



Market Announcement

28 August 2019

Attached for the information of the market is ASX's query letter to Lustrum Minerals Limited (ASX:LRM) dated 22 August 2019 and LRM's response dated 27 August 2019.

ASX's enquiries into the matters dealt with in that correspondence are ongoing.

27 August 2019

LUSTRUM
MINERALS LIMITED

Madeleine Green
Senior Adviser, Listings Compliance (**Perth**)
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Ms Green,

RE: Lustrum Minerals Limited ('**LRM**' or '**Company**' or '**Entity**): "Query Letter"

In response to your letter dated 22 August 2019, LRM provides the following response:

- Please provide ASX with a detailed explanation regarding LRM's rationale for the Buy-Back, specifically commenting on why it was considered appropriate when LRM had been listed on ASX for approximately 6 months and had not fulfilled the exploration program it was conducting, and noting that LRM proposed to buy-back up to 33.7% of its quoted shares at the time of the Buy-Back Announcement (not including the 10,367,500 shares that were still ASX restricted).***

The Buy-Back was intended to improve shareholder returns, enhance balance sheet capital efficiency while maintaining the Entity's flexibility, and unencumbered ability to pursue growth and all other means of generating shareholder value. The share price closed at approximately \$0.10 per share as at the close of May 5, 2018 (representing a 50% decrease from its \$0.20 per share issue price at its Initial Public Offer). The 'Optimal Capital Structure' concept is a basic, and relevant, premise of economic theory and corporate finance, that the capital structure of a company should be efficient regardless of how it is financed (be it by debt or equity, or other), this however assumes certain conditions such as, for example, an efficient market (Modigliani & Miller, 1958).

Following the announcement of the Buy-Back, the Company's share price closed at \$0.135 on 17 May 2018, being the next traded day following the announcement of the Buy-Back. This represents a 35% increase between the two last traded periods and does not challenge the proposition of the board, that shareholders are advantaged by the board's decision to conduct the Buy-Back (by nature of the price appreciation).

Further, leading up to the decision to conduct the Buy-Back; the board (amongst themselves and informally) conducted discussions that led to the logical conclusion that a Buy-Back was, at very least, an altruistic endeavour in regards to the Company's shareholders by way of it facilitating a return to the Company's capital to its shareholders.

Given the share price performance of the Company at the time of undertaking the Buy-Back, the Company took the rational position that the Company's share price was inefficiently priced, by way of it being undervalued, and therefore optimised the balance sheet by way of taking advantage of this perceived inefficiency. By conducting a Buy-Back the Company was, in effect, deploying cash in favour of cancelling equity at a positive net present value rate (i.e. the Company's cash was better utilised being swapped out for equity than it was sitting as idle cash, given the market's inefficient pricing of the securities of the Company). The Board believed this measure would improve shareholder returns, enhance the balance sheet capital efficiency and still not encumber the Company's ability to maintain and pursue its main undertaking of developing its Consuelo Project.

As stated above, the Company's share price had effectively halved within 5 months of listing, despite the Company conducting an exploration program in accordance with its IPO prospectus and obtaining exploration success, as referred to in its announcements dated 29 January 2018, 5 March 2018 and 30 April 2018. The Company believes that its share price decline was likely linked to coal commodity pricing at the time and the share price decline of comparable ASX listed companies.





The obligations upon the Company's directors to pursue the deployment of the Company's capital in the best interests of its shareholders (as per Section 181 of the Corporations Act) and the Company's assessment of the competing availability of other capital deployment options; the Company's board considered the Buy-Back the best utilisation of the Company's capital. Furthermore, the Company did not deem the Buy-Back to jeopardise its ability to undertake its exploration commitments; the Company still maintained sufficient access to capital and fell materially within the guidance of its Initial Public Offer prospectus to undertake its exploration endeavours.

Therefore, the board deemed the Buy-Back a rationale and efficient measure in ensuring its duty to shareholders seeing the optimum use of the Company's capital.

- 2. Please detail whether there was any agreement or arrangement, whether written or unwritten, with any shareholder or shareholder's adviser of LRM, or adviser or promoter of LRM that a buy-back would occur of LRM's securities.**

No, there wasn't.

- 3. Please provide ASX with a copy of the LRM board minutes from the meeting at which it was resolved to conduct the Buy-Back (not to be released to market).**

Buy-Back discussions were undertaken over a number of days informally, outside of any scheduled board meetings. As such, a Circular Resolution was drafted and executed by the Board on 14 May 2019. **[CR included in Q3 folder]**

- 4. Please provide ASX with a schedule of the shareholders whose shares were bought back pursuant to the Buy-Back including the number of shares, price, and identifying any shareholders who were, or are currently, related parties, promoters or associates of LRM (not to be released to market).**

As per the email correspondence with the Company's share registry Automic Group Pty Ltd (**Automic**), the Company can only provide the specific details of each of its purchases or Buy-Backs from their side of the transaction. Neither the Company nor Automic is privy to the details of the holder on the other side of a trade; as is the case with every other shareholder buying or selling shares on the ASX.

