

# CAPITAL MINING LIMITED



ABN 69 104 551 171

29 September 2017

James Rowe  
ASX Compliance Pty Ltd  
Level 40, Central Park,  
152-158 St Georges Terrace  
Perth WA 6000

Dear James

## Capital Mining Limited ("CMY")

In response to your letter dated 6 September 2017, CMY provides the following information.

- With respect to the Table in the Response Letter, please provide a detailed breakdown of the amounts in the "other" column, splitting out the aggregated figure for consulting fees, compliance costs, promotion and marketing, travel and corporate expenses into separate line items. Please also add in the \$495,000 for "CHP mandate fees" referenced in CMY's Appendix 5B cash flow report for the quarter ended 31 March 2017, which was not included in the Table in the Response Letter.*

Quarter	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Consulting fees – Chapmans and Other	\$660,000	\$632,100	\$313,500	\$602,600
Compliance costs	\$35,432	\$72,507	\$42,134	\$57,618
Travel	Nil	\$4,073	Nil	\$24,525
Promotion & marketing	\$45,892	Nil	Nil	\$47,575
Corporate - other	(\$33,326)*	\$69,444	\$19,374	(\$15,996)*
Total	\$707,998	\$778,124	\$375,008	\$716,322**

\*These are negative amounts because, for the relevant periods, the cash movements in this category are positive. This is generally because of GST refunds.

\*\*This amount comprises the \$221,322 in the "Other" column of the Table in the Response Letter plus the \$495,000 for Chapmans Limited mandate fees references in CMY's Appendix 5B cash flow report for the quarter ended 31 March 2017.

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2. In the case of consulting fees disclosed in the Response Letter, please include a further breakdown of the consulting fees disclosed in the Table in the Response Letter specifying who the consultant was and what services were provided. Again, please remember to add in the \$495,000 for “CHP mandate fees” referenced in CMY’s Appendix 5B cash flow report for the quarter ended 31 March 2017, which was not included in the Table in the Response Letter.

Quarter	Consulting fees - Other	Details	
30/06/2016	Nil	N/A	
30/09/2016	\$137,100	Placement fee	\$6,600.00
		Project management and support	\$20,000.00
		Placement fee	\$6,000.00
		Project management and support	\$55,000.00
		Marketing, research and promotion	\$11,000.00
		IT services*	\$12,500.00
		Researching potential assets*	\$10,000.00
		Office administration*	\$11,000.00
		Placement fee	\$5,000.00
31/12/2016	\$93,500	Marketing, research and promotion	\$16,500.00
		Project management and support	\$22,000.00
		Marketing, research and promotion	\$16,500.00
		Project management and support	\$22,000.00
		Marketing, research and promotion	\$16,500.00
31/03/2017	\$107,600	Project management and support	\$22,000.00
		Placement fee	\$15,100.00
		Marketing, research and promotion	\$10,000.00
		Project management and support	\$15,000.00
		Marketing, research and promotion	\$16,500.00
		Project management and support	\$7,000.00
		Project management and support	\$11,000.00
		Project management and support	\$11,000.00

\* These parties are related parties and are addressed in the response to question 5 below.

Quarter	Consulting fees – Chapmans
30/6/2016	\$660,000
30/9/2016	\$495,000

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31/12/2016	\$220,000
31/3/2017	\$495,000

See the response to question 5 below regarding the identity of consultants other than Champan Limited.

3. *Please provide the same information about the figures for exploration and evaluation and administration and corporate costs included in CMY's Appendix 5B for the quarter ended 30 June 2017 as was requested in questions 1, 2, 3 and 4 of ASX's query letter dated 29 June 2017 concerning earlier quarters. Please ensure that the figures for consulting fees, compliance costs, promotion and marketing, travel and corporate expenses are broken down into separate line items.*

## Payments for exploration and evaluation

Quarter	Payments	Breakdown
30/06/2017	\$175,000	Tenement rents and rates, tenement management fees, geochemical and geophysical consultants, geological consultants in relation to NSW tenements. Geologist fees, tenement manager fees, tenement rents and rates in relation to WA tenements. Geologist & consultant fees in relation to Ireland tenements.

