Current | 26/07/2011   | 27/07/2019   | 125              | 381.1                   |
| EL 28795 * | Amburla SE         | Current | 14/12/2011   | 13/12/2019   | 10               | 31.52                   |
| EL 28866 * | Everard            | Current | 21/02/2012   | 20/02/2018   | 8                | 25.19                   |
| EL 29789   | Mulga Bore         | Current | 25/07/2013   | 24/07/2019   | 14               | 44.1                    |
| EL 29853   | Bond Springs       | Current | 15/08/2013   | 14/08/2019   | 68               | 214.31                  |
| EL 30058   | Milton Park        | Current | 23/04/2017   | 22/04/2020   | 106              | 334.3                   |

### Project Area: Charley Creek Project Consolidated entity 1

Tenements held by Crossland Nickel Pty Ltd

| Tenement   | Name / Location  | Status      | Date Granted             | Renewal Date | AREA (Sub-block) | AREA (km <sup>2</sup> ) |
|------------|------------------|-------------|--------------------------|--------------|------------------|-------------------------|
| EL 24281   | Charley Creek    | Current     | 07/02/2005               | 06/02/2018   | 37               | 116.6                   |
| EL 25230   | Cockroach Dam    | Current     | 09/11/2006               | 08/11/2017   | 102              | 289                     |
| EL 27358   | Hamilton Downs   | Current     | 17/11/2009               | 16/11/2017   | 82               | 258.3                   |
| EL 27359   | North            | Current     | 17/11/2009               | 17/11/2017   | 31               | 97.8                    |
| EL 28155   | Hamilton South 2 | Current     | 02/02/2011               | 01/02/2019   | 11               | 31.38                   |
| EL 28224   | Hamilton North 2 | Current     | 08/03/2011               | 07/03/2019   | 15               | 47.25                   |
| EL 28226   | Hamilton North 3 | Current     | 08/03/2011               | 07/03/2019   | 22               | 69.34                   |
| EL 31947 + | Cloughs Dam      | Application | Date Applied: 11/07/2018 |              | 58               | 172.75                  |

### Project Area: Charley Creek Project

Tenements held by Crossland Nickel Pty Ltd 45.024% / Essential Mining Resources Pty Ltd 34.976% / WDR Base Metal Pty Ltd 20%

| Tenement   | Name / Location  | Status    | Date Granted | Cancellation Date | AREA (Sub-block) | AREA (km <sup>2</sup> ) |
|------------|------------------|-----------|--------------|-------------------|------------------|-------------------------|
| EL 25657 + | Cloughs Dam (NT) | Cancelled | 30/08/2007   | 10/07/2018        | 58               | 172.8                   |

\*Awaiting renewal

+ WDRBM deregistered (renewal not possible), new application filed over same area

## Corporate Governance Statement

The objective of the Board of Crossland Strategic Metals Limited ("Crossland"), is to create and deliver long term shareholder value through its mineral exploration activities.

The Board and executives consider there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, the Board has committed to corporate governance arrangements that strive to foster values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Crossland and its subsidiaries operate as a single economic unit with a unified board and management. As such, the Board's corporate governance arrangements apply to all companies within the group.

### ASX Corporate Governance Principles and Recommendations

Crossland is a listed Company with a small market capitalisation and where its processes do not necessarily fit the model of the ASX Corporate Governance Principles and Recommendations, the Board believes that there are valid reasons for the different approach being adopted. Reporting against the 8 Principles, we advise as follows:

#### Principle 1: Lay solid foundations for management and oversight

##### 1.1 A listed entity should disclose:

- a. the respective roles and responsibilities of the Board and management
- b. those matters expressly reserved to the Board and those delegated to management.

The primary responsibilities of the Crossland Board include:

- (i) The establishment of long-term goals of the Company and strategic plans to achieve those goals;
- (ii) The review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a regular basis;
- (iii) The appointment of the Managing Director;
- (iv) Ensuring that the Company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- (v) The approval of the annual and half-yearly statutory accounts and quarterly activities and quarterly cash flow reports.

The Board meets on a regular basis. As a Board, Directors hold formal Board meetings at least quarterly, to review the performance of the Company against its goals. Prior to the scheduled monthly board meetings, each board member is briefed by the Managing Director on the current Company financial situation. Company finances are accessible through the Company internal data server and MYOB financial management platform.

Corporate cashflows are provided to Directors, at least quarterly, however, most times monthly updates are provided. Creditor levels are closely monitored, and the Board advised.

