

CONDOR BLANCO MINES LIMITED ("CDB", "the Company")

RESPONSE TO ASX QUERIES OF 9 MAY 2016

- 1. Please identify the parties who were issued the 825,001 shares at \$0.024 per share and 23,679,352 shares at \$0.02 per share detailed in CDB's Revised Appendix 3B lodged with ASX on 26 August 2015 and their relationship (if any) to CDB. Please also provide evidence that the funds raised by that issue were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015.**

Response: Please see share reconciliation and cash book attached (Appendix 1). No parties issued shares per the query in item 1 were related or associated parties of CDB.

- 2. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 1 immediately above and if not, why not?**

Response: The Company believed that a cleansing notice was not required due to the Cleansing Prospectus given to ASX after lodgement with ASIC on 7 August 2014.

- 3. Please identify the parties who were issued the 6,800,000 shares at \$0.025 per share detailed in CDB's Appendix 3B lodged with ASX on 8 September 2015 and their relationship (if any) to CDB. Please also provide evidence that the funds raised by that issue were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015.**

Response: Please see share reconciliation and cash book attached (Appendix 1). No parties issued shares per the query in item 3 were related or associated parties of CDB.

- 4. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 3 immediately above and if not, why not?**

Response: The Company believed that a cleansing notice was not required due to the Cleansing Prospectus given to ASX after lodgement with ASIC on 7 August 2014.

- 5. Please identify the parties who were issued the 13,924,000 shares at \$0.025 per share detailed in CDB's Appendix 3B lodged with ASX on 23 September 2015 and their relationship (if any) to CDB. Please also provide evidence that the funds raised by that issue were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015.**

Response: Please see share reconciliation and cash book attached (Appendix 1). No parties issued shares per the query in item 5 were related or associated parties of CDB.

6. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 5 immediately above and if not, why not?

Response: The Company believed that a cleansing notice was not required due to the Cleansing Prospectus given to ASX after lodgement with ASIC on 7 August 2014.

7. Please provide evidence that the funds raised by the issue of the 45,000,000 shares at \$0.025 per share detailed in CDB's Appendix 3B lodged with ASX on 25 September 2015 were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015. In answering this question please specifically explain how the issue of securities to ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd – see item 13 below) "pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-associated parties" is consistent with the use of funds disclosed to shareholders in CDB's notice of meeting, being:

(6) The Company intends to use the proceeds from the Placement for working capital requirements and to add further value to current exploration projects in Northern Chile (enhancing their value for potential joint ventures).

Response: As at the date of the Notice of Meeting, 20 May 2015, the statement of the Company's intention as to the use of the proceeds from the Placement was correct.

Difficulties had arisen in the audit verification of the operating liabilities of Tierra Amarilla SCM, a Chilean subsidiary of the Company, and, after discussions with the Company's auditors following 20 May 2015, the Directors anticipated that the audit report for the year ending 30 June 2015 would be qualified in this respect (as occurred). It was important for the Company, in the interests of its shareholders, to deal with that issue. That was the purpose of the Escrow Deed between the Company and EMC Nominees Pty Ltd dated 25 September 2015, which constituted EMC Nominees the agent of the Company to allot "Consideration Shares" on behalf of the Company in accordance with Directions received by the Company. No consideration was paid or payable by EMC Nominees in respect of those shares. The Escrow Deed and an agreement entered into between the Company, Minesweeper Limited, Monclar Pty Ltd and Tierra Amarilla SCM dated 22 September 2016 had the effect of replacing the liabilities of the Chilean subsidiary (which was subsequently deconsolidated) with equity in the Company represented by new shares taken up by investors sourced by Minesweeper Limited and allotted by EMC Nominees following a Direction by the Company in accordance with notification to it by Minesweeper Limited. The foregoing was the subject of information provided in the Company's September 2015 and December 2015 Quarterly Reports.

For more particulars see the answer to item 14.

8. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 7 immediately above and if not, why not?