## Payments for administration & corporate costs

Quarter	30/06/2017
Director payments:	
Peter Dykes	\$77,000
Peter Torney	\$99,000
Anthony Dunlop	\$22,000
Cameron MacDonald-Stuart*	\$10,000
Payments to Mining Corporate	\$53,000
Consulting fees – Other**	\$137,600
Compliance costs	\$27,000
Travel	\$98,000
Promotion & marketing	Nil
Corporate - other	\$114,000
Total	\$637,000

\* Cameron MacDonald-Stuart is a director of CMY's wholly owned subsidiary, Capital Cannabis Limited.

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\*\* Note that no consulting fees were paid to Chapmans Limited in this period.

See the response to question 5 below regarding the identity of consultants other than Chapmans Limited.

The payments to Mining Corporate include company secretarial work as well as accounting, bookkeeping & administration services.

The exploration and evaluation payments are less than forecast due to the timing of commencement of exploration work. The drilling at the Company's Scotia Cobalt Nickel project has only commenced this week (September 2017 quarter). Payments for exploration at the WA Lithium Projects has only occurred in the September 2017 quarter.

Administration and corporate cost payments are higher than forecast due to consulting fees, travel and associated costs in the evaluation of acquisition opportunities for the Company's subsidiary (Capital Cannabis Limited). In addition, there were higher than expected administration and compliance costs.

4. *In the case of any consulting fees included in CMY's Appendix 5B for the quarter ended 30 June 2017, please include a further breakdown of the consulting fees specifying who the consultant was and what services were provided.*

Quarter	Consulting fees - Other	Details	
30/06/2017	\$137,600	Project management and support	\$11,000.00
		Marketing, research and promotion	\$16,500.00
		Marketing, research and promotion	\$6,600.00
		Project management and support	\$11,000.00
		PR & Marketing	\$2,000.00
		Marketing, research and promotion	\$16,500.00
		Cannabis business development *	\$20,000.00
		Project management and support	\$11,000.00
		Taxation Advisors	\$3,047.00
		Cannabis business development *	\$20,000.00
		Cannabis business development *	\$20,000.00

\* These parties are related parties and are addressed in section 5.

See the response to question 5 below regarding the identity of consultants.

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5. *Other than Chapmans, please indicate if the consultants disclosed in your answers to questions 2 and 4 above have any relationship with, or have previously done consulting work for, CMY or its related parties or Chapmans or its related parties.*

The consultants who provided the services identified in the answers to questions 2 and 4 above who are related parties of CMY or its related parties or Chapmans or its related parties are:

Consultant	Service	Amount	Quarter	Relationship
LT Consulting	IT services	\$12,500	30/9/2016	Principal is brother of Peter Torney
GT Consulting	Researching potential assets	\$10,000	30/9/2016	Principal is brother of Peter Torney
Jake Torney	Office administration	\$11,000	30/9/2016	Son of Peter Torney

Consultant	Services provided	Quarter	Value	Relationship
Cameron MacDonald-Stuart	Cannabis business development	30/6/2017	\$60,000	Director of CMY's wholly owned subsidiary, Capital Cannabis Limited

None of the consultants who provided the services identified in the answers to questions 2 and 4 above have previously provided consulting services to CMY or its related parties or Chapmans or its related parties, save for MKT Taxation Advisors, who provide tax services to both CMY and Chapmans Ltd.

All other consultants who provided the services identified in the answers to questions 2 and 4 above are not related parties of CMY, Chapmans or their respective related parties. CMY does not consider their identity to be material.

6. *Please advise in each case whether the amount of consulting fees disclosed in the Table in the Response Letter or in the response to questions 3 and 4 above include out-of-pocket expenses claimed by the consultant or whether these expenses were included in the separate figures for promotion and marketing and travel.*

The amounts of consulting fees disclosed in the Table in the Response Letter and in the response to questions 3 and 4 above are for consulting fees only and do not include reimbursements for out-of-pocket expenses. Any reimbursements of

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expenses are included in the Corporate – Other category in the response to question 1 above.

7. *In relation to the statement in the Update that directors fees “will be reduced by **up to 50%**” [emphasis added], please state specifically the before and after fees for each director and what the actual percentage reduction will be in each case.*

Director	Director fees immediately before 1 July 2017 (per month)	Director fees effective 1 July 2017 (per month)	Percentage Reduction
Peter Torney	\$40,000	\$20,000	50%
Peter Dykes	\$30,000	\$15,000	50%
Anthony Dunlop	\$10,000	\$5,000	50%

8. *In relation to the statement in the Update about CMY’s directors’ fees that “The remaining 50% will be performance based”, please advise