The responsibilities of senior management including the Managing Director are contained in letters of appointment and job descriptions given to each appointee on their appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

- (i) Achieve Crossland's objectives as established by the Board from time to time;
- (ii) Operate the business within the cost budget set by the Board;
- (iii) Assess new business opportunities of potential benefit to the Company;
- (iv) Ensure appropriate risk management practices and policies are in place;
- (v) Ensure that Crossland's appointees work with an appropriate Code of Conduct and Ethics; and

## Corporate Governance Statement (continued)

- (vi) Ensure that Crossland's appointees are supported, developed and rewarded to the appropriate professional standards.

### 1.2 *A listed entity should disclose:*

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Board of Crossland undertakes appropriate checks prior to appointing a person or putting a person forward to shareholders as a candidate for election as a director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Information about a candidate standing for election or re-election as a director will be provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate. This information may include:

- (i) biographical details, including relevant qualifications, experience and skills;
- (ii) details of other material directorships;
- (iii) a statement regarding whether the director qualifies as independent;
- (iv) any material adverse information or potential conflicts of interest, position or association;
- (v) the term of office currently served (for directors standing for re-election); and
- (vi) a statement whether the Board supports the election or re-election of the candidate.

### 1.3 *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

All directors and senior executives of Crossland have a written agreement with the Company setting out the terms of their appointment.

### 1.4 *The Company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.*

The Company Secretary of Crossland is accountable to the Board on all governance matters and reports directly to the Chairman as the representative of the Board.

The Company Secretary is appointed and dismissed by the Board.

The Company Secretary's advice and services are available to all directors.

### 1.5 *A listed entity should:*

- (a) have a diversity policy which includes requirement for the board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - 1) the respective proportions of men and women on the board, has defined "senior executive" for these purpose); or
  - 2) if the entity is a "relevant employer" under the Workplace

## Corporate Governance Statement (continued)

Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined in and published under that Act.

The Company believes that the promotion of gender diversity on Boards, in senior management and within the organisation generally:

- broadens the pool for recruitment of high-quality directors and employees;
- is likely to support employee retention;
- through the inclusion of different perspectives, is likely to encourage greater innovation; and
- is socially and economically responsible governance practice.

Given the present size of the Company, there are no plans to establish measurable objectives for achieving further gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

Proportion of Women Employees -

|                                 | 2018 | Percentage |
|---------------------------------|------|------------|
| Women on the Board              | 0    | 0%         |
| Women in Senior Management Role | 0    | 0%         |
| Women Employees                 | 0    | 0%         |

### 1.6 A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

There has been no formal performance evaluation of the Board during the past financial year, although its composition is reviewed at a Board meeting at least annually.

### 1.7 A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

No performance review senior executives and appointees was undertaken. Currently, staffing is mainly outsourced. The Directors are aware of the targets and performance of the Managing Director.

## Principle 2: Structure the Board to add value

### 2.1 The Board of a listed entity should:

- (a) have a nomination committee which;
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director; and disclose
  - 3) the charter of the committee
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge,

## Corporate Governance Statement (continued)

experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not have a formally constituted nomination committee

The size of the Board, coupled with the skills, experience and independence of each Board member, allow the Board as a whole to discharge its duties and responsibilities effectively under the Nomination Committee Charter.

New directors are selected after consultation of all Board members and their appointment voted on by the board. Each year, in addition to any Board members appointed to fill casual vacancies during the year, one third of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

*2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its memberships.*

A governance skills review has not been conducted. A review of Director's skills, knowledge and experience of the current Board is yet to be undertaken.

*2.3 A listed entity should disclose:*

- (a) the names of the directors considered by the Board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Principles but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in
- (c) the length of service of each director.

The names of independent directors of the Company are:

- Sia Hok Kiang who was appointed on 6 August 2013
- Stanislaw (Stan) Wassylko who was appointed on 21 March 2016

Harun Halim Rasip who was appointed on 31 May 2017 is not considered independent due to his substantial shareholding in the Company via his associated entity EMMCO Mining Sdn Bhd.

Eric Vesel who was appointed on 15 November 2015 is not considered independent due to his position as Managing Director.

*2.4 A majority of the board of a listed entity should be independent directors:*

Two of the four directors are considered independent, which does not currently meet ASX Corporate Governance Council recommendations. However, the Board considers that the skills and experience of each director, particularly in the areas of management, finance and resources industry, allow the Board to discharge its duties and responsibilities effectively.