Response: The Company believed that a cleansing notice was not required due to the Cleansing Prospectus given to ASX after lodgement with ASIC on 7 August 2014. In any event, none of those shares have been transferred or sold. 17,062,640 shares were cancelled when unutilised.

- 9. ASX notes that CDB announcement to the market on 25 September 2015 stated that the 45,000,000 shares were placed "at 2.5 cents (\$0.025) in escrow held by ECM (Nominees) Pty Ltd" and that the Appendix 3B lodged on the same day stated "Issue Price or consideration - \$0.025 each ordinary share". CDB's annual report for FY15 included similar statements. Please provide evidence (such as a copy of a bank statement) confirming that ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd – see item 13 below) in fact paid the issue price of 2.5 cents per share? Also:**

Response: The Company's announcement and Appendix 3B are not inconsistent with the facts: 45,000,000 shares, on which no consideration had been paid, were available for allotment at 2.5 cents each on the finalisation of confidential agreements on funding ...

The market was informed on the finalisation of those agreements in the Company's December Quarterly Report.

- a. If it did, please explain why CDB's Quarterly Activities Report dated 2 November 2015 discloses that the amount paid up for the issue was "Nil".**

Response: See above.

- b. If it did not, please explain why not, given the statements to the contrary in the CDB's market announcement dated 25 September 2015 and its FY15 Annual Report.**

Response: See above.

- c. If it did not, please also explain how the issue of 45,000,000 shares is consistent with the resolution approved by shareholders on 26 June 2015, noting that the issue price in the notice of meeting dated 20 May 2015 was described as follows:**

(3) The issue price will be at least 80% of the average market price of Shares in the five (5) Trading Days on which sales in the Shares were recorded prior to the date on which the issue of Shares is made to the relevant sophisticated or professional investors. The market price is the closing price of the Shares on each day.

Response: See above. The allotment price was at least 80% of the average market price of the shares in the five Trading Days on which sales in the Shares were recorded prior to the date on which the Shares were allotted to the relevant sophisticated and professional investors.

- 10. Please provide evidence that the funds raised by the issue of the 50,000,000 shares at \$0.01 per share detailed in CDB's Appendix 3B**

lodged with ASX on 1 March 2016 were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 27 October 2015. In doing so, please explain how the issue of securities to ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd – see item 13 below) "pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-associated parties" is consistent with the use of funds disclosed to shareholders in CDB's notice of meeting, being:

6) The Company intends to use the proceeds from the Placement for working capital requirements, geophysics and the development of the Company's mining assets in Turkey, Chile and to assess new mining projects domestically and internationally.

Response: The 50,000,000 shares were in escrow, available for allotment at 1 cent per share. None of the 50,000,000 shares have been allotted and no consideration has been paid or is payable for any of them.

11. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 10 immediately above, and if not, why not?

Response: None of the shares have been allotted. See response to item 10 above.

12. ASX notes that on CDB announcement to the market on 1 March 2016 stated that the 50,000,000 shares were placed "at 1 cent (\$0.01) in escrow held by ECM (Nominees) Pty Ltd" and that the Appendix 3B lodged on the same day stated "Issue Price or consideration - \$0.01 each ordinary share". Please provide evidence (such as a copy of a bank statement) confirming that ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd - see item 13 below) in fact paid the issue price of 1 cent per share? Also:

Response: See response to item 10 above.

a. If it did, please explain why CDB's Quarterly Activities & Cashflow Report dated 29 April 2016 discloses that the amount paid up for the issue was "Nil".

Response: That statement is correct. See response to item 10 above.

b. If it did not, please explain why not, given the statements to the contrary in the CDB's market announcement dated 1 March 2016.

Response: See response to item 10 above. Neither the 1 March 2016 announcement nor the Appendix 3B stated that the consideration had been received. There was no statement to the contrary.

c. If it did not, please also explain how the issue of 50,000,000 shares is consistent with the resolution approved by shareholders on 27 November 2015, noting that the issue price in the notice of meeting dated 27 October 2015 was described as follows:

(3) The issue price will be at least 80% of the average market price of Shares in the five (5) Trading Days on which sales in the Shares were recorded prior to the date on which the issue of Shares is made to the relevant sophisticated or professional investors. The market price is the closing price of the Shares on each day.

