



Niuminco Group Limited

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9 August, 2017

Ms Violetta Codreanu
Adviser, Listings
Australian Stock Exchange

By email violetta.codreanu@asx.com.au

Dear Ms Codreanu,

Appendix 5B Query

We refer to your letter dated 7 August, 2017 regarding the Company's Appendix 5B announcement for the period ended 30 June, 2017 and respond to your questions, in the same order, as follows:

1. Does NIU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company advises that it may have negative operating cash flows until such time as the installation, commissioning and testing of its new processing plant and circuit at its Edie Creek Mine is completed, and larger, more consistent volumes and/or higher grades of ore are able to be processed.

As advised in the June Quarterly Activities Report the commissioning and testing of this plant is currently underway with an anticipated four to six-fold increase in processing capacity, and an expected resultant significant increase in gold/silver production and sales.

The following extract is taken from the June Quarterly Activities Report :

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Newly installed 5 tph ball mill and concentrator

Production for the period 1 April to 30 June, 2017 was 3853g (123.9 ounces) of gold and 4047g (130.1 ounces) of silver for total sales of AUD\$201,930 (PGK499,747).

The 2tph ball mill was removed in late March and whilst the new plant installation and testing work took place over the past three months, limited mining and processing operations continued using the amalgam barrels to process the very small tonnage, high grade material being mined.

A total of **125** wet tonnes of ore was processed at an average grade of **30.9** grams per processed tonne of ore.

Following the successful testing of the new 5tph ball mill and the relocated vibrating screen, installation of the ore feed storage bin, vibrating feeder, conveyor belt and ball mill feed bin has been completed, with testing and commissioning currently being conducted.

The continuing lack of mains power (now for 11 consecutive months), combined with a breakdown of the main back-up site generator in March/April (which required its diesel motor to be replaced) slowed and disrupted the installation and processing operations.

The Company's short term strategy remains focused on achieving increased, consistent mining and processing throughput of 40 to 60 tonnes per day.

The in-line spinner concentrators are due to undergo repair and upgrading works over the coming weeks so that full and optimum operating capacity is available to coincide with the increased 5tph processing capacity of the new ball mill grinding circuit.



Newly installed mechanical ball mill feeding plant

At current gold prices and exchange rates the current operating cost break-even production level at Edie Creek is approximately 2580 grams (83 ounces) of gold per month.

The new roller crusher is the next item scheduled for installation, and following the installation and commissioning of all the new processing plant and equipment, the Company remains confident that it will achieve these significantly higher production levels."

The above pictured ball mill and mechanical feed plant has been installed and is currently being test run.

Both current and future cash flows are dependent on the quantity and grade of ore able to be mined and processed at the Company's Edie Creek Mine. We note that in the June 2016 Quarter Niuminco's Edie Creek mine achieved sales of \$526,000 on volumes of only 13 tonnes per day, and that the Company has been progressively

increasing its mining and processing capacity over the past 3 years, since recommencing mining operations in February 2014.

We further note that despite the Company having had a mining operation for the past three and a half years, Niuminco is classified as an "exploration" company and as such is not able to give the market "guidance" on future quarter's sales, although required to estimate future quarter expenditures.

Notwithstanding this, in an attempt to provide greater clarity to the market, the Company added a note to the June 5B Report in Section 9, specifically stating that there were estimated cash inflows of between \$600,000 and \$1,500,000 from gold/silver sales and repayment of loans in the current quarter.

The estimated exploration, staff costs and administration expenditures for the current quarter can again be curtailed, and therefore significantly reduced (as in the June Quarter), if necessary or required.

The Board continues to monitor cash flows and capital requirements to ensure the Company remains positioned to achieve its business objectives.

2. Has NIU 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?

As it has done for the past three and a half years, the Company is currently and plans to continue, to mine and process material to produce gold and silver sales from its Edie Creek Mine during the current quarter.

Additionally, as advised in the June Quarterly Activities Report, on 29 June, 2017 the Company announced that its 72.1% owned TNT Mines Limited had lodged a Prospectus with the ASIC for an Initial Public Offering (IPO) of 27,500,000 shares at \$0.20 to raise \$5,500,000 and the listing of those shares on the ASX. Upon a successful completion of this IPO the Company will receive repayment of approximately \$960,000 of accumulated management fees and loans from TNT Mines. The Company will advise the market of the results of the IPO which, unless extended, is due to close on 18 August, 2017.

We further note that the Company has been able to raise capital in the past as required to support its activities and is confident that it has the ability to raise working capital if required or necessary.

3. Does NIU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Company expects to be able to continue its operations and meet its business objectives. As noted in the June Quarterly Activities Report and as stated above, the Board expects revenue and overall financial performance to improve during 2017/18 financial year, and has set in motion the process to receive loan and fee repayments of up to approximately \$960,000 this quarter.

The Company has been able to raise capital in the past as required to support its activities and is confident that it has the ability to raise working capital if required or deemed necessary.

4. Please provide any other information that NIU considers may be relevant to ASX forming an opinion on whether NIU 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).

In relation to Listing Rule 12.2, the adequacy of the Company's financial position is dependent on the performance of the mining operations at Edie Creek, the success of its exploration activities, the success of future fund raising activities (including repayment of loans to Niuminco from the TNT Mines Limited IPO) and/or the success of any full or partial sales of any of its assets.

As stated above, the Company expects increasing income from its Edie Creek mining operations, has initiated the float of TNT Mines Limited and awaits its completion, and as noted above and demonstrated over previous years, is confident it has the ability to raise additional capital if necessary or required.

5. Please confirm that NIU 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 Company confirms that it is in compliance with the ASX Listing Rules, in particular Listing Rule 3.1 and there is no information that should be given to the ASX about the Company's financial condition in accordance with that Rule that has not already been released to the market.

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

The Company confirms that its responses to the questions above have been authorised and approved by the Board of the Company.

Yours sincerely



M T Ohlsson
Company Secretary



7 August 2017

Mr Mark Ohlsson
Company Secretary
Niuminco Group Limited
14 Narabang Way
Belrose NSW 2085

By email: ohlsson@bigpond.net.au

Dear Mr Ohlsson

Niuminco Group Limited (“NIU”): Appendix 5B Query

I refer to NIU’s Appendix 5B quarterly report for the period ended 30 June 2017 lodged with ASX Market Announcements Platform on 31 July 2017 (the “Appendix 5B”).

ASX notes that NIU has reported:

- negative net operating cash flows for the quarter of \$74,000;
- cash at the end of the quarter of \$1,000; and
- estimated cash outflows for the next quarter of \$580,000.

It is possible to conclude, based on the information in the Appendix 5B that if NIU were to continue to expend cash at the rate indicated by the Appendix 5B, NIU may not have sufficient cash to continue funding its operations. In view of that, ASX asks NIU to respond separately to each of the following questions and requests for information:

1. Does NIU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has NIU 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 NIU 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 NIU considers may be relevant to ASX forming an opinion on whether NIU 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 NIU 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 NIU'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 NIU 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 **9:30am AEST on Thursday, 10 August 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in NIU'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, NIU'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. 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 NIU'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 NIU'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 NIU'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*.

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

Yours sincerely,

[sent electronically without signature]

Violetta Codreanu

Senior Adviser, Listings Compliance (Sydney)