*2.5 The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the Managing Director of the entity.*

Sia Hok Kiang, the non-executive chairman, is considered to be independent.  
Mr Eric Vesel is the Chief Executive Officer.

## Corporate Governance Statement (continued)

- 2.6 *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

At present Crossland does not have a program for the induction of new directors. As the Company grows a programme will be developed for any new Directors.

### **Principle 3: Act ethically and responsibly**

- 3.1 *A listed entity should:*

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

Crossland's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance and observe standards of equity and fairness in dealing with others.

The detailed policies and procedures encapsulate the Company's ethical standards.

### **Principle 4: Safeguard integrity in corporate reporting**

- 4.1 *The Board of a listed entity should:*

- (a) have an audit committee which;
  - 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - 2) is chaired by an independent director, who is not a chair of the Board; and disclose
  - 3) the charter of the committee
  - 4) the relevant qualifications of the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Given that Crossland is a Company with a small market capitalisation, the audit committee is comprised of two directors, as disclosed in the Company's Annual Report, and the Company secretary. The audit committee will have direct access to management and will meet periodically with the external auditors to assess and review internal controls and the Company's statutory reporting. Its activities will assist in ensuring the independence of the external Auditors and provide ready access to the full Board.

The audit committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

- 4.2 *The Board of a listed entity should, before it approves the entity's financial statements for a financial period, received from its Managing Director and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

## Corporate Governance Statement (continued)

Declarations regarding the financial statements are received from the Managing Director and Company accountant. The Board received such declarations for both the half year and annual reports.

- 4.3 *A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

Crossland's auditor attends the Company's AGM in person and is available to answer questions from security holders relevant to the audit.

### Principle 5: Make timely and balanced disclosure

- 5.1 *A listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

The Crossland Board and senior management are conscious of the ASX Listing Rule Continuous Disclosure requirements, which are supported by the law, and the Directors take steps to ensure compliance. The Company has a policy, which can be summarised as follows:

- the Board, with appropriate advice, determines whether an announcement is required under the Continuous Disclosure principles;
- all announcements are approved by the Board, and monitored by the Company Secretary; and
- all media content is approved, in consultation of the Board of Directors, and authorised by a nominated Non-executive Director with their consent.

Crossland believes that the internet is now the best way to communicate with shareholders and provides detailed announcements to the Australian Securities Exchange on a regular basis to ensure that shareholders are kept well informed on Crossland's activities.

### Principle 6: Respect the rights of security holders

- 6.1 *A listed entity should provide information about itself and its governance to investors via its website:*

Crossland's website has a Governance page. The Company endeavours to update the website to include a copy of this Corporate Governance Statement and various governance policies on a regular basis.

- 6.2 *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Shareholders can access the Company's website to view news releases. Shareholders are also able to email the Company. The Company ensures regular reporting, active participation at the Company's AGM and encouragement of shareholder communications.

- 6.3 *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

Notices of the Annual General Meeting, together with accompanying information such as the explanatory memorandum, are sent to shareholders, either by mail or email, depending on the shareholder's election, and are also placed on the Company's website. Shareholders are encouraged to attend the Annual General Meeting and to ask questions.

## Corporate Governance Statement (continued)

- 6.4 *A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.*

The Company website provides an access portal for all significant communications. Shareholders are encouraged to view the ASX website. ASX releases, annual and other reports, Company presentations and notices of general meetings are given on this website.

Shareholders may also elect to receive communications from the Company's share Registrar, Boardroom Pty Ltd, by email.

### Principle 7: Recognise and manage risk

- 7.1 *The Board of a listed entity should:*

- (a) have a risk committee to oversee risk which;
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director; and disclose
  - 3) the charter of the committee
  - 4) the relevant qualifications of the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or
- (b) if it does not have a risk committee, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The size of the Board, coupled with the skills, experience and independence of each Board member, allow the Board as a whole to discharge its duties and responsibilities effectively under the Risk Management Committee Charter.

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. An assessment of the business's risk profile is undertaken on a regular basis and is reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks.

The Managing Director has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly.

Risk is a standing item on the agenda of Board meetings, for reporting against identified material business risks.

- 7.2 *The Board or a committee of the Board should:*

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose in relation to each reporting period, whether such a review has taken place.

Crossland's risk policy and risk register is reviewed by the Board of Directors annually to coincide with the preparation and lodgement of the Company's Annual Report. A review was undertaken in the financial year ending 31 December 2018.

