

15 May 2019

Attn: Daniel Nicholson
Adviser Listings Compliance
Level 40, Central Park
152-158 St Georges Tce
Perth WA 6000

Dear Daniel

ASX Enquiry Hylea Metals Limited (HCO) Appendix 5B 31 March 2019

Thank you for your letter dated 14 May 2019 via email with queries in relation to the cashflow and additional funding needed to continue the activities of Hylea Metals Limited (**HCO**).

We wish to confirm the following as per your queries;

Query 1. Future Negative Operating Cashflows

HCO confirms that its primary business is resource exploration and development, and not currently having a project in production generating cashflow, the Company will continue to have negative operating cash flows for the foreseeable future.

Query 2. Future capital raising

HCO has recently completed a consolidation of its share capital. The purpose of the consolidation was to provide HCO greater flexibility and additional pathways to raise additional capital. We are currently in the advanced stage of preparing for our next capital raising initiative which is not yet finalised and as such there is nothing further to disclose at this time.

Our major shareholders have indicated their willingness to support future capital raisings either via a placement or rights issue. We are at an advanced stage of finalising a capital raising with them, we understand that their support is based on the belief that HCO's cobalt asset has the potential to become a significant cobalt resource. Despite the recent downturn in cobalt prices, HCO and our major shareholders continue to believe that cobalt will remain an important battery metal for the Electric Vehicle market for the foreseeable future and this will continue to drive demand for the metal.

Query 3 Commitment to continuing its operations and business objectives

HCO believes that it will be able to continue its operations and meet its business objectives by raising the additional capital described in our response above, which will be used to advance the HCO cobalt project located in NSW.

Query 4 Compliance with Listing Rule 3.1

HCO confirms that to the best of its knowledge, it is in compliance with Listing Rule 3.1 and that there is not any 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.

Query 5 Board approval and compliance with published continuous disclosure policy.

HCO confirms that its responses to the questions above have been authorised and approved by Simon Andrew, Managing Director of HCO, with delegated authority from the HCO Board to respond to ASX on disclosure matters.

For more information, please contact the Company Secretary or Managing Director on 08 9278 2441 or info@hyleametals.com.au.

Yours faithfully



Amanda Burgess
Company Secretary



14 May 2019

Reference: 02096

Ms Amanda Burgess
Company Secretary
Hylea Metals Limited

By email

Dear Ms Burgess

Hylea Metals Limited ('HCO'): Appendix 5B Query

ASX refers to HCO'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 HCO has reported:

- negative net operating cash flows for the quarter of \$156,000;
- cash at the end of the quarter of \$75,000;
- estimated cash outflows for the next quarter of \$300,000; and
- additional funding in the amount of \$150,000 by way of loan from Neon Capital Ltd ("Loan").

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

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

1. Does HCO expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has HCO 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 HCO expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that HCO 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 HCO'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 HCO 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 **11:00 AM AWST Friday, 17 May 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in HCO'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, HCO'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 HCO'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 HCO'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 HCO'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 faithfully

Daniel Nicholson
Adviser, Listings Compliance (Perth)