



9 March 2020

Mr Dale Allen

Principal Adviser, Listing Compliance (Perth)

Level 40, Central Park

152-158 St Georges Terrace

PERTH WA 6000

By Email: dale.allen@asx.com.au

Sultan Resources Ltd

ACN: 623 652 522

CORPORATE DETAILS

ASX Code: SLZ

DIRECTORS

STEVEN GROVES

MANAGING DIRECTOR

JEREMY KING

CHAIRMAN

DAVID LEES

NON-EXECUTIVE DIRECTOR

CONTACT

Suite 2, Level 1,

1 Altona Street

West Perth WA 6005

www.sultanresources.com.au

Dear Mr Allen,

Sultan Resources Ltd (ASX: SLZ): Response to Appendix 5B Queries

We refer to ASX's letter dated 3 March 2020 (**Letter**). Utilising the numbering in the Letter, Sultan Resources Ltd (ACN 623 652 522) (**Company** or **Sultan**) responds as follows:

- 1. Please explain why the exploration and evaluation expenditure outflows in paragraph H were less than the estimated outflows for the same period. In answering this question, please advise the basis upon which the estimated outflows for the quarters were estimated with specific reference to SLZ's budgets, accounting policies and any other relevant documentation and considerations.**

The Company has operated as a listed entity for 18 months and has expended exploration funds on its Projects in a manner it believes is consistent with prudent commercial practice of a junior exploration company operating in the resources climate during those 18 months. To date, the Company has largely focussed its IPO funds on what it believes to be its most prospective exploration project (Lake Grace) in an attempt to deliver shareholder value, notwithstanding that at the time of its IPO, it anticipated that its exploration expenditure would be more balanced across the entire tenement portfolio.

The Board believes it has acted in the best interests of shareholders in undertaking the exploration work to date. Per recent announcements, the Company continues to progress its exploration projects, while using its cash reserves in a manner which the Board believes is appropriate for a junior explorer in the current market.

Accordingly, in light of the above, and as further described below, Sultan has largely focussed its exploration expenditure on the Lake Grace Project (exceeding the initial exploration budget for the Lake Grace Project), although it is acknowledged that the initial exploration budget for the Company's other projects has not been met, for the reasons set out below:

- (a) As with any budget, intervening events and new circumstances (such as grant of the tenements which were, at the date of the Prospectus, in application phase) have the potential to affect the manner in which the Company's funds are ultimately applied. The Company noted this in section 1.6 of its IPO prospectus, also noting that the Board reserved the right to alter the way funds are applied on this basis. As a junior exploration company, Sultan employs conservative and methodical approaches in respect of its exploration activities. As a result, and as is common for many junior exploration companies, reassessment and refocusing of exploration programs occurs from time to time due to various factors. Accordingly, due to the nature of early stage exploration and commodity prices/market conditions, actual exploration expenditure and operating costs often differ from initial estimates set out in the IPO Prospectus.



