

30th May 2019

Ms Elizabeth Harris
Principal Adviser, Listings Compliance (Perth)
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Ms. Harris,

**Crossland Strategic Metals Limited ("CUX"): Appendix 5B Query - March 2019 Quarter
Response to ASX query notice dated 27 May 2019**

We refer to your letter to CUX dated 27th May 2019 that queries whether Crossland Strategic Metals Ltd. (the Company) has the means to continue funding its operations in light of negative operating cashflows for the March 2019 quarter of \$205,000; holds cash at end of the June quarter of \$320,000; has estimated cash outflows for the next (June 2019) quarter of \$317,000; and that the Company is investigating all available finance options.

Before specifically addressing the queries raised in your letter, the funding model for CUX operations is as follows:

1. On 31st October 2018, the Company reported that it has received a loan of \$600,000 from EMMCO Mining Sdn Bhd (a Malaysian incorporated company) with funds to be used primarily to undertake a 5,000-metre drilling program on its Charley Creek Project in the Northern Territory, Australia.
2. On 31st January 2019, the Company reported that a private placement capital raising is also planned during the 1st half of 2019 which will reduce the need for loans necessary for the completion of Charley Creek Project technical assessment work; and in addition, the Company intends to convert most of its existing loans to debt equity instruments before the capital raising.

At Cattle Creek (part of the Charley Creek project), a 3-week in-fill drilling program has been established and drilling has commenced with current funding, as reported in the Company's December 2018 Activities Report and Appendix 5B report, being utilised to meet drilling costs and assay testing of drill core. The commencement of drilling was delayed by 5 months, as the Company awaited approval for a permit to drill in traditional landowners areas. As a result, our timeline for activities has been delayed. The release the findings from the drilling programme will be delayed, thereby placing stress on company finances and the need to scale back other work planned for the year. Most importantly, the capital raising scheduled for the 1st half of 2019 may be delayed.

The infill drilling program is a necessary requirement to re-establish a 2012 JORC compliant resource, and a key function of the finance strategy, being a shift from loan finance from shareholder partners to public capital funding.

To date, the Company relies on sophisticated investors, namely Atlas Offshore Services Pty Ltd. (AOS) and EMMCO Mining Sdn Bhd., (EMMCO), to fund its work programme until key risk issues are addressed. Both AOS and EMMCO have provided financial support by way of loans to CUX for operational expenditures and current project study activity commitments in the future. Their philosophy is to provide funds as cashflow demands dictate.

AOS and EMMCO are companies associated with Directors of Crossland Strategic Metals Ltd.

The Company's development and finance strategies, as explained above, have been provided in the June, September and December 2018 Quarterly Activities Statement. References to this strategy will be provided in response to the queries below.

To assist the readability, we have italicized quotes from your aforementioned letter.

It is possible to conclude, based on the information in the Appendix 5B that if CUX were to continue to expend cash at the rate indicated by the Appendix 5B, CUX may not have sufficient cash to continue funding its operations. In view of that, ASX asks CUX to respond separately to each of the following questions and requests for information:

1. Does CUX expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company continues to remain solvent and meet the payment of all expenses, as and when they fall due. During the March 2019 quarter, it has been explained in the December 2018 Appendix 5B that the Company will incur estimated cash outflows for the quarter of \$401,000 funded by cash at the end of the December 2018 quarter of \$525,000.

Therefore, the Company will have a negative operating cash flow for the time being whilst it undertakes its exploration and evaluation program at Charley Creek, however this is offset by the Company reporting that it receives finance from sophisticated shareholders and is seeking to undertake a private placement capital raising in the 1st half of 2019.

2. Has CUX taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

As mentioned in our response to Q1 above, and in the Company's December 2018 Activities Report, the Company is seeking to undertake a private placement capital raising in the 1st half of 2019. The success of that capital raising event is, for the most part, reliant upon the drilling program currently being undertaken at Cattle Creek.

3. Does CUX expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Company's ability to raise finance is initially dependent on completing the drilling program currently being undertaken at Cattle Creek and the results of core analysis to be reported soon thereafter. This work is needed to reduce operating and investment risk thereby increasing investor confidence. Without this foundation, the Directors are unable to present a business case for a public capital funding program.

In the interim, the Company relies on sophisticated investors to fund its work programme until key risk issues are addressed. The Company's budgeting and development strategy have been discussed with sophisticated investors, namely Atlas Offshore Services Pty Ltd. (AOS) and EMMCO Mining Sdn. Bhd., who continue to support the Company. To date, they have both provided financial support by way of loans to CUX that has been clearly documented in the June, September and December 2018 Quarterly Activities Report, and both have agreed to continue providing financial support in the future. Their philosophy is to provide funds as cashflow demands dictate. This allows AOS and EMMCO to optimise their own cash flow and therefore CUX will not be able to maintain a large treasury of funds at any point of time.

4. Please provide any other information that CUX considers may be relevant to ASX forming an opinion on whether CUX is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

The evidence of past and future continued support from both sophisticated investors, namely Atlas Offshore Services Pty Ltd. (AOS) and EMMCO Mining Sdn. Bhd., (EMMCO), allows the Company to continue its project development strategy at the Charley Creek Project, to re-establish a 2012 JORC compliant resource and create

future shareholder value. The decision by the Directors to move from debt funding to equity funding shall occur when there is increased investor confidence. This forms part of this development and finance strategy.

5. Please confirm that CUX is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

The Directors confirm that CUX is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

The Directors are aware and have been reminded of the Company's continuous disclosure obligations under ASX Listing Rule 3.1 and the Company's continuous disclosure policy and confirm their understanding of the above.

The Board of Directors of CUX and authorised representatives of Atlas and EMMCO are aware of and support this response to the ASX, and the undertakings and statements provided hereinabove.

Yours Sincerely,



Andrew Metcalfe
Company Secretary
On behalf of Crossland Strategic Metals Ltd.



Eric Vesel
CEO/Director
Crossland Strategic Metals Ltd.



27 May 2019

Mr Andrew Metcalfe
Company Secretary
Crossland Strategic Metals Limited
Level 2, 470 Collins Street
Melbourne VIC 3000

By email: andrew@accosec.com

Dear Mr Metcalfe

Crossland Strategic Metals Limited ('CUX'): Appendix 5B Query

ASX refers to CUX's Appendix 5B quarterly report for the period ended 31 March 2019 lodged with ASX Market Announcements Platform on 30 April 2019 (the 'Appendix 5B').

ASX notes that CUX has reported:

- negative net operating cash flows for the quarter of \$205,000;
- cash at the end of the quarter of \$320,000;
- estimated cash outflows for the next quarter of \$317,000;
- that it is investigating all available finance options.

It is possible to conclude, based on the information in the Appendix 5B that if CUX were to continue to expend cash at the rate indicated by the Appendix 5B, CUX may not have sufficient cash to continue funding its operations.

In view of that, ASX asks CUX to respond separately to each of the following questions and requests for information:

1. Does CUX expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has CUX taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does CUX expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that CUX is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that CUX's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CUX with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3.00 PM AWST Thursday, 30 May 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in CUX's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under

Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CUX's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

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

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to CUX's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CUX's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CUX's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Elizabeth Harris
Principal Adviser, Listings Compliance (Perth)