

CAPITAL MINING LIMITED

ABN 69 104 551 171



5 July 2017

Sebastian Bednarczyk
ASX Compliance Pty Ltd
Level 40, Central Park,
152-158 St Georges Terrace
Perth WA 6000

Dear Sebastian

Capital Mining Limited (“CMY”): Appendix 5B Query

In response to your letter dated 29 June 2017, CMY provides the following information in relation to the payments for exploration and evaluation; and administration and corporate costs disclosed in Appendices 5B for the period between 31 March 2016 and 31 March 2017.

1. A breakdown of the payment for exploration and evaluation (inclusive of GST).

Quarter	Payments	Breakdown
30/06/2016	\$15,000	-
30/09/2016	\$125,000	Wolfhound acquisition costs, WA tenement pegging costs geological consultants, tenement manager
31/12/2016	\$358,000	Drilling, exploration consultants for WA & NSW, tenement managers
31/03/2017	\$153,000	Drilling, exploration consultants for WA & NSW, tenement managers

2. A breakdown of the administration and corporate costs payments for each quarter including the amounts paid to each individual director; the amount paid to the company secretary; and itemised details of the expenditure for the balance of the administration and corporate costs payments (inclusive of GST).

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Quarter	Total Payments	Director payments	Payments to Mining Corporate	Other
30/06/2016	\$1,380,000	P Dykes \$178,200 P Torney \$288,200 A Dunlop \$178,200.00	\$27,402	\$707,998 Consulting fees, compliance costs, promotion & marketing travel, operating costs.
30/09/2016	\$1,289,000	P Dykes \$145,600 P Torney \$156,600 A Dunlop \$145,600	\$63,076	\$778,124 Consulting fees, compliance costs, legal fees, travel, operating costs.
31/12/2016	\$868,000	P Dykes \$143,800 P Torney \$168,400 A Dunlop \$143,800	\$36,992	\$375,008 Consulting fees, wages, compliance costs, travel, operating costs, insurances
31/03/2017	\$566,000	P Dykes \$101,200 P Torney \$112,200 A Dunlop \$101,200	\$30,078	\$221,322 Consulting fees, wages, compliance costs, travel, operating costs.

Note: The payments to Mining Corporate are not limited to company secretarial work but includes accounting, bookkeeping & administration services.

3. (i) The exploration & evaluation payments have, in aggregate, been substantially less than the exploration & evaluation Estimated Outflows over the past four quarter. However, apart from the September 2016 quarter, the exploration estimates were reasonably in line with estimates.

Quarter	Actual	Estimated in previous quarter	Difference (-ve = underspend; +ve = overspend)
30/06/2016	\$15,000	\$60,000	-\$45,000
30/09/2016	\$125,000	\$500,000	-\$375,000
31/12/2016	\$358,000	\$295,000	\$63,000
31/03/2017	\$153,000	\$250,000	-\$97,000

The September 2016 variation is due to a number of factors such as timing of tenement access, whereby exploration work was delayed and carried about in the subsequent quarter.

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- (ii) The administration and corporate costs payments have been substantially greater than the Estimated Outflows over the past four quarters due to costs associated with the assessment of acquisition opportunities presented to the Company. These costs included consultant fees and travel costs. Through analysis of these opportunities, the Company has secured a range of new assets such as the Wolfhound Lithium Project in the Republic of Ireland, a suite of lithium prospective tenements in Western Australia and most recently the Scotia Cobalt Project in Western Australia.
 - (iii) The basis upon which the estimated Outflows for the next quarter were estimated with reference to the annual budget.
4. The procedures did the Company have in place to ensure the Estimated Outflows in its Appendices 5B are accurately estimated comprised reference to the annual budget previously agreed by the board, and consultation prior to lodgement of the Appendix 5B for each quarter.
 5. Given the variances in estimated outflows versus actual outflows, the Company intends to undertake additional steps ensure that the Estimated Outflows are accurately estimated. The annual budget will now be reviewed quarterly and updated to reflect any change in exploration plans as a result of exploration activities and any other costs associated with the business, such as due diligence costs if a suitable acquisition opportunity is presented. This review will take place prior the announcement of each Appendix 5B to ensure that the basis for the Estimated Outflows is current
 6. CMY is in compliance with Listing Rule 3.1 and there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
 7. The above responses provided have been authorized and approved by the board.

