

# CAPITAL MINING LIMITED



ABN 69 104 551 171

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23 May 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 18 May 2017, CMY provides the following information.

1. CMY expects that it will continue to have negative operating cash flows for the time being while its operations are in the exploration phase.
2. CMY has taken steps to further raise cash to fund its operations. At the general meeting held on 19 April 2017, shareholder approved the placement of shares to raise up to \$2 million. Additionally shareholders ratified all previous share issues made without shareholder approval, thereby refreshing the company’s 15% placement capacity under Listing Rule 7.1. Subsequent to this shareholder meeting, the company completed a placement of shares with a total value of \$3.01 million.
3. On this basis, CMY expects to be able to continue its operations and meeting its business objectives. The company has sufficient funds to meet the estimated cash outflows for the next quarter. Budgets for subsequent quarters will be estimated based on available funds and exploration results.
4. 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.
5. The above responses provided have been authorized and approved by the board.

In addition to the above, CMY refers to the announcement of 29 March 2017 which advises that CMY agreed to a settlement with Broken Coast Cannabis Limited (“BCC”) whereby BCC agreed to pay Capital the sum of C\$250,000.00 to finalise the dispute pursuant to a Binding agreement between CMY and BCC (“Settlement”).

As part of this Settlement, CMY retains the right to negotiate further investment in BCC for a period of 90 days following the execution of the Settlement agreement. To date, the CMY directors have met with BCC executive management in Vancouver. The meeting was highly positive, and provided the basis for further negotiations in relation to a potential

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investment in BCC by CMY. Negotiations remain ongoing and CMY will update the market on any material progress and outcomes of its negotiations with BCC.

Per the announcement dated 12 May 2017, CMY continues to assess opportunities both with BCC and other potential investments for Capital subsidiary company, Capital Cannabis, in the medicinal cannabis sector.

CMY confirms that minerals exploration remains the focus of Capital Mining and remains unaffected by any medicinal cannabis transaction considerations.

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

Yours faithfully  
**Capital Mining Limited**

**Peter Dykes**  
Director



18 May 2017

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

By email

Dear Ms Hunt

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

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

ASX notes that CMY has reported:

- negative net operating cash flows for the quarter of \$1,214,000;
- cash at the end of the quarter of \$1,107,000; and
- estimated cash outflows for the next quarter of \$1,350,000.

It is possible to conclude, based on the information provided in the Appendix 5B that if CMY were to continue to expend cash at the rate indicated by the Appendix 5B, CMY may not have sufficient cash to continue funding its operations. In view of that, ASX asks CMY to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does CMY expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has CMY 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 CMY expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that CMY is in compliance with Listing Rule 3.1 and that 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.
5. Please confirm that CMY’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 CMY with delegated authority from the board to respond to ASX on disclosure matters.

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

### **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 3:00 pm WST on Tuesday, 23 May 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in CMY'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, CMY'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](mailto:Sebastian.b@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 CMY'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 CMY'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 CMY'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]*

Sebastian Bednarczyk  
Senior Adviser, Listings Compliance (Perth)