- (b) In respect of the Lake Grace Project:
- (i) When developing its exploration budget in May-June 2018, the tenements which comprised the Lake Grace Project were in application phase and had not been granted. Accordingly, the Company initially intended that its exploration expenditure would be more balanced, with a focus on the Projects which were comprised of granted tenements (being the Thaduna, East Tallering and Dalwallinu Projects). This was based on initial geological advice and the Board's risk assessments prior to IPO, factoring in risks associated with the likelihood and timing of the grant of the Lake Grace tenements.
 - (ii) The majority of the Lake Grace tenements were granted in late July 2018, with the remaining Lake Grace tenement being granted in February 2019. The Lake Grace Project is the Company's largest asset by tenement area, as it comprises approximately 73% of the total area of Sultan's entire tenement portfolio. However, as the Lake Grace tenements were still in application as at the date of the IPO Prospectus, the Company's commercial approach resulted in its initial exploration budget being focussed on the Thaduna, East Tallering and Dalwallinu Projects which at that time, were the only Projects comprised of granted tenements.
 - (iii) Shortly after the grant of the majority of the Lake Grace tenements, initial work programs were reviewed to include an earlier focus on the newly granted Lake Grace Project area. In the Company's announcement of 16 August 2018, the Company announced that its early focus would be on the Thaduna Project and Lake Grace Project.
 - (iv) As a result of the above factors, Lake Grace is now considered by the Company to be its flagship asset. Consequently, the focus of Sultan's exploration has been shifted to progress these assets as quickly as possible. Exploration work to date has included a comprehensive airborne magnetic survey across the entire 690km² portfolio, ground gravity surveying and two campaigns for RC Drilling. The second drilling campaign was only recently undertaken in February 2020.
- (c) In respect of the exploration expenditure on the Thaduna Project:
- (i) The Company commenced exploration at the Thaduna Project immediately upon listing, with a drill program completed in November 2018. Modest exploration results from the initial drill programme and difficult market conditions resulted in a review of the exploration program for this project, and a review of the Company's exploration strategy for this project.
 - (ii) The drill program included 71 aircore holes for a total of 2,797m of drilling, with generally modest results with a number of geochemically anomalous gold and/or base metal zones identified (see announcement of 13 December 2018). The Company plans to follow up these zones with further infill and extension aircore drilling, with a view to defining deep drill targets in 2020. Prior to mobilising drill rigs, the Company must work to gain access to the buffer zones of a number of heritage sites at the project which abut some of the anomalous zones. The Company is continuing to work to progress the access negotiations with the relevant heritage stakeholders.
 - (iii) Following the results of the drilling program, Thaduna is now less of an immediate focus for the Company, particularly in light of the positive results from the Company's Lake Grace Project which has attracted most of the Company's attention of the past 12 months.
- (d) In respect of the exploration expenditure on the East Tallering and Dalwallinu Projects:
- (i) A number of factors have impacted Sultan's intended exploration programs, including:
 - ongoing negotiations with heritage groups and private landowners, resulting in difficulty in gaining land access to key targeted sites within the East Tallering and Dalwallinu Projects; and



- restricted windows of work opportunity in wheatbelt areas due to farming activity (which limits exploration to the summer months after crops have been harvested);
- (ii) In respect of East Talling, the Company commenced a desktop review in early 2019 of all available historical data. The Company has planned a bedrock drilling program for the project, and has received approval from DMIRS for its Program of Works. Progress to access the site has been delayed due to a change in the cultural heritage group and the need to establish a new access agreement with the relevant cultural heritage stakeholders.
- (iii) The Dalwallinu Project is situated within the wheatbelt farming district approximately 200km north of Perth which limits access and exploration to the summer months after crops have been harvested. Land access compensation agreements are yet to be successfully negotiated with any of the Dalwallinu landowners, however this process is ongoing (as noted in the Company's quarterly reports), and until access is granted, no groundwork is possible.
- (iv) Accordingly, as a result of the combination of access delays and subdued market conditions, the Board was not able to justify the allocation of meaningful funds and resources to groundwork at the Dalwallinu and East Talling Projects during the last 18 months, resulting in a focus on Lake Grace.
- (e) In respect of expenditure generally:
- (i) Following a review, the Company implemented a cost reduction plan in July 2019 due to the challenging operating environment for junior explorers, which resulted in:
- deferral of all non-essential expenditure on the Company's exploration projects;
 - reduction in remuneration to the Company's Managing Director and Board members;
 - reduction in all corporate advisory, investor relations and financial management services; and
 - termination of all non-essential services and consultancy contracts.
- (ii) Sultan has had the good fortune to acquire a quality suite of greenfield exploration assets that have historically been largely underexplored. However, much of the reason for this is the sensitive land access conditions that exist at many of the Company's exploration projects. Sultan has recognised an improvement in the local reception to exploration and mining activities but must proceed sensitively when negotiating land access to allow acceptable land access agreements and compensation for all stakeholders. The Company respects the rights of heritage groups, Native Title groups and private landowners and as a result, there are no shortcuts to negotiating appropriate land access conditions.
- (iii) The Company has also seen difficult market conditions for junior explorers since listing and has taken a prudent approach to exploration spending in order to both progress priority assets and retain a healthy cash balance to fund future programs without having to rely on market sentiment.

Taking into account the above factors, the Company also notes that it identified potential land access risks in sections 1.2 and 5.2 of its IPO Prospectus.

