



Crossland Strategic Metals Limited
(ABN 64 087 595 980)

6th August 2018

Mr Emerson Walker
Adviser, Listings Compliance (Perth)
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Perth WA 6000

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Dear Mr. Walker,

**Crossland Strategic Metals Limited ("CUX"): Aware Query
Response to ASX query notice dated 31 July 2018**

We refer to your letter to CUX dated 31 July 2018 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 June quarter of \$335,000; cash at end of the June quarter of \$155,000; and estimated cash outflows for the next (September) quarter of \$252,000.

Before specifically addressing the queries, please allow us to firstly provide further information regarding CUX's project development and its current finance strategies at this point in time. This should help answer many of the queries in context to CUX's overall business plan which CUX has communicated to the investing public in the Q2, 2018 Activities Statement and, in part, in prior announcements.

CUX is an exploration company working toward developing its Charley Creek rare earth project. The maturity of project requires more specific and detailed studies, many of which are beyond the exploration stage; such as downstream process test-work, metallurgical, engineering and infrastructure studies. As work is completed, confidence in the project improves making it easier to finance the next stage of operations.

The finance strategy will therefore shift from loan finance from shareholder partners to public capital funding when the Company reaches a stage where and when the Directors believe that public investors can make a reasoned view of the Company's prospects. This strategy is discussed later.

Crossland's project development strategy remains focused on updating the Charley Creek Scoping Study, as a necessary step for further funding of the project pre-feasibility study. Two significant work programmes emerged during our Stage 1 Scoping Study review:

1. Crossland will undertake an infill drilling programme at Cattle Creek. This information is a necessary requirement to re-establish a 2012 JORC compliant resource.
2. Additional refinery product test-work is required to provide greater confidence in our proposed refining process, product yields and specification. Large scale laboratory test-work, involving bulk material processing, is required to obtain sufficient concentrate for refinery test work. This work also serves to provide metallurgical and engineering "proof of concept" for several of the concentration processes, these tests are normally completed during the pre-feasibility stage. At this juncture, Crossland is currently making enquiries to determine details of this work. It is envisaged that the work programme will be underway this year, budget permitting. The cost of these programmes and the Stage 2 Scoping Study update are estimated to be \$750,000 to \$1M. By completing the work programmes above, Crossland can update the Stage 2 Scoping Study. With this study in hand, the potential of the Charley Creek project can be independently substantiated, thereby allowing Crossland to confidently present a business model and raise funds from the investing public at such time.

The Company's ability to raise finance is therefore dependent on completing further downstream process test-work, metallurgical, engineering and infrastructure studies. 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. Our budgeting and development strategy has been discussed with sophisticated investors, namely Atlas Offshore Services Pty Ltd. (AOS) and EMMCO Mining Sdn. Bhd., a Malaysian Incorporated Company (EMMCO), who continue to support the business. To date, they have both provided financial support by way of loans to CUX. Both AOS and EMMCO, have offered financial support for operational expenditures and current project study activity commitments in the future. Their philosophy is to provide funds as cashflow demands dictate.

This allows AOS and EMMCO to optimise their own cash flow even while CUX, as a consequence, will not be able to maintain a large treasury of funds at any point of time. Existing shareholders benefit from CUX's access to loans rather than dilution from the issue of shares especially when the share price is at current low levels.

CUX is cognisant of debt exposure, and in time when the business case emerges, the company will need to consider a new equity issue or convertible instruments to dispense with loans as a source of funds and to manage future debt levels. CUX continues to monitor debt in relation to the allowable share issue provisions of Listing Rule 7.1 and 7.3.

AOS and EMMCO are companies associated with Directors of Crossland.

The Company development and finance strategies, as explained above, have been provided in the Q2, 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, as such the company will not continue with a negative operating cashflow. Appendix 5b does not allow for forthcoming loans (finance) to be shown except in Note 2 of the notes section which addresses the issue of an apparent negative cashflow, as shown by the entries in Section 8 and 9. Note 2 states, "To finance further activities, a further loan of \$250,0000 has been agreed with EMMCO Sdn. Bhd on 24th of July 2018. Details of the loan have not been finalised at this time. The loan facility is planned for August 2018. Until funds are received, this forthcoming loan is not reflected in Section 8 of this report." In the view of the Directors of CUX, this new funding combined with cash at end of the quarter adequately meets estimated cash outflows for the next quarter.