Should you have any queries, please contact Company Secretary, Elizabeth Hunt.

Yours faithfully
Capital Mining Limited

Peter Dykes
Director



29 June 2017

Mrs Elizabeth Hunt
Capital Mining Limited
216 St Georges Terrace
PERTH WA 6000

By email

Dear Mrs Hunt

Capital Mining Limited (“Company”)

ASX Limited (“ASX”) refers to the following:

1. The Company’s Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 31 March 2016 released on the ASX Market Announcements Platform on 29 April 2016 which reported:
 - Estimated cash outflows for the next quarter (“Estimated Outflows”) relating to exploration and evaluation of \$60,000; and
 - Estimated Outflows relating to administration of \$250,000.
2. The Company’s Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 30 June 2016 released on the ASX Market Announcements Platform on 29 July 2016 which reported:
 - Payments for exploration & evaluation of \$15,000;
 - Payments for administration of \$1,380,000;
 - Estimated Outflows relating to exploration and evaluation of \$500,000; and
 - Estimated Outflows relating to administration of \$500,000.
3. The Company’s Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 30 September 2016 released on the ASX Market Announcements Platform on 31 October 2016 which reported:
 - Payments for exploration & evaluation of \$125,000;
 - Payments for administration and corporate costs of \$1,289,000;
 - Estimated Outflows relating to exploration and evaluation of \$295,000; and
 - Estimated Outflows relating to administration and corporate costs of \$275,000.
4. The Company’s Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 31 December 2016 released on the ASX Market Announcements Platform on 31 January 2017 which reported:

- Payments for exploration & evaluation of \$358,000;
 - Payments for administration and corporate costs of \$868,000;
 - Estimated Outflows relating to exploration and evaluation of \$250,000; and
 - Estimated Outflows relating to administration and corporate costs of \$250,000.
5. The Company's Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 31 March 2017 released on the ASX Market Announcements Platform on 30 April 2017 which reported:
- Payments for exploration & evaluation of \$153,000;
 - Payments for administration and corporate costs of \$566,000;
6. The Appendix 5B compliance statement which states as follows:-
- COMPLIANCE STATEMENT*
- "This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX."*
7. Listing Rule 3.1, which 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.

In relation to the payments for exploration and evaluation; and administration and corporate costs disclosed in the Appendices 5B for the period between 31 March 2016 and 31 March 2017, please provide the following information:

1. A breakdown of the payments for exploration and evaluation.
2. A breakdown of the administration and corporate costs payments for each quarter including the following:-
 - i. the amounts paid to each individual director;
 - ii. the amount paid to the company secretary; and
 - iii. itemised details of the expenditure for the balance of the administration and corporate costs payments.
3. Please provide any other information that the Company considers may be relevant in relation to these queries.
4. Please also explain the following. In answering these question please advise the basis upon which the estimated Outflows for the next quarter were estimated with specific reference to the Company's budgets and accounting policies and any other relevant documentation and considerations.
 - i. Why the exploration & evaluation payments have been substantially less than the exploration & evaluation Estimated Outflows over the past four (4) quarters, amounting to a total overestimation of actual quarterly exploration & evaluation Estimated Outflows of approximately \$454,000?
 - ii. Why the administration and corporate costs payments have been substantially greater than the Estimated Outflows in each of the past four (4) quarters, amounting to a total underestimation of actual quarterly administration Outflows of approximately \$2,828,000?

5. What procedures does the Company have in place to ensure that its Estimated Outflows in its Appendices 5B are accurately estimated?
6. If the current procedures are inadequate, what additional steps does the Company intend to take to ensure that the Estimated Outflows are accurately estimated?
7. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

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 **3pm WST on Monday, 3 July 2017**.

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, the Company'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 Sebastian.b@asx.com.au.

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.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

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

Yours sincerely

[sent electronically without signature]

Sebastian Bednarczyk
Senior Adviser, Listings Compliance