Response: There is no inconsistency – see above.

13. ASX understands that despite the numerous references made by CDB in the announcements and documents referred to above to ECM (Nominees) Pty Ltd, that this entity should in fact have been identified as EMC (Nominees) Pty Ltd, an entity associated with CDB's lawyers Eakin McCaffery Cox. Is this correct?

Response: This is correct. This was a typographical error and Condor apologises for this.

14. Please explain the relationship between ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd – see item 13 above) and CDB and the terms on which it held the 45,000,000 shares referred to in item 7 and the 50,000,000 shares referred to in item 10. Specifically, please advise whether:

We attach the following documents:

- A. "Assignment, Indemnity and Put Option Agreement" between the Company, Minesweeper Limited, Monclar Pty Ltd and Tierra Amarilla SCM dated 22 September 2016;
- B. "Share Issue Assignment Agreement" between Minesweeper Limited (Minesweeper) and an allottee (which my client assumes is, in substance, the form of agreement used for all allottees);
- C. "Escrow Deed" between the Company and EMC Nominees Pty Ltd dated 25 September 2015;

It is essential to read Agreement A in the light of Agreement B, noting the following:

- (i) *"Minesweeper Limited has the right to assign **the right to receive shares in Condor Mines Limited** (Condor Mines Limited Agreement A)"* (our emphasis);
- (ii) the subject matter of Agreement B is the assignment by Minesweeper of *"**the right to be issued the shares (in the Company) for the Purchase Price**"*, which right arose under Agreement A.

The purpose and effect of Agreement C was to constitute EMC Nominees Pty Ltd, the agent of the Company to allot "Consideration Shares" on behalf of the Company in accordance with Directions received by the Company.

The purpose of Agreements A and C, to which the Company was a party, was to replace the liabilities of Tierra Amarilla SCM, a Chilean subsidiary of the Company, with equity in the Company, to be represented by new shares to be taken up by investors sourced by Minesweeper Limited (New Shares and the New Share Allottees respectively).

No consideration for the issue or allotment of the Consideration Shares was paid, or was payable, by EMC Nominees. The consideration for the Consideration Shares was the share price payable by Minesweeper pursuant to Agreement B, to be received by Minesweeper pursuant to Agreement A in consideration of Minesweeper assuming the Company's liability for the Debts referred to in Agreement A.

There were no voting rights, nor any other rights, in respect of New Shares until the New Share Allottees became the holders by entry of their names on the Company's Register of Members. Accordingly, there were no voting shares in which a relevant interest could be held, nor in respect of which there could be a "*substantial holding*", nor a power of disposal, until the New Share Allottees became the holders of New Shares.

It was common ground between the Company and Minesweeper and EMC Nominees that the allotment of New Shares must not contravene section 606 of the Act.

In entering into Agreement C, the Company relied on the legal advice of its then lawyers and no query was raised in respect of the Agreements or the transactions for which they provided by the Company's auditors in completing its half year audit for the period ended 31 December 2015.

a. The escrow agent held any of those shares for and on behalf of CDB?

Response: See above.

b. If not, on whose behalf did the escrow agent hold the shares and was that person (or, if more than one, was any of those persons) a related party or associate of CDB?

Response: See above. None of the New Share Allottees was a related party or associate of CDB.

15. Please also provide a copy of all written agreements or a summary of any verbal agreements or arrangements between CDB and ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd – see item 13 above) regarding the escrow arrangements mentioned in the previous item.

Response: See response to item 14 above.

16. ASX notes that on 1 March 2016 CDB disclosed that "17,062,641 shares have also now been cancelled by the Company, having been held by ECM (Nominees) Pty Ltd in a previous escrow arrangement but not utilised after issue". Please:

a. Confirm that the shares cancelled formed part of the 45,000,000 shares referred to in item 7.