However, in an attempt to answer the above question as thoroughly as possible, the following annexures have been provided **[refer folder Q4]**:

1. Email correspondence from Automic as referenced above;
 2. A reconciliation spreadsheet detailing the specifics (listed below) of each of the Buy-Back transactions undertaken by the Company:
 - a. Date;
 - b. Quantity;
 - c. Price;
 - d. Brokerage;
 - e. Total cost; and
 - f. Settlement date;
 3. A Transaction History Report from Automic showing each Buy-Back and cancellation on the Company's HIN; and
 4. 46 Daily Holdings Movement Reports; one for each of the Company's 46 Buy-Backs.
NB: These reports have been provided in an attempt to narrow down the list of potential shareholders whose shares may have been bought back by the Company pursuant to the Buy-Back but cannot be used in any way as a true and accurate record of how shares changed hands.
- 5. Please provide ASX with a detailed breakdown of what LRM has spent on exploration and evaluation from its listing to date, including invoices, remittance advice or other documentation in relation to the expenditure (not to be released to market).**

A spreadsheet itemising every exploration and evaluation expense incurred by the Company from Sept 2017 through to 30 June 2019 (being the date of the latest 5B) has

been provided. Invoices have also been provided for every transaction. **[Refer to folder Q5].**

- 6. Please confirm that LRM is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

The Company is in compliance with ASX Listing Rule 3.1.

- 7. Please confirm that LRM'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 LRM with delegated authority from the board to respond to ASX on disclosure matters.**

Confirmed.

For, and on behalf of, the Board of the Company,

Loren King

Non-Executive Director and Secretary

Lustrum Minerals Limited

Tel: (+61 8) 6489 1600

l.king@cicerogroup.com.au

- ENDS -





22 August 2019

Ms Loren King
Company Secretary
Lustrum Minerals Limited

By email: l.king@cicerogroup.com.au

Dear Ms King

Lustrum Minerals Limited ('LRM'): Query Letter

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

- A. LRM's admission to the Official List of ASX on 14 November 2017 and the commencement of trading of its securities on ASX on 15 November 2017.
- B. The ASX Notice released on the ASX Market Announcements Platform ('MAP') on 14 November 2017, disclosing that LRM had 27,500,001 quoted shares, 10,367,500 restricted shares to be held in escrow for a period of 24 months from the date of quotation of LRM's securities (until 14 November 2019) and 2,132,500 restricted shares to be held in escrow for a period of 12 months from the date of their issue (until 31 January 2018).
- C. Paragraph 1.6 of LRM's initial public offer ('IPO') prospectus dated 21 August 2017, released on MAP on 14 November 2017, which stated that LRM expected to use \$3,000,000 of the funds raised under its IPO on the following matters:

Item	A\$	%
Cash reserves as at the date of this Prospectus	197,864	3.8%
Funds raised from the Offer	5,000,000	96.2%
Total funds available	5,197,864	100%
Expenses of the Offer	627,400	12.1%
Exploration Program Costs	3,000,000	57.7%
Acquisition Costs and refundable deposit	500,000	9.6%
Administration costs	350,000	6.7%
Working capital	720,464	13.9%
Total funds allocated	5,197,864	100%

- D. LRM's announcement entitled "On-Market Buy-Back of Ordinary Shares" released on MAP on 14 May 2018 ('Buy-Back Announcement'), announcing an on-market buy-back facility of up to 4,000,000 ordinary shares in LRM and the intention of LRM to increase the on-market buy-back facility by a further 6,000,000 ordinary shares, subject to shareholder approval. The Buy-Back Announcement states that:

The Buy-Back is intended to improve shareholder returns, enhance capital efficiency while maintaining the Company's flexibility to pursue growth and other means of generating shareholder value.

- E. LRM's announcement entitled "Results of General Meeting" released on MAP on 16 August 2018, disclosing that shareholder approval was obtained to allow LRM to buy back 10,000,000 shares pursuant to the on-market buy-back announced on 14 May 2018 ('Buy-Back').

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- F. LRM's announcement entitled "Appendix 3F – Final share buy-back notice" released on MAP on 18 August 2019 ('Appendix 3F'), regarding the conclusion of the Buy-Back and confirming that LRM had bought back 6,148,551 ordinary shares for total consideration of \$848,913.02.
 - G. LRM's Appendix 5Bs which collectively show LRM has spent approximately \$939,000 on exploration and evaluation since its initial listing on ASX.
 - H. LRM's current quoted issued capital of 24,588,950 fully paid ordinary shares, 10,367,500 ASX restricted fully paid ordinary shares and 30,000,000 ASX restricted performance shares.

Request for Information

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

1. Please provide ASX with a detailed explanation regarding LRM's rationale for the Buy-Back, specifically commenting on why it was considered appropriate when LRM had been listed on ASX for approximately 6 months and had not fulfilled the exploration program it was conducting, and noting that LRM proposed to buy-back up to 33.7% of its quoted shares at the time of the Buy-Back Announcement (not including the 10,367,500 shares that were still ASX restricted).
2. Please detail whether there was any agreement or arrangement, whether written or unwritten, with any shareholder or shareholder's adviser of LRM, or adviser or promoter of LRM that a buy-back would occur of LRM's securities.
3. Please provide ASX with a copy of the LRM board minutes from the meeting at which it was resolved to conduct the Buy-Back (not to be released to market).
4. Please provide ASX with a schedule of the shareholders whose shares were bought back pursuant to the Buy-Back including the number of shares, price, and identifying any shareholders who were, or are currently, related parties, promoters or associates of LRM (not to be released to market).
5. Please provide ASX with a detailed breakdown of what LRM has spent on exploration and evaluation from its listing to date, including invoices, remittance advice or other documentation in relation to the expenditure (not to be released to market).
6. Please confirm that LRM is complying with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that LRM'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 LRM 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 **5:00 PM AWST Tuesday, 27 August 2019**.

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 LRM'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 LRM'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 may suspend trading in LRM'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

Madeleine Green
Senior Adviser, Listings Compliance (Perth)