## Corporate Governance Statement (continued)

### 7.3 *A listed entity should:*

- (a) If it has an internal audit function, how the function is structured and what role it performs; or
- (b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Board has determined that, consistent with the size of the Company and its activities, an internal audit function is not currently appropriate. As noted regarding recommendations 7.1 and 7.2 above and regarding Principle 4 above, the Board has adopted a Risk Management Policy and processes appropriate to the size of Crossland to manage the company's material business risks and to ensure regular reporting to the Board on whether those risks are being managed effectively in accordance with the controls that are in place.

### 7.4 *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.*

The Group has developed a series of operational risks which the Group believes to be reflective of the industry and geographical locations in which the Group operates. These risk areas are provided here to assist investors to understand of risks faced by the Group and the industry in which we operate.

The key risks are, and not limited to:

- fluctuations in commodity prices and exchange rates;
- success or otherwise of exploration activities;
- reliance on licenses, permits and approvals from governmental and land-owner's authorities;
- loss of key management;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

## **Principle 8: Remunerate fairly and responsibly**

### 8.1 *The Board of a listed entity should:*

- (a) have a remuneration committee which;
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director; and disclose
  - 3) the charter of the committee
  - 4) the relevant qualifications of the members of the committee; and
  - 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The size of the Board, coupled with the skills, experience and independence of each Board member, allow the Board as a whole to discharge its duties and responsibilities effectively under the Remuneration Committee Charter.

The Company does not have any employees. When required, the Board determines on a case by case basis, the terms and conditions of employment of Company executives and consultants, including remuneration. Senior executives' remuneration packages are reviewed by reference to Crossland's performance, the executive director's or senior executive's performance, as well as comparable information from industry sectors and other listed companies in similar industries, which is obtained from external remuneration sources. This ensures that base remuneration is set to reflect the market for a comparable role.

## Corporate Governance Statement (continued)

- 8.2 *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

Remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

The performance of the executive director and senior executives is measured against criteria agreed annually and bonuses and incentives are linked to predetermined performance criteria and may, with shareholder approval, include the issue of shares and / or options.

There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

- 8.3 *A listed entity should:*

- (a) have a policy on whether participants are permitted to enter into transactions (whether using derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Directors, employees and associates must not engage in short term trading of Company Shares and should not enter into any form of trading or dealing, or procure others to do so, under the following circumstances:

- 1) if they are in possession of information which is not generally available (inside information) being information which, if it were known and available might cause a reasonable person to expect that the value of the Company and /or its shares to be affected;
- 2) during periods other than the nominated Trading Windows defined below
- 3) at all other times their intention to trade has been notified to, and approved by, the responsible person in accordance with this Policy.

In the course of carrying out their duties, directors and employees often possess information which may be regarded as inside information either specifically under terms of the Corporations Code, or more generally by informed and ethical persons.

By way of guidance such information could include, but would not be limited

- financial information of any type such as changes in operating forecasts, adjustments in capital or capital structure, borrowings, liquidity or cash flow circumstances
- information about material acquisitions or divestments by the Company
- changes to the Board, Management or Auditors
- regulatory decisions or significant litigation likely to affect the Company

Directors, employees and their associates may not trade or deal in Company Shares except in accordance with the preceding paragraphs and only during Trading Window periods being those periods beginning 24 hours after lodgement of the Company's half year and annual profit announcements and concluding on the date for closing of books for the next financial reporting period.

Except for the Trading Window periods described in the preceding paragraph, all other times are considered to be "Closed Periods" in terms of Australian Securities Exchange Listing Rule 12.12.1 being those periods when Directors, employees and their associates are generally prohibited from trading in the Company's securities.

## Corporate Governance Statement (continued)

Before dealing in Company Shares, an intention to trade must be discussed with and approved:

- in the case of Directors, by the Chairman
- in the case of the Chairman by an independent director
- in the case of all other employees by a Director

In addition, Directors are obliged to inform the Company Secretary of any dealing in Company Shares in the form required by the Corporations Act.

Employees who wish to trade outside the Trading Windows must obtain prior approval of the Board which may, under exceptional circumstances, consider applications for exemption from compliance with this Policy. The Board will exercise its unfettered discretion in deliberating the merits of each case and consent will generally be provided only in cases of clear financial hardship.

In the context of this Policy, associates of employees include the spouse, partner, members of employee's, spouse's or partner's immediate families together with any third parties or entities controlled by the employee or such associates including family trusts and personal superannuation schemes.