Response: Confirmed

b. Explain how the cancellation was effected, commenting specifically on the relevant provisions of the Corporations Act applicable to a cancellation of shares and reduction of capital.

Response: The unallotted 17,062,641 shares of the 45,000,000 shares and all of the 50,000,000 shares can be cancelled by book entry as no consideration has been paid or given for them: accordingly that cancellation is not a reduction of share capital. There is no provision in the Corporations Act that is applicable to prevent that.

c. Explain what has happened to the remaining balance of the 45,000,000 shares originally issued to ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd – see item 13 above). Are these shares still held by ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd)? If so on whose behalf are they held? If not, to whom have they been transferred?

Response: 17,062,641 shares have been cancelled by book entry as no consideration has been paid or given for them. The balance of the 45,000,000 shares has been dealt with as provided in the agreements referred to in the response to item 14 above. The allottees of those shares and the number of shares allotted to them are as follows:

Beaufort Securities Limited: 5,800,083
Minesweeper Limited: 5,779,551
Nicola Philip: 5,504,335
IPS Nominees Limited: 5,504,335
Monclar Pty Ltd: 4,517,628
Pierre Jules Richard: 831,428

17. Please confirm that CDB is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Response: The Directors of CDB have been placed under extreme pressure by Mr Farquhar's application to the Takeovers Panel, by the events referred to in the letter accompanying these answers to your questions and by the demand and deadline for answers to your detailed questions at a time when the Company was confronted with:

- multiple submissions made in respect of Mr Farquhar's application to the Takeovers Panel; and
- the need to comply with demands and deadlines for the Company's submissions in circumstances in which the Company's previous lawyer withdrew and the Company had to instruct a new lawyer late last Friday.

The Directors believe as best they are able to focus on this question in the circumstances referred to above, that there is no information that a reasonable person would expect to have a material effect on the price or value of the Company's securities that has not been provided to the market.



9 May 2016

Ms Michelle Feruglio, Non-Executive Chairman
Mr Glen Darby, Director
Ms Lia Darby, Director
Condor Blanco Limited
C/-Mr Peter Dunoon
Company Secretary

By email: pdunoon@sydneyaccountingpractice.com.au

Dear Directors

CONDOR BLANCO LIMITED ("CDB")

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

- CDB's notice of meeting dated 20 May 2015 seeking amongst other things shareholder approval for the issue of fully paid ordinary shares to raise up to \$5 million. The notice included the following information in paragraph 4.2 regarding the proposed issue of securities:
 - (3) *The issue price will be at least 80% of the average market price of Shares in the five (5) Trading Days on which sales in the Shares were recorded prior to the date on which the issue of Shares is made to the relevant sophisticated or professional investors. The market price is the closing price of the Shares on each day.*
- and
- (6) *The Company intends to use the proceeds from the Placement for working capital requirements and to add further value to current exploration projects in Northern Chile (enhancing their value for potential joint ventures).*
- CDB's response to ASX's price query released to the market on 5 August 2015.
- CDB's Revised Appendix 3B lodged with ASX on 26 August 2015 confirming the issue of 825,001 shares at \$0.024 per share and 23,679,352 shares at \$0.02 per share. The Appendix 3B stated at item 6(e) that 24,505,353 shares were issued with security holder approval.
- CDB's response to ASX's price query released to the market on 1 September 2015.
- CDB's Appendix 3B lodged with ASX on 8 September 2015 confirming the issue of 6,800,000 shares at \$0.025 per share. The Appendix 3B at item 6(e) stated that 6,800,000 shares were issued with security holder approval.
- CDB's announcement of 23 September 2015 advising:

The Company is pleased to announce pursuant to shareholder approval obtained at the General Meeting of the Company on 26 June 2015, has placed 13,924,000 fully paid ordinary shares at 2.5

cents (\$0.025) per share to professional, sophisticated and other exempt investors under s708 of the Corporations Act, under the placement capacity approved at that meeting.

The Company has raised \$348,100 under this placement and the funds will be used for working capital of the Company. The Board is also reviewing new opportunities to enhance shareholders' value and funds may be applied to this.

The placement was managed by Foxfire Capital Pty Ltd (AFSL 390 290) who will be paid a placement commission of 6% (plus GST) of the funds raised. In addition a 2% management fee will be paid.

In addition, 2.2 million shares were issued by way of placement in lieu of cash for payment of invoices by a party mandated to perform due diligence on a potential acquisition.

- CDB's Appendix 3B lodged with ASX on 23 September 2015 confirming the issue of 16,124,000 shares at \$0.025 per share. The Appendix 3B at item 6(e) stated that 16,124,000 shares were issued with security holder approval.
- CDB's announcement of 25 September 2015 advising:

The Company is pleased to announce pursuant to shareholder approval obtained at the General Meeting of the Company held 26 June 2015, has placed 45,000,000 ordinary shares each at 2.5 cents (\$0.025) in escrow held by ECM (Nominees) Pty Ltd pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-associated parties.

Shares will be cancelled on any transaction that does not proceed. No party connected to this allocation will hold greater than 19.9% of the issued capital in the Company.

The Company will keep the marketed updated as and when the transaction is completed.

- CDB's Appendix 3B lodged with ASX on 25 September 2015 confirming the issue of 45,000,000 shares at \$0.025 per share. The Appendix 3B stated at item 6(e) that 45,000,000 shares were issued with security holder approval. The Appendix 3B also included the following statements:

Principal terms of the securities (item 3) - Ordinary shares – the shares are issued under escrow agreement with ECM (Nominees) Pty Ltd pending transaction agreement finalisation

Issue price or consideration (item 5) - \$0.025 each ordinary share

Purpose of issue (item 6) - Funding, project acquisitions and/or vendor consideration

- CDB's Annual Report lodged with ASX on 1 October 2015. The Annual Report included the following statements:

On 25 September 2015 the Company issued 45,000,000 ordinary shares each at 2.5 cents (\$0.025) in escrow held by ECM (Nominees) Pty Ltd pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-associated parties.

- CDB's notice of meeting dated 27 October 2015 seeking amongst other things shareholder approval for the issue of fully paid ordinary shares to raise up to \$5 million. The notice included the following information in paragraph 8.2 regarding the proposed issue of securities:

(3) The issue price will be at least 80% of the average market price of Shares in the five (5) Trading Days on which sales in the Shares were recorded prior to the date on which the issue of Shares

is made to the relevant sophisticated or professional investors. The market price is the closing price of the Shares on each day.

and

(6) *The Company intends to use the proceeds from the Placement for working capital requirements, geophysics and the development of the Company's mining assets in Turkey, Chile and to assess new mining projects domestically and internationally.*

- CDB's Quarterly Activities & Cashflow Report dated 2 November 2015 that included the following statement:

On 25 September 2015 Condor placed 45,000,000 shares at \$0.025 per share into escrow with ECM (Nominees) Pty Ltd pending finalisation of confidential agreements that were under negotiation with un-related and un-associated parties. These agreements concerned the financing and project base of the Company. The shares are subject to cancellation should none of the agreements above be finalised and the Company confirmed that no party involved would hold more than 19.9% of the Company should the agreements be completed. The market is to be informed should such agreements be finalised.

The Cashflow Report included the following information at items 7.3 and 7.4:

7.3	+Ordinary securities	135,395,714	135,395,714		
7.4	Changes during quarter	825,001 ordinary shares issued on 24/08/2015	825,001 ordinary shares	\$0.024 per share	\$0.024 per share
	(a) Increases through issues	23,679,352 ordinary shares issued on 24/08/2015	23,679,352 ordinary shares	\$0.020 per share	\$0.020 per share
		6,800,000 ordinary shares issued on 08/09/2015	6,800,000 ordinary shares	\$0.025 per share	\$0.025 per share
		16,124,000 ordinary shares issued on 24/09/2015	16,124,000 ordinary shares	\$0.025 per share	\$0.025 per share
		45,000,000 ordinary shares issued on 25/09/2015	45,000,000 ordinary shares	\$0.025 per share	Nil - Shares held in escrow.
	(b) Decreases through returns of capital, buy-backs				

