



7 June 2016

James Rowe  
Manager, Listings Compliance (Perth)  
**By Email: [James.Rowe@asx.com.au](mailto:James.Rowe@asx.com.au)**

**Re: Condor Blanco Mines Limited ("CDB", "the Company") – ASX Letter of 9 May 2016**

Dear Mr Rowe,

We refer to your letter to the directors of CDB dated 27 May 2016, following our response of 20 May 2016 to your original letter of 9 May 2016.

We attach the Company's response to the questions in your letter of 27 May 2016.

Yours sincerely,

Michelle Feruglio  
Chairman



## **ASX QUERIES OF 27 MAY 2016 CDB'S RESPONSE**

**Item 1 – Re the funds raised by the issue detailed in the Revised Appendix 3B lodged with ASX on 26 August 2015**

- 1. Please provide in a form suitable for release to the market a detailed breakdown of how these funds were expended, identifying which amounts were expended on "adding value to current exploration projects in Northern Chile," which amounts were expended on "working capital" and which amounts were expended on other matters.***

Response: See Appendix 1

**Item 2 – Re the cleansing notice for the issue of securities referred to in Item 1**

- 2. ASX understands CDB is purporting to rely on section 708A(11) "Case 2" as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 1 of ASX's Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed before the issue of securities on 26 August 2015. If ASX's understanding is not correct, please explain the basis on which CD asserts that a cleansing notice was not required.***

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. If this was not the case, it was an honest mistake.

**Item 3 – Re the funds raised by the issue detailed in the Appendix 3B lodged with ASX on 8 September 2015**

- 3. Please provide in a form suitable for release to the market a detailed breakdown of how these funds were expended, identifying which amounts were expended on "adding value to current exploration projects in Northern Chile," which amounts were expended on "working capital" and which amounts were expended on other matters.***

Response: See Appendix 1

**Item 4 – Re the cleansing notice for the issue of securities referred to in item 3.**

- 4. ASX understands CDB is purporting to rely on section 708A(11) "Case 2" as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 3 of ASX's Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed before the issue of securities on 8 September 2015. If ASX's understanding is not correct, please explain the basis on which CD asserts that a cleansing notice was not required.***

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. If this was not the case, it was an honest mistake.

**Item 5 – Re the funds raised by the issue detailed in the Appendix 3B lodged with ASX on 23 September 2015**

- 5. *Please provide in a form suitable for release to the market a detailed breakdown of how these funds were expended, identifying which amounts were expended on "adding value to current exploration projects in Northern Chile," which amounts were expended on "working capital" and which amounts were expended on other matters.***

Response: See Appendix 1

**Item 6 – Re the cleansing notice for the issue of securities referred to in Item 5**

- 6. *ASX understands CDB is purporting to rely on section 708A(11) "Case 2" as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 5 of ASX's Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed before the issue of securities on 23 September 2015. If ASX's understanding is not correct, please explain the basis on which CD asserts that a cleansing notice was not required.***

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. If this was not the case, it was an honest mistake.

**Items 7 and 16c – Re the issue of 45,000,000 shares detailed in the Appendix 3B lodged with ASX on 25 September 2015**

- 7. *Does CDB concede, in light of the fact that no funds were actually raised by the initial issue of 45,000,000 shares to EMC Nominees, that the statements in the Appendix 3B that the shares were issued as fully paid ordinary shares, that the issue price or consideration for the shares (item 5) was \$0.025 per share and CDB's announcement of 25 September 2015 that stated:***

***"...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"***

***were misleading?***

Response: No, the Company's announcement on 25 September 2015 states that the Company had "placed 45,000,000 ordinary shares each at 2.5cents (\$0.025) in escrow held by EMC (Nominees) Pty Ltd pending the finalisation of confidential agreements on **funding** (emphasis added)."

The proceeds of the allotment of 27,937,360 shares, out of the 45,000,000 shares referred to in the Company's announcement on 25 September 2015, were used to **fund** the repayment of the liabilities of the Company's Chilean subsidiary referred to in the Company's response to ASX on 20 May 2016.