2. What procedures does SLZ have in place to ensure that its estimated cash outflows are accurately estimated?

Throughout each quarter, there is continued dialogue between the Board and Managing Director (who is a geologist) regarding the progress and status of the Company's projects, and results of exploration and assessment work undertaken. In order to achieve a reasonable estimate (with the view to not underestimate), the Company adopts a conservative approach to preparing its budget and estimations for each quarter. When preparing outflow estimates, the Company Secretary and Financial Accountant refer to the Company's existing



exploration plans and the annual budget, and then discussions and consultations between the Board, the Managing Director, the Company Secretary and Financial Accountant occur in respect of the planned exploration and evaluation activities. Planned activities, timing, initial costs estimations, material changes between the last quarter's estimations are discussed, together with appropriate contingency and risk factors.

3. If the current procedures are inadequate, what additional steps does SLZ intend to take to ensure that the estimated outflows are accurately estimated?

The Company believes its procedures are adequate and suitable for a company of its size and nature.

4. Having regard to the fact that it appears, (save for the Thaduna Results), that SLZ has conducted only one exploration program since Admission, being the works undertaken at the Lake Grace Project, please explain why the amounts expended by SLZ on exploration and evaluation since the date of its Admission have been so much lower than what was forecast in the Prospectus, as set out in paragraph J above.

Sultan has conducted exploration work on two of its four Projects, being the Thaduna Project and its largest project, the Lake Grace Project. On one of those projects (Lake Grace), it should be noted that it has exceeded the amount budgeted for in its IPO Prospectus.

Refer to the Company's response to question 1 above for detail on each of the projects and the reasons for the current level of expenditure on each project (see also the response to question 6 below for comparison).

The Company has experienced access delays on the Dalwallinu and East Talling Projects but has still conducted desktop review and historical analysis on all available data while it continues its land access negotiations. Pursuant to the Company's recent announcement of 5 March 2020, the Company has obtained approval from DMIRS for its planned drill programme on East Talling.

The Company is a junior exploration company with IPO funds and no immediate revenue generating assets. Accordingly, due to the factors set out in this response, and the general uncertainties involved with early stage exploration assets, Sultan has conducted exploration work on two of its four Projects. As set out in this response, the exploration programs on East Talling and Dalwallinu have been restricted to date due to the ongoing land access negotiations (see response to question 1 above). Taking into account the above factors, the Company also notes that it disclosed potential access risks in sections 1.2 and 5.2 of its IPO Prospectus, together with detailed exploration risk factors.

5. Please explain:

(a) why SLZ's Listing Rule 4.10.19 statement set out in paragraph L only covers a period of 42 days (being from the date of Admission to 26 September 2018)?

The Company notes this was an administrative error. After consideration of ASX's query and the requirements of Listing Rule 4.10.19, the Company now understands that this statement should not have been included in the accounts lodged on 26 September 2018.

(b) does SLZ consider its use of funds for the period from Admission to 30 June 2019 has been consistent with its business objectives given it has spent since Admission \$996,000 on administration and corporate costs and \$757,000 on exploration and evaluation?

(i) if the answer to question 5(b) is yes, please explain the basis for that conclusion in the context of the use of funds set out at paragraph H?

For the reasons set out in the response to questions 1-4 above, Sultan considers its use of funds for the period from Admission to 30 June 2019 has been consistent with its business objectives.

In respect of the amount of administration and corporate costs compared to expenditure costs to date, the Company notes that:

- With respect to the \$757,000 exploration expenditure figure, Company provides the following clarifying information:



