



Sinovus Mining Limited
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8 June 2016

Ms Kimberley Brown
Senior Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

By Email: kimberley.brown@asx.com.au

Dear Ms Brown

Sinovus Mining Limited (“Company”) – ASX Financial Condition Query

We refer to your query letter dated 21 March 2016 in relation to the Company’s Half Yearly Report for the period ended 31 December 2015 lodged with ASX on Friday, 18 March 2016.

We respond to each of the questions set out in your email as follows:

1. The Company confirms that in the Director’s opinion the Accounts do comply with relevant Accounting Standards and do give a true and fair view of the financial performance and financial position of the company.
2. The Company holds 15,802,872 ordinary shares in Paltar Petroleum Limited with a carrying value of \$ 1,777,057 or \$ 0.11 per share which was paid on acquisition. The Directors on a yearly basis, assess the carrying value based on the information available and to date there has been no impairment from its original purchase price.

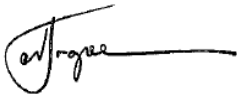
Upon enquiry from the registry, Paltar Petroleum Limited advised the Company that it’s most recent transaction during that period was an off-market share transfer of 1,400,000 shares at \$ 0.25 per share. The carrying value of Paltar Petroleum Limited has been assessed on a yearly basis by obtaining such information from the company. Based on this information, the Directors do not believe that an independent experts valuation should be sought.

The Company confirms that the information that was provided relates to a transfer of shares and not a capital raising by Paltar Petroleum Limited. No capital raising has occurred.

3. The Company was not a party to the off-market share transfer that occurred. After enquiry with the registry of Paltar Petroleum Limited, we can confirm that the single transaction was in excess of 1% of the total issued capital of Paltar Petroleum Limited.
 4. The Company has been advised that it will have received the 2015 audited Financial Statements of Paltar Petroleum Limited by its next audit/review date, which, when combined with the information now made available, will provide the auditors with the up to date information to satisfy their concerns regarding the company's valuation of its investment in Paltar Petroleum Limited. This information is expected within the next month.
 5. The Company has met its expenses that are due and payable from ongoing consulting services. This has provided sufficient funds to meet its commitments whilst evaluating new projects or asset acquisitions.
 6. At present, the Company's main non-cash asset is a financial interest in an oil and gas entity which is undertaking exploration. Since the disposal of its interest in the Laogouxi Gold Project, the Company has not undertaken any direct mining exploration, however, has carried out due diligence, to look towards replacing the Laogouxi Gold Project. The Company does acknowledge that its current operations do not include mining exploration, and upon acquisition of any new asset or project, will re-comply with Chapters 1 and 2 of the Listing Rules if required.
 7. The Company, at present, derives income to pay expenses from ongoing consulting services rendered. This source of funds adequately meets all amounts due and payable. As a result, the Company does consider that it currently satisfies Listing Rule 12.2.
 8. The Company has continued to appraise new project and investment opportunities which include working capital requirements. These include and are not limited to providing consulting services which have assisted in the meeting of immediate as well as ongoing liabilities and obligations. Further, it has been in discussions with obtaining additional working capital through either a debt and/or equity facility, the details of which will be provided once terms are agreed.
 9. The Company, for the reasons detailed above, does comply with the requirements of Listing Rule 12.1 and 12.2. The Company confirms that it is in compliance with ASX Listing Rules and, in particular, Listing Rules 3.1 and 12.2 and that there is no information that should be given to the ASX about its
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financial condition in accordance with those Rules that has not already been released to the market.

Yours sincerely
SINOVUS MINING LIMITED

A handwritten signature in black ink, appearing to read 'Nick Tropea', with a long horizontal flourish extending to the right.

NICK TROPEA
Company Secretary



21 March 2016

Mr Nick Tropea
Company Secretary
Sinovus Mining Limited
Level 10, 32 Martin Place
Sydney NSW 2000

By Email

Dear Nick

RE: Sinovus Mining Limited (the "Company") – Financial Condition Query

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

1. The Company's financial accounts for the half year ended 31 December 2015, lodged with ASX on 18 March 2015 (the "Accounts").
2. The Independent Auditor's Review Report set out on pages 12 to 13 of the Accounts ("Auditor's Report") which contains a Disclaimer of Opinion (the "Disclaimer") stating the following:

Conclusion

Our responsibility is to express an opinion on the financial report based on conducting the review in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient audit evidence to provide a basis for a review opinion.

Basis for Disclaimer of Opinion

The entity's investment in Paltar Petroleum Limited as at 31 December 2015 is valued at \$1,777,057, which represents more than the net assets of the business as at 31 December 2015. We have not been able to access audited signed financial statements for Paltar Petroleum Limited after the year ended 31 August 2012 and as a result we are unable to determine whether any adjustments were necessary in terms of the carrying value of this investment. Management has determined the fair value based on the last off market share transfer in November 2015.

In addition, as the new signing audit partner, we are required to be reasonably satisfied that the comparative information is correct. Due to the above, we cannot satisfy ourselves that the comparative for this investment stated as at 30 June 2014 is correct. We are therefore unable to determine whether any adjustments might have been found necessary in respect of the fair value of the Paltar Petroleum Limited investments, and the elements making up the consolidated statement of profit and loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.



Emphasis of matter

Without amendment to our conclusion we emphasise the following matter.

Going Concern

The Directors opinion as detailed in Note 1 to the half-year financial report, indicates that the ability of the entity to continue as a going concern is dependent upon future consulting fees from an associated entity. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.*
- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A – *If a listing rule requires an entity to give ASX accounts, the following rules apply:*
...
(b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for Response

In light of the Auditor's Report, the information contained in the Accounts, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion the Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of the financial performance and financial position of the Company?
2. Given the Disclaimer relates to the Auditor's inability to access audited signed financial statements for Paltar Petroleum Limited ("Paltar") after the year ended 31 August 2012, and therefore obtain sufficient appropriate audit evidence about the carrying value of the Company's investment in Paltar, please explain how the directors satisfied themselves that the carrying value is appropriate? In answering this question, reference should also be made to the underlying assumptions used by the directors, as well as any independent valuations for Paltar and the validity of the assumptions upon which these valuations are based.
3. It is noted that the Company's carrying value of Palter has remained consistent at \$1,777,057 since 30 June 2012, yet the Disclaimer states that "Management has determined the fair value based on the last off market share transfer in November 2015". Please confirm whether or not the Company



was a party to this off market share transfer, and how many shares were transferred upon which to base Palter's fair value.

4. What steps does the Company intend to take to obtain an unqualified audit/review opinion in the future?
5. What steps does the Company intend to take to address the going concern issues of the Company? The Company should specifically address how it intends to meet its liabilities and obligations as and when they fall due.
6. Does the Entity consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please explain the basis for this conclusion, particularly in light of the Company's disposal of its investment in the Laogouxi Gold Project on 13 July 2015.
7. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please also explain the basis for this conclusion.
8. If the answer to question 6 and 7 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
9. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rules 3.1 and 12.2.

Your response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.

This letter deals with important matters and you may wish to consult your advisers. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **no later than 9.30am AEDT on Thursday, 24 March 2016**.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kimberley Brown', with a stylized flourish at the end.

Kimberley Brown

Senior Adviser, Listings Compliance (Sydney)