**8. In light of CDB's response to Item 7 of ASX's letter, ASX has the following further queries in relation to the issue of the 45,000,000 CDB shares to EMC Nominees Pty Ltd:**

**a. What were the difficulties that arose in the audit verification of the operating liabilities of Tierra Amarilla SCM?**

Response: In approximately 2011-12 the local Company accountant of Tierra Amarilla SCM died and the accounting function was then managed by the Company's general manager and the Company's bookkeeper who worked from the Company's office in Copiapo Northern Chile. It was discovered during the audit that the books and records were not kept to a satisfactory standard to pass an Australian audit and further communication in ascertaining documents from suppliers was difficult due to the location and itinerant nature of the drilling and other consulting companies in the area.

**b. What was the quantum of the operating liabilities that gave rise to the difficulty in the audit verification?**

Response – 30/06/2015 \$352,412

**c. When did CDB become aware that the difficulties in the audit verification of the operating liabilities of Tierra Amarilla SCM would result in the audit report for the year ended 30 June 2015 being qualified?**

Response – Several meetings were held with the Company's auditors in the lead up to the finalisation of the audit report for the year ended 30 June 2015. The Company was made aware during these meetings that the audit report for the year ended 30 June 2015 may be qualified due to difficulties in ascertaining documents to substantiate and verify transactions of Tierra Amarilla SCM. This was not definitive until the auditors finalised their audit report and provided it to the Company on the final day the 30 June 2015 financial reports were due to be lodged with the ASX.

**d. When, if at all, did CDB disclose the difficulties in the audit verification of the operating liabilities of Tierra Amarilla SCM to the market?**

It was disclosed in the Company's annual report.

**e. What consideration was provided by the allottees of the 27,937,360 shares that were allotted by EMC Nominees to various parties at the discretion of CDB? Please comment specifically on the quantum of the liabilities "replaced" in the Chilean subsidiary by the issue of equity pursuant to the direction under the Escrow Deed and, to the extent that the liabilities were less than \$698,434 (the amount attributed to the allotment at \$0.025 per share), what other consideration was provided by the allottees for the allotments.**

Response: Please see CDB's response to Item 14 of ASX's letter of 14 May 2016.

In relation to the quantum of liabilities in question, these are outlined in Schedule 1 to the Assignment, Indemnity and Put Option Agreement provided. Minesweeper Limited has indemnified the Company to the extent of the scheduled liabilities. The subsidiary Tierra Amarilla SCM was subsequently sold for a nominal sum as disclosed, which would have been an impossibility had the debt in the subsidiary not previously been removed. To the extent that the liabilities were less than \$698,434, this is provided for in the Assignment, Indemnity and Put Option Agreement.

- f. Please explain how the allotments referred to in CDB's response to item 16c of ASX's Letter were consistent with Resolution 4 approved by shareholders on 26 June 2015, and in particular the issue price, time of issue (being no more than 3 months from shareholder approval, and the use of funds?)**

Response: The issue price of the shares was at least 80% of the average market price of shares in the five trading days on which sales in the shares were recorded prior to the date on which the issue of shares were made.

The time of issue was within three months from shareholder approval on 26 June 2015.

#### **Item 8 – Re the cleansing notice for the issue of securities referred to in Item 7**

- 9. ASX understands CDB is purporting to rely on section 708A(11) "Case 2" as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 7 of ASX's Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed before the issue of securities on 25 September 2015. If ASX's understanding is not correct, please explain the basis on which CD asserts that a cleansing notice was not required.**

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. If this was not the case, it was an honest mistake.

- 10. Is CDB aware if any of the 27,937,360 shares allotted from the parcel of 45,000,000 shares issued on 25 September 2015 have been traded or on-sold by the persons to whom they were allotted? If so, please provide details.**

Response: None of the 27,937,360 shares allotted from the parcel of 45,000,000 shares, on the information available to the Company, have been traded or on-sold by the person to whom they were allotted.