- o The \$757,000 total referred to in ASX's letter is incorrect and should instead be approximately \$837,000.
 - o This is because the table in paragraph H of ASX's letter states that the expenditure for the September 2018 quarter is nil, however the actual expenditure was \$80,000, as set out in the Company's quarterly cash flow report released on 26 October 2018.
 - o The Company has budgeted approximately \$150,000 on its February 2020 drill program at Lake Grace (between January to February 2020), including drilling service costs and costs associated with processing and analysis of assay results. The Company has received invoices of approximately \$125,000 and is anticipating further invoices.
 - o Further to the \$150,000 expenditure in respect of the February 2020 drilling program at Lake Grace (described above), additional funds have been and will be expended on the remaining projects during the quarter ending March 2020, including sample storage fees, geological consulting fees, general tenement maintenance costs, together with costs associated with legal and technical services provided to the Company in respect of the ongoing land access and heritage negotiations.
 - o Taking into account the above total spend across all four projects as at today's date is approximately **\$1,105,993.00**. For a breakdown of this amount, please see the Company's response to question 6 below.
- With respect of the \$996,000 administration and corporate cost figure:
 - o A proportion of this figure is comprised of one-off direct costs which were incurred by Sultan as part of its initial public offer process. These IPO costs of approximately \$162,125 are comprised of ASX fees, legal fees, geologist report fees, investigating accounting report fees and other miscellaneous offer costs).
 - o Accordingly, outside of the direct one-off costs incurred in the ordinary course of the IPO, a total of approximately \$833,875 has been spent on administration and corporate costs compared to the \$837,000 exploration expenditure per the quarterly reports.
 - o Of the \$833,875, approximately \$146,000 represents director fees, and the remaining \$687,875 represents additional costs such as:
 - costs of Sultan's 2019 loyalty offer;
 - corporate advisory fees to the JLMs (see response to question 7 below);
 - investor relation fees; and
 - general ongoing costs and overheads incurred in the ordinary operation of a publicly listed company such audit fees, tax fees, legal fees, company secretarial and financial management fees, and share registry fees.
 - o In addition, we would note that when these figures are adjusted to account for the Company's spend up to today's date, the comparison is **\$922,703** on administration and corporate costs (excluding IPO costs), and **\$1,105,993** on exploration across all projects.
- The Company further notes:
 - o as set out in its 3 July 2019 announcement, it undertook a review of operations and costs which resulted in various cost-reduction measures (listed in 1(e)(i) above);
 - o in addition to administration and corporate costs budgeted in the IPO Prospectus, the Company also undertook a loyalty rights issue offer in February 2019 (per the Company's offer document dated 15 February 2019), which resulted in additional



corporate and administration costs, but which was undertaken with the view to reward investors for their loyalty, having committed their capital at or before the IPO and to reward shareholders who purchased shares after the IPO;

- o the Company retains cash reserves of approximately \$2.59m, which is allocated for expenditure that is consistent with its use of funds and objectives; and
- o although the Company's expenditure has occurred at a slower pace than originally anticipated (for the reasons specified in this response), the Company still intends to progress the exploration and development of its Projects, subject to the relevant technical and geological advice.

(ii) if the answer to question 5(b) is no, please provide an explanation of how the cash and assets have been used?

N/A.

6. Please provide a breakdown of how much SLZ has spent on each of its four projects, being East Talling, Thaduna, Dalwallinu and Lake Grace as set out at paragraph J.

Having regard to the updated statement of commitments released by Sultan on 14 August 2018, accounting for the 18 month period that has elapsed since Admission, and assuming \$150,000 will be spent on Lake Grace exploration in the March 2020 quarter, the Company provides the following information:

Allocation of funds	Yr1 estimate	Yr2 estimate	Total estimate	Pro Rata estimate (18 months since Admission)	Approximate Actual Expenditure*
Exploration expenditure on the Thaduna Project	\$420,000	\$502,500	\$922,500	\$691,875	\$307,920
Exploration expenditure on the Dalwallinu Project	\$382,500	\$295,750	\$678,250	\$508,688	\$76,187
Exploration expenditure on the East Talling Project	\$277,500	\$410,750	\$688,250	\$516,188	\$75,814
Exploration expenditure on the Lake Grace Project	\$320,000	\$355,000	\$675,000	\$506,250	\$646,073
Total	\$1,400,000	\$1,564,000	\$2,964,000	\$2,223,000	\$1,105,993

* The Company notes that the above figures are unaudited and based on internal management accounts.

7. What services do each of the JLM's provide to SLZ with respect to the JLM Retainer Fees (being \$7,500 plus GST per month) paid to each of ARQ and Xcel?

ARQ Capital and Xcel Capital are the appointed corporate advisors of Sultan Resources. As previously announced on 3 July 2019 "Exploration and Company Update", as part of the Company-wide cost reduction program, the JLM's retainer fees were reduced to \$6,000 plus GST per month.

The key services the JLM's provide to the Company include:

- marketing and updating current and potential new investors on the Company's activities and plans;
- reviewing and providing comment on Company documents where necessary and when appropriate;
- assisting with identifying and recommending appropriate service providers (investor relations and other media) to assist in communicating the company's key activities and messages;
- providing strategic advice to the Company incorporating investor/market feedback and general sentiment;



- as and when required, providing input and advice on potential funding requirements and planning;
- investor relations, including:
 - o leading and organising investor presentations;
 - o providing feedback and insights on investor presentations; and
 - o providing the Company with background information on key investors and potential new strategic investors;
- attending Company strategy / planning sessions, as required and when appropriate;
- participating in due diligence processes when appropriate; and
- providing advice on structure and valuation for any potential material transactions.