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?

CUX is an exploration company working toward developing its rare earth project. As work is completed the confidence in the project improves making it easier to finance the next stage of operations. The strategy for shifting from loan finance from shareholder partners to public capital funding is addressed in the 2nd Quarter Activities Statement. The relevant section of the report is provided, as follows:

“Crossland’s project development strategy remains focused on updating the Charley Creek Scoping Study, as a necessary step for further funding of the project pre-feasibility study. Two significant work programmes emerged during our Stage 1 Scoping Study review:

1. Crossland will undertake an infill drilling programme at Cattle Creek. This information is a necessary requirement to re-establish a 2012 JORC compliant resource. Details of this programme is discussed further below.
2. Additional refinery product test-work is required to provide greater confidence in our refining process, product yields and specification. Large scale laboratory test-work, involving bulk material processing, is required to obtain sufficient concentrate for refinery test work. This work also serves to provide metallurgical and engineering “proof of concept” for several of the concentration processes, normally these tests are completed during the pre-feasibility stage. At this juncture, Crossland is making enquiries to determine details of this work. It is envisaged that the work programme will be underway this year, budget permitting.

By completing the work programmes above, Crossland can update the Stage 2 Scoping Study. With this study in hand, the potential of the Charley Creek project can be independently substantiated, thereby allowing Crossland to confidently raise funds at significantly higher market value. The cost of these programmes and the Stage 2 Scoping Study update are estimated to be \$750,000 to \$1M.

Both AOS and EMMCO, have offered financial support for operational expenditures and current Project Study Activity commitments until year end. Funding will be progressively secured through further loans to reduce shareholder dilution. In time, Crossland shall need to consider shares issues or convertible instruments to manage debt levels. AOS and EMMCO are companies associated with Directors of Crossland.”

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 dependent on completing further specified field work, laboratory test-work, metallurgical and engineering studies, as stated in the response to Q2. 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. Our budgeting and development strategy has been discussed with sophisticated investors, namely Atlas Offshore Services Pty Ltd. (AOS) and EMMCO Mining Sdn. Bhd., a Malaysian Incorporated Company (EMMCO), who continue to support the business.

To date, they have both provided financial support by way of loans to CUX that has been clearly documented in the 2nd 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 as a consequence of such, CUX will therefore not be able to maintain a large treasury of funds at any point of time.

Existing shareholders benefit from CUX access to loans rather than dilution from the issue of shares when share price is low. CUX is cognisant of debt exposure, and in time, the company will need to consider a new equity issue or convertible instruments to collateralise loans to manage debt levels. CUX continues to monitor debt in relation to the allowable share issue provisions of Listing Rule 7.1 and 7.3.

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 rare earth 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 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. No information has been withheld, financial or otherwise, that would be price sensitive or conceived to be aiding market manipulation.

6. Please confirm that CUX'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 CUX with delegated authority from the board to respond to ASX on disclosure matters.

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.



31 July 2018

Mr Andrew Metcalfe

Company Secretary
Crossland Strategic Metals Ltd
Level 2, 470 Collins Street
Melbourne VIC 3000

By email: andrew@accosec.com

Dear Mr Metcalfe

Crossland Strategic Metals Ltd (the "Entity"): Appendix 5B Query

I refer to CUX's Appendix 5B quarterly report for the period ended 30 June 2018 lodged with ASX Market Announcements Platform on 31 July 2018 (the "Appendix 5B").

ASX notes that CUX has reported:

- negative net operating cash flows for the quarter of \$335,000;
- cash at the end of the quarter of \$125,000; and
- estimated cash outflows for the next quarter of \$252,000.

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 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).
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.
6. Please confirm that CUX'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 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, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9:00am AEST on Monday, 6 August 2018. 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.

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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 tradinghaltspert@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

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 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*.

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

Kind regards

[Sent electronically without signature]

Emerson Walker

Adviser, Listings Compliance (Perth)