#### **Item 10 – Re the 50,000,000 shares in escrow**

- 11. Does CDB concede, in light of the fact that no funds were actually raised by the initial issue of 50,000,000 shares to EMC Nominees, that the statements in the Appendix 3B that the shares were issued as fully paid ordinary shares and that the issue price or consideration for the shares (item 5) was \$0.01 per share were misleading?**

Response: No, the Appendix 3B does not state that the shares were issued as fully paid ordinary shares. The relevant sections of Part 1 of Appendix 3B state as follows (referring to the section numbers in Part 1 of Appendix 3B):

- 1 refers to 'Class of shares issued **or to be issued**' (added emphasis). The information provided is 'Ordinary shares';
- 2 refers to 'Number of securities issued **or to be issued...**' (added emphasis). The information provided is '50,000,000 Ordinary shares';
- 3 refers to 'Principal terms of the securities...'. The information provided is 'Ordinary shares – the shares are issued under escrow agreement with ECM (Nominees) Pty Ltd pending transaction agreement finalisation'.
- 4 refers to 'Do the securities rank equally in all respects from the date of allotment with an existing class of quoted securities?'. The information provided is 'Escrowed shares – shares will rank equally with existing ordinary shares once released'.
- 5 refers to 'Issue price or consideration' i.e. of 'securities issued **or to be issued**' (added emphasis) – see 1 above.
- 6 refers to 'Purpose of the issue'. The information provided is 'Escrowed shares – **pending transaction consideration**' (added emphasis)."

## APPENDIX 1

Use of funds from capital raisings for the period 24 August 2015 – 10 March 2016

<b>Funds raised</b>	<b>\$</b>
Appendix 3B 24-08-2015	19,800
Appendix 3B 24-08-2015	473,587
Appendix 3B 08-09-2015	170,000
Appendix 3B 24-09-2015	348,100
	1,011,487

<b>Use of Funds</b>	<b>\$</b>	<b>Description</b>	<b>Further Description</b>
Auditors	49,632.00	Working Capital	Funds used to pay for the audit of the Company's annual and interim financial reports including its Chilean subsidiaries.
Bank Charges	435.89	Working Capital	Bank charges
Chile Liabilities	34,386.61	Adding Value to Northern Chile	Funds used to pay outstanding Chilean liabilities that were in connection with the mining and administration costs of the Company's mining activities in Chile.
Consultants	82,195.00	Working Capital & Adding Value to Northern Chile	Funds used to pay consultants for services provided in connection with the Company's projects in Chile and in relation to corporate services provided in Australia
Turkey Mine Operation	63,087.04	Working Capital	Turkey geological surveys, hire of equipment, travel
Director Fees, Employees and Company Secretary	507,049.01	Working Capital & Adding Value to Northern Chile	Funds used to pay directors, employees and company secretary as disclosed
Fund raising costs	66,913.20	Working Capital	Broking fees on capital raisings
Insurance	19,587.86	Working Capital	Corporate insurance costs (D&O & public liability)
Legals	77,223.01	Working Capital	Funds used to pay for legal fees in relation to contracts, ASX announcements, share escrow arrangements, ASX & ASIC enquiries and general legal document review & responses.
Share Registry/ASX	53,061.27	Working Capital	Share registry/ASX costs
Travel and General Overheads	57,916.15	Working Capital	Travel costs, rent, phone, entertainment, stationery and other general overheads
<b>TOTAL</b>	<b>1,011,487.04</b>		



27 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:

- ASX's query letter dated 9 May 2016 ("ASX's Letter"); and
- CDB's response to ASX's Letter released to the market on 20 May 2016 ("CDB's Response").

Most of CDB's responses are unsatisfactory. ASX has identified below the reasons why that is so and is now asking further questions, identified in bold font, to which it requires a response from CDB pursuant to Listing Rule 18.7

**Item 1**

Item 1 in ASX's Letter asked that CDB provide evidence that the funds raised by the issue detailed in the Revised Appendix 3B lodged with ASX on 26 August 2015 were used for purposes consistent with the proposed use of funds detailed in CDB's notice of meeting dated 20 May 2015.

The use of funds stated in the notice of meeting was:

*(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).*

The total amount raised by the issue was \$493,387.