8. Please confirm that SLZ is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that it remains in compliance with the Listing Rules and in particular, Listing Rule 3.1.

9. Please confirm that SLZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SLZ with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that these responses have been authorised and approved by the Board in accordance with the Company's continuous disclosure policy.

Yours faithfully

Mauro Piccini
Company Secretary
Sultan Resources Limited



3 March 2020

Mr Mauro Piccini
Company Secretary
Sultan Resources Limited

By email: mp@miradorcorporate.com

Dear Mr Piccini

Sultan Resources Ltd ('SLZ'): Appendix 5B Queries

ASX Limited ('ASX') refers to the following:

- A. SLZ's prospectus dated 12 June 2018 issued in connection with its initial public offer ('Prospectus') which on pages 184-185 sets out the material terms of the joint lead manager mandate ('Mandate') agreed to by SLZ and ARQ Capital Pty Ltd ('ARQ') and Xcel Capital ('Xcel') ('JLM's'). Pursuant to which under the Mandate, the JLM's are each paid a monthly retainer of \$7,500 (plus GST) ('JLM Retainer Fees') for a minimum period of 18 months from the date of SLZ's admission to the official list of ASX. The JLM Retainer Fees are in addition to the success fee paid to ARQ of \$80,000 (plus GST) and \$70,000 (plus GST) paid to Xcel and the capital raising fee of 6% (plus GST) of funds raised under the Prospectus paid jointly to the JLM's.
- B. SLZ's admission to the Official List of ASX and the commencement of its securities to trading on 16 August 2018 ('Admission') following SLZ completing a capital raising \$4,800,000 pursuant to an offer under its prospectus dated 12 June 2018 ('Prospectus').
- C. SLZ's announcement entitled, '*Maiden Drilling Program Identifies Gold & Base Metal Target*' released to the Market Announcements Platform ('MAP') on 13 December 2018 which discloses exploration results at the Thaduna project ('Thaduna Results').
- D. SLZ's announcement entitled, '*RC Drill Program Completed*' released to the MAP on 4 April 2019 which discloses exploration results at the Lake Grace project ('Lake Grace Announcement').
- E. SLZ's announcements entitled '*First Gold Assay Results*' released to the MAP on 16 May 2019 and the announcement entitled '*Exploration and Company update*' released to the MAP on 3 July 2019 which discloses gold assay results in relation to the Lake Grace Announcement ('Lake Grace Assay Announcement').
- F. SLZ's announcement entitled '*Exceptional Results Highlight Gold Potential at Lake Grace*' released to the MAP on 29 October 2019 which discloses the ground gravity survey results from the Lake Grace project ('Lake Grace Survey Announcement').
- G. SLZ's announcement entitled '*RC Drill Program Testing Gravity Targets Completed*' released to the MAP on 17 February 2020 which discloses that 5 RC drill holes were completed at the Lake Grace project ('Lake Grace Results').
- H. SLZ's expenditure and estimated expenditure on 'Exploration & Evaluation' and 'Administration and Corporate Costs' as per its Appendix 5B quarterly reports for each quarter since the commencement of trading of SLZ's securities following Admission, as follows:

Date	Exploration & Evaluation (Actual)	Estimated Exploration & Evaluation	Administration and Corporate Costs (Actual)	Estimated Administration and Corporate Costs	Corporate Advisory & Lead Manager Fees (JLM Fees)
September 2018	\$0	\$300,000	\$339,000	\$183,000	\$371,046
December 2018	\$230,000	\$300,000	\$201,000	\$183,000	\$45,000
March 2019	\$95,000	\$300,000	\$78,000	\$190,000	\$78,000
June 2019	\$266,000	\$100,000	\$171,000	\$127,000	\$45,000
September 2019	\$84,000	\$62,000	\$79,000	\$152,000	\$45,000
December 2019	\$82,000	N/A	\$128,000	N/A	\$45,000
TOTAL	\$757,000	\$1,062,000	\$996,000	\$835,000	\$629,046

- I. Non cash fees paid to the JLM's, which included the issue of 3,000,000 options to each JLM on the terms set out on page 184 of the Prospectus.
- J. The proposed use of funds for the 2 years following Admission which indicates SLZ intended to apply at least \$2,775,000 to exploration expenditure and \$930,000 to administration and corporate costs in the first 24 months following its Admission, as set out on page 13 of the Prospectus, as follows:

1.6 Objectives of the Offer and Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following admission of the Company to the Official List of ASX as follows:

Funds available	Minimum Subscription (\$) (\$4.5m)		Maximum Subscription (\$) (\$5m)	
	Year 1	Year 2	Year 1	Year 2
Cash reserve ¹	300,251		300,251	
Funds raised from the Offer	4,500,000		5,000,000	
Total	4,800,251		5,300,251	
Allocation of funds				
Expenses of the Offer ²	194,769	-	198,208	-
Lead Managers Fee	420,000	-	450,000	-
Exploration expenditure on the Thaduna, Dalwallinu and East Talling Projects (Granted Tenements) ³	1,010,000	1,135,000	1,120,000	1,400,000
Exploration expenditure on the Lake Grace Projects (Tenements in Application) ³	300,000	330,000	350,000	400,000
Tenement Maintenance Costs ³	10,000	10,000	11,000	11,000
Administration Costs ⁴	400,231	530,000	399,792	500,000
Working capital	180,126	280,125	190,126	270,125
Total	2,515,126	2,285,125	2,719,126	2,581,125

- 1 Refer to the Investigating Accountant's Report set out in Section 8 of this Prospectus for further details of the Company's financial information.
- 2 Refer to Section 11.7 of this Prospectus for further details of the expenses of the Offer.
- 3 Refer to Section 4.5 and the Independent Geologist's Report in Section 6 for further information on the Company's exploration program.
- 4 Administration Costs are comprised of director and management fees and other general costs associated with the management and administration of the Company.

- K. The proposed allocation of funds for each of the projects held by SLZ set out on page 29 of the Prospectus, as follows:

4.5 Exploration Program

The Company proposes to fund its exploration activities over the first two years as outlined in the table below.

The Company's intended exploration program is also set out in the Independent Geologist's Report in Section 6.

Project	Expenditure (\$) Minimum Subscription				Expenditure (\$) Maximum Subscription			
	Year 1	Year 2	Subtotals	Total Project Spend	Year 1	Year 2	Subtotals	Total Project Spend
East Talling								
Geological and geophysical surveys	10,000	-	10,000		15,000	-	15,000	
Geochemical Drilling (Aircore)	-	100,000	100,000		-	100,000	100,000	
Deeper Drilling (RC or DDH)	260,000	300,000	560,000	670,000	270,000	380,000	650,000	765,000
Dalwallinu								
Geological and geophysical surveys	10,000	-	10,000		15,000	-	15,000	
Geochemical Drilling (Aircore)	100,000	-	100,000		130,000	-	130,000	
Deeper Drilling (RC or DDH)	250,000	300,000	550,000	660,000	260,000	350,000	610,000	755,000
Thaduna								
Geological and geophysical surveys	10,000	-	10,000		20,000	-	20,000	
Geochemical Drilling ¹ (Aircore)	200,000	50,000	250,000		220,000	70,000	290,000	
Deeper Drilling (RC or DDH)	170,000	385,000	555,000	815,000	190,000	500,000	690,000	1,000,000
	1,010,000	1,135,000	Subtotal	2,145,000	1,120,000	1,400,000	Subtotal	2,520,000
Other								
Provision of funds allocated for the Lake Grace Project Applications ²	300,000	330,000	630,000		350,000	400,000	750,000	
Total	1,310,000	1,465,000	2,775,000		1,470,000	1,800,000	3,270,000	

Notes:

- 1 Drilling costs are "all-in" costs.
- 2 Funds to be available for exploration of the Lake Grace Project upon receiving approval for the grant of tenement applications E70/5081, E70/5082, E70/5085, E70/5095, E70/5179.
- 3 The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances (such as grant of the Lake Grace Project Tenements which are, at the date of this Prospectus, in application phase) have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis. Expenditure may be reallocated as a consequence of such changes or new opportunities arising and will always be prioritised in accordance with due regard to geological merit and other business decisions related to the Company's activities. Ongoing assessment of the Company's Projects may lead to increased or decreased levels of expenditure reflecting a change of emphasis.

- L. The following statement on page 42 of SLZ's 2019 Annual Report lodged on MAP on 26 September 2019 ('Annual Report'):

"Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that in the period from admission to the official list of the ASX to 26 September 2018, that it used its cash and assets in a form readily convertible to cash, in a manner consistent with its objectives."

- M. Listing Rule 4.10.19, which states (emphasis added):

*"In its first two +annual reports after admission (or in the case of an entity that has been required to comply with listing rule 1.3.2(b) because of the application of Listing Rule 11.1.3, in the first two annual reports after the reinstatement of the entity's securities to quotation following compliance with listing rule 11.1.3), a statement about whether the entity used the cash and **assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. If the use was not consistent, an explanation of how the cash and assets were used.** The statement in the first +annual report must be for the time between admission (or reinstatement to quotation) and the end of the reporting period. The statement in the second +annual report must be for the whole of the reporting period. This rule applies to an entity admitted under rule 1.3.2(b) and an entity required to comply with listing rule 1.3.2(b) because of the application of listing rule 11.1.3."*

N. Listing Rule 12.1 which states:

That the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

Request for Information

Having regard to the above, ASX asks SLZ to respond separately to each of the following questions and requests for information:

1. Please explain why the exploration and evaluation expenditure outflows in paragraph G above were less than the estimated outflows for the same period. In answering this question, please advise the basis upon which the estimated outflows for the quarters were estimated with specific reference to SLZ's budgets, accounting policies and any other relevant documentation and considerations.
2. What procedures does SLZ have in place to ensure that its estimated cash outflows are accurately estimated?
3. If the current procedures are inadequate, what additional steps does SLZ intend to take to ensure that the estimated outflows are accurately estimated?
4. Having regard to the fact that it appears, (save for the Thaduna Results), that SLZ has conducted only one exploration program since Admission, being the works undertaken at the Lake Grace Project, please explain why the amounts expended by SLZ on exploration and evaluation since the date of its Admission have been so much lower than what was forecast in the Prospectus, as set out in paragraph H above.
5. Please explain:
 - a. why SLZ's Listing Rule 4.10.19 statement set out in paragraph J above only covers a period of 42 days (being from the date of Admission to 26 September 2018)?
 - b. does SLZ consider its use of funds for the period from Admission to 30 June 2019 has been consistent with its business objectives given it has spent since Admission \$996,000 on administration and corporate costs and \$757,000 on exploration and evaluation?
 - i. if the answer to question 5(b) is yes, please explain the basis for that conclusion in the context of the use of funds set out at paragraph G above?
 - ii. if the answer to question 5(b) is no, please provide an explanation of how the cash and assets have been used?
6. Please provide a breakdown of how much SLZ has spent on each of its four projects, being East Tallering, Thaduna, Dalwallinu and Lake Grace as set out at paragraph I above.
7. What services do each of the JLM's provide to SLZ with respect to the JLM Retainer Fees (being \$7,500 plus GST per month) paid to each of ARQ and Xcel?

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8. Please confirm that SLZ is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 9. Please confirm that SLZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SLZ with delegated authority from the board to respond to ASX on disclosure matters.

Listing Rule 12.1 Considerations

It is ASX's opinion, based solely on information available to date, that SLZ's operations are not sufficient to warrant the continued quotation of its securities.

ASX will afford SLZ a period of 6 months from the date of this letter to demonstrate to ASX that it is compliant with Listing Rule 12.1. If SLZ does not demonstrate compliance with this rule to ASX's satisfaction by 27 August 2020, ASX may suspend SLZ's securities from official quotation.

If SLZ proposes to enter into any transactions it must consult with ASX so that it may consider the application of Listing Rule 11.1, in particular, Listing Rule 11.1.3. Please refer to ASX Guidance Note 12: *Significant Changes to Activities* which provides further information on significant changes to listed entity activities and the application of the Listing Rules to those changes.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00PM AWST Tuesday, 10 March 2020**.

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 Rules 3.1 and 3.1A

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

Suspension

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

Enquiries

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

Yours sincerely

Dale Allen
Principal Adviser, Listings Compliance (Perth)