- CDB's Quarterly Activities & Cashflow Report dated 1 February 2016 that included the following statement:

Chilean Au-Ag and Cu-Au Projects

Condor has now sold its shareholding in Tierra Amarilla SCM ("Tierra Amarilla") to Australian private company, Oak Capital Limited. The sale was at a nominal price, reflective of the written-down value of the tenements in the current commodity market. This ends Condor's interests in exploration options in Chile, removing any obligation or expectation around payment of annual or biannual project option fees. The sale was registered in Chile and given legal force on 27 November 2015.

Condor retains its 70% interest in Condor Blanco SCM, which holds the Fenix and Cautiva-Victoria projects. These licenses are owned outright by Condor Blanco SCM and so do not raise material holding costs.

In the period, Condor also entered into a debt assignment and indemnity agreement to cover any outstanding historical liabilities of Tierra Amarilla. The debt deal covered historical liabilities of a value up to US\$273,682. The financing of this debt assignment was undertaken from the previously issued escrow shares (at an issue price of 2.5c per share). Any proven debts will be paid out by a UK-based fund with management support from an international mining consultancy with experience in international obligations and project shut-downs. Condor is indemnified over any such debts.

Uludere Zinc-Lead Project

The Uludere Project (Mining Licence 200806380) in Turkey's Şırnak province remains suspended due to security concerns in Southeast Turkey. These relate to the ongoing conflicts in Syria and Iraq as well as violence within Turkey. The situation has not improved and so the parties have again agreed to extend Condor's decision period on the project to 11 February 2016. In agreeing to the extension, Condor's joint venture partners have formally stated that this will be the final extension, as if Condor will not continue (which is under no obligation too) they must then find an alternate partner to progress the project to meet their own license commitments.

- CDB's announcement of 1 March 2016 stating:

Condor Blanco Mines Limited ("Condor," "the Company") is pleased to announce pursuant to shareholder approval obtained at the Annual General Meeting ("AGM") of the Company held 27 November 2015, it has placed 50,000,000 ordinary shares each at 1 cent (\$0.01) in escrow held by ECM (Nominees) Pty Ltd pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-associated parties.

Shares will be cancelled on any transaction that does not proceed. No party connected to this allocation will hold greater than 19.9% of the issued capital in the Company.

17,062,641 shares have also now been cancelled by the Company, having been held by ECM (Nominees) Pty Ltd in a previous escrow arrangement but not utilised after issue.

29,214,177 options have been issued per resolution 7 and 20,000,000 options have been issued per resolution 8 of the 27 November 2015 AGM.

The Company will keep the market updated as and when the transaction is completed.

- CDB's Appendix 3B accompanying the 1 March announcement confirming the issue of 50,000,000 shares at \$0.01 per share. The Appendix 3B stated at item 6(e) that 50,000,000 shares were issued with security holder approval. The Appendix 3B also included the following statements:

Principal terms (item 3) - 1) Ordinary shares – the shares are issued under escrow agreement with ECM Nominees) Pty Ltd pending transaction agreement finalisation. ...

Issue price or consideration (item 5) – 1) \$0.01 each ordinary share ...

Purpose of issue (item 6) - 1) Escrowed shares - pending transaction consideration. ...

- CDB's Half Yearly Report dated 16 March 2016 that included the following statement:

On 1 March 2016 Condor placed 50,000,000 shares at \$0.01 per share into escrow with ECM (Nominees) Pty Ltd pending finalisation of confidential agreements that were under negotiation with un-related and un-associated parties. At the same time, 17,062,640 shares previously issued and held by ECM (Nominees) Pty Ltd (that had been put aside for an earlier transaction) were cancelled at this time also. Subject to the necessary approvals, these escrow shares would be available for future financing and project acquisition. The shares are subject to cancellation should none of the agreements be completed and the Company confirmed that no party involved would hold more than 19.9% of the Company should the agreements be completed. The market is to be informed should such agreements be finalised. In addition, on the same day 29,214,177 options (unlisted exercisable at \$0.03 on or before 30 June 2018) under resolution 7 and 20,000,000 options (unlisted exercisable at \$0.0192 on or before 30 June 2018) under resolution 8 of the 27 November 2015 AGM were also issued.

- CDB's Quarterly Activities & Cashflow Report dated 29 April 2016 that included the following information at items 7.3 and 7.4:

7.3	Ordinary securities	171,666,406	171,666,406		
7.4	Changes during quarter	3,333,333 ordinary shares issued on 18/01/2016	3,333,333 ordinary shares	1.5 cents per share	(settlement of company liability - \$50,000)
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs	50,000,000 ordinary shares issued on 1/03/2016	50,000,000 ordinary shares	1 cent per share	Nil – shares issued under an escrow agreement pending transaction finalisation.

- 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.
- The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.

- Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 *One or more of the following applies:*

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

Having regard to the above, we ask that you answer the following questions and provide the following information in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Please identify the parties who were issued the 825,001 shares at \$0.024 per share and 23,679,352 shares at \$0.02 per share detailed in CDB's Revised Appendix 3B lodged with ASX on 26 August 2015 and their relationship (if any) to CDB. Please also provide evidence that the funds raised by that issue were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015.
2. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 1 immediately above and if not, why not?
3. Please identify the parties who were issued the 6,800,000 shares at \$0.025 per share detailed in CDB's Appendix 3B lodged with ASX on 8 September 2015 and their relationship (if any) to CDB. Please also provide evidence that the funds raised by that issue were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015.
4. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 3 immediately above and if not, why not?
5. Please identify the parties who were issued the 13,924,000 shares at \$0.025 per share detailed in CDB's Appendix 3B lodged with ASX on 23 September 2015 and their relationship (if any) to CDB. Please also provide evidence that the funds raised by that issue were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015.
6. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 5 immediately above and if not, why not?
7. Please provide evidence that the funds raised by the issue of the 45,000,000 shares at \$0.025 per share detailed in CDB's Appendix 3B lodged with ASX on 25 September 2015 were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 20 May 2015. In answering this question please specifically explain how the issue of securities to ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd – see item 13 below) *"pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-*

associated parties” is consistent with the use of funds disclosed to shareholders in CDB’s notice of meeting, being:

(6) *The Company intends to use the proceeds from the Placement for working capital requirements and to add further value to current exploration projects in Northern Chile (enhancing their value for potential joint ventures).*

8. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 7 immediately above and if not, why not?

9. ASX notes that CDB announcement to the market on 25 September 2015 stated that the 45,000,000 shares were placed “at 2.5 cents (\$0.025) in escrow held by ECM (Nominees) Pty Ltd” and that the Appendix 3B lodged on the same day stated “Issue Price or consideration - \$0.025 each ordinary share”. CDB’s annual report for FY15 included similar statements. Please provide evidence (such as a copy of a bank statement) confirming that ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd – see item 13 below) in fact paid the issue price of 2.5 cents per share? Also:

- a. If it did, please explain why CDB’s Quarterly Activities Report dated 2 November 2015 discloses that the amount paid up for the issue was “Nil”.
- b. If it did not, please explain why not, given the statements to the contrary in the CDB’s market announcement dated 25 September 2015 and its FY15 Annual Report.
- c. If it did not, please also explain how the issue of 45,000,000 shares is consistent with the resolution approved by shareholders on 26 June 2015, noting that the issue price in the notice of meeting dated 20 May 2015 was described as follows:

(3) *The issue price will be at least 80% of the average market price of Shares in the five (5) Trading Days on which sales in the Shares were recorded prior to the date on which the issue of Shares is made to the relevant sophisticated or professional investors. The market price is the closing price of the Shares on each day.*

10. Please provide evidence that the funds raised by the issue of the 50,000,000 shares at \$0.01 per share detailed in CDB’s Appendix 3B lodged with ASX on 1 March 2016 were used for purposes consistent with the proposed use of funds detailed in the notice of meeting dated 27 October 2015. In doing so, please explain how the issue of securities to ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd – see item 13 below) “pending the finalisation of confidential agreements on funding, project acquisitions and/or vendor consideration to un-related and un-associated parties” is consistent with the use of funds disclosed to shareholders in CDB’s notice of meeting, being:

6) *The Company intends to use the proceeds from the Placement for working capital requirements, geophysics and the development of the Company’s mining assets in Turkey, Chile and to assess new mining projects domestically and internationally.*

11. Please advise if a cleansing notice was required (and lodged with ASX) for the issue of securities referred to in item 10 immediately above, and if not, why not?

12. ASX notes that on CDB announcement to the market on 1 March 2016 stated that the 50,000,000 shares were placed “at 1 cent (\$0.01) in escrow held by ECM (Nominees) Pty Ltd” and that the Appendix 3B lodged on the same day stated “Issue Price or consideration - \$0.01 each ordinary share”. Please provide evidence (such as a copy of a bank statement) confirming that ECM (Nominees) Pty Ltd (or EMC Nominees Pty Ltd - see item 13 below) in fact paid the issue price of 1 cent per share? Also:

- a. If it did, please explain why CDB's Quarterly Activities & Cashflow Report dated 29 April 2016 discloses that the amount paid up for the issue was "Nil".
- b. If it did not, please explain why not, given the statements to the contrary in the CDB's market announcement dated 1 March 2016.
- c. If it did not, please also explain how the issue of 50,000,000 shares is consistent with the resolution approved by shareholders on 27 November 2015, noting that the issue price in the notice of meeting dated 27 October 2015 was described as follows:

(3) *The issue price will be at least 80% of the average market price of Shares in the five (5) Trading Days on which sales in the Shares were recorded prior to the date on which the issue of Shares is made to the relevant sophisticated or professional investors. The market price is the closing price of the Shares on each day.*

13. ASX understands that despite the numerous references made by CDB in the announcements and documents referred to above to ECM (Nominees) Pty Ltd, that this entity should in fact have been identified as EMC (Nominees) Pty Ltd, an entity associated with CDB's lawyers Eakin McCaffery Cox. Is this correct?
14. Please explain the relationship between ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd – see item 13 above) and CDB and the terms on which it held the 45,000,000 shares referred to in item 7 and the 50,000,000 shares referred to in item 10. Specifically, please advise whether:
 - a. The escrow agent held any of those shares for and on behalf of CDB?
 - b. If not, on whose behalf did the escrow agent hold the shares and was that person (or, if more than one, was any of those persons) a related party or associate of CDB?
15. Please also provide a copy of all written agreements or a summary of any verbal agreements or arrangements between CDB and ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd – see item 13 above) regarding the escrow arrangements mentioned in the previous item.
16. ASX notes that on 1 March 2016 CDB disclosed that "17,062,641 shares have also now been cancelled by the Company, having been held by ECM (Nominees) Pty Ltd in a previous escrow arrangement but not utilised after issue". Please:
 - a. Confirm that the shares cancelled formed part of the 45,000,000 shares referred to in item 7.
 - b. Explain how the cancellation was effected, commenting specifically on the relevant provisions of the Corporations Act applicable to a cancellation of shares and reduction of capital.
 - c. Explain what has happened to the remaining balance of the 45,000,000 shares originally issued to ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd – see item 13 above). Are these shares still held by ECM (Nominees) Pty Ltd (or EMC (Nominees) Pty Ltd)? If so on whose behalf are they held? If not, to whom have they been transferred?
17. Please confirm that CDB is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or

- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

In view of these potential criminal consequences, ASX would strongly suggest that you take legal advice before you respond to this letter.

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 **5pm WST on Wednesday 11 May 2016**.

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 Entity'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 james.rowe@asx.com.au.

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

Yours sincerely,

[sent electronically without signature]

James Rowe
Manager, Listings Compliance (Perth)