CDB has not provided evidence in a form suitable for release to the market that these funds were used for purposes consistent with the proposed use of funds detailed in CDB's notice of meeting dated 20 May 2015.

- 1. Please provide in a form suitable for release to the market a detailed breakdown of how these funds were expended, identifying which amounts were expended on "adding further value to current exploration projects in Northern Chile", which amounts were expended on "working capital" and which amounts were expended on other matters.**



## Item 2

Item 2 of ASX's Letter asked CDB to explain why a cleansing notice was not required for the issue of securities referred to in item 1. The "cleansing prospectus" referred to in CDB's Response closed on 6 November 2014. It is not apparent how the securities issued on 26 August 2015 could be cleansed by that prospectus for the purposes of the secondary sales provisions in the Corporations Act.

2. **ASX understands CDB is purporting to rely on section 708A(11) "Case 2" as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 1 of ASX's Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed before the issue of securities on 26 August 2015. If ASX's understanding is not correct, please explain the basis on which CDB asserts that a cleansing notice was not required.**

## Item 3

Item 3 of ASX's Letter asked that CDB provide evidence that the funds raised by the issue detailed in the Appendix 3B lodged with ASX on 8 September 2015 were used for purposes consistent with the proposed use of funds detailed in CDB's notice of meeting dated 20 May 2016.

The total amount raised was \$170,000.

CDB has not provided evidence in a form suitable for release to the market that these funds were used for purposes consistent with the proposed use of funds detailed in CDB's notice of meeting dated 20 May 2016.

3. **Please provide in a form suitable for release to the market a detailed breakdown of how these funds were expended, identifying which amounts were expended on "adding further value to current exploration projects in Northern Chile", which amounts were expended on "working capital" and which amounts were expended on other matters.**

## Item 4

Item 4 of ASX's Letter asked CDB to explain why a cleansing notice was not required for the issue of securities referred to in item 3. The "cleansing prospectus" referred to in CDB's Response closed on 6 November 2014. It is not apparent how the securities issued on 8 September 2015 could be cleansed by that prospectus for the purposes of the secondary sales provisions in the Corporations Act.

4. **ASX understands CDB is purporting to rely on section 708A(11) "Case 2" as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 3 of ASX's Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed before the issue of securities on 8 September 2015. If ASX's understanding is not correct, please explain the basis on which CDB asserts that a cleansing notice was not required.**

## Item 5

Item 5 of ASX's Letter asked that CDB provide evidence that the funds raised by the issue detailed in the Appendix 3B lodged with ASX on 23 September 2015 were used for purposes consistent with the proposed use of funds detailed in CDB's notice of meeting dated 20 May 2016.

The total amount raised was \$348,100.

CDB has not provided evidence in a form suitable for release to the market that the funds raised were used for purposes consistent with the proposed use of funds detailed in CDB's notice of meeting dated 20 May 2016.

5. Please provide in a form suitable for release to the market a detailed breakdown of how these funds were expended, identifying which amounts were expended on “adding further value to current exploration projects in Northern Chile”, which amounts were expended on “working capital” and which amounts were expended on other matters.

#### Item 6

Item 6 of ASX’s Letter asked CDB to explain why a cleansing notice was not required for the issue of securities mentioned in item 5. The “cleansing prospectus” referred to in CDB’s Response closed on 6 November 2014 and in any event was more than 13 months old and therefore had expired under section 711 of the Corporations Act. It is not apparent how the securities issued on 23 September 2015 could be cleansed by that prospectus for the purposes of the secondary sales provisions in the Corporations Act.

6. ASX understands CDB is purporting to rely on section 708A(11) “Case 2” as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 5 of ASX’s Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed and expired before the issue of securities on 23 September 2015. If ASX’s understanding is not correct, please explain the basis on which CDB asserts that a cleansing notice was not required.

#### Items 7 and 16c

Item 7 of ASX’s Letter asked that CDB provide evidence that the funds raised by the issue of 45,000,000 shares detailed in the Appendix 3B lodged with ASX on 25 September 2015 were used for purposes consistent with the proposed use of funds detailed in CDB’s notice of meeting dated 20 May 2016.

ASX understands from CDB’s Response that no funds were actually raised by the initial issue of 45,000,000 shares to EMC Nominees. Rather, EMC Nominees received those shares for nil consideration and held them under the Escrow Deed as an escrow agent of CDB to allot some or all of the 45,000,000 CDB shares on behalf of CDB and at the direction of CDB.

CDB’s Response to item 16c of ASX’s Letter indicates that of the 45,000,000 shares, 27,937,360 shares were allotted to various parties at the direction of CDB and the balance were cancelled. This equates to approximately \$698,434 being raised at \$0.025 per share.

7. Does CDB concede, in light of the fact that no funds were actually raised by the initial issue of 45,000,000 shares to EMC Nominees, that the statements in the Appendix 3B that the shares were issued as fully paid ordinary shares, that the issue price or consideration for the shares (item 5) was \$0.025 per share and CDB’s announcement of 25 September 2015 that stated:

*“...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”*

were misleading?

8. In light of CDB’s Response to item 7 of ASX’s Letter, ASX has the following further queries in relation to the issue of the 45,000,000 CDB shares to EMC Nominees Pty Ltd:
  - a. What were the difficulties that arose in the audit verification of the operating liabilities of Tierra Amarilla SCM?

- b. **What was the quantum of the operating liabilities that gave rise to the difficulty in the audit verification?**
- c. **When did CDB become aware that the difficulties in the audit verification of the operating liabilities of Tierra Amarilla SCM would result in the audit report for the year ended 30 June 2015 being qualified?**
- d. **When, if at all, did CDB disclose the difficulties in the audit verification of the operating liabilities of Tierra Amarilla SCM to the market?**
- e. **What consideration was provided by the allottees of the 27,937,360 shares that were allotted by EMC Nominees to various parties at the direction of CDB? Please comment specifically on the quantum of the liabilities “replaced” in the Chilean subsidiary by the issue of equity pursuant to the direction under the Escrow Deed and, to the extent that the liabilities were less than \$698,434 (the amount attributed to the allotment at \$0.025 per share), what other consideration was provided by the allottees for the allotments.**
- f. **Please explain how the allotments referred to in CDB’s response to item 16c of ASX’s Letter were consistent with resolution 4 approved by shareholders on 26 June 2015, and in particular the issue price, time of issue (being no more than 3 months from shareholder approval) and the use of funds?**

#### **Item 8**

Item 8 of ASX’s Letter asked CDB to explain why a cleansing notice was not required for the issue of securities referred to in item 7. The “cleansing prospectus” referred to in CDB’s Response closed on 6 November 2014 and in any event was more than 13 months old and had therefore expired under section 711 of the Corporations Act. It is not apparent how the securities issued on 25 September 2015 could be cleansed by that prospectus for the purposes of the secondary sales provisions in the Corporations Act.

- 9. **ASX understands CDB is purporting to rely on section 708A(11) “Case 2” as the basis for it not having to lodge a cleansing notice in relation to the issue of securities referred to in item 7 of ASX’s Letter. Please confirm this is correct and, if so, please explain how CDB was able to rely on that section given the prospectus had closed and expired before the issue of securities on 25 September 2015. If ASX’s understanding is not correct, please explain the basis on which CDB asserts that a cleansing notice was not required**
- 10. **Is CDB aware if any of the 27,937,360 shares allotted from the parcel of 45,000,000 shares issued on 25 September 2015 have been traded or on-sold by the persons to whom they were allotted? If so, please provide details.**

#### **Item 10**

ASX notes that CDB’s Response to item 10 of ASX’s Letter states that the 50,000,000 CDB shares were issued “in escrow available for allotment at \$0.01”.

CDB’s Response further states that none of the 50,000,000 CDB shares has been allotted and no consideration has been paid or is payable for them.

- 11. **Does CDB concede, in light of the fact that no funds were actually raised by the initial issue of 50,000,000 shares to EMC Nominees, that the statements in the Appendix 3B that the shares were issued as fully paid ordinary shares and that the issue price or consideration for the shares (item 5) was \$0.01 per share were misleading?**

ASX would remind you again 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 Monday 30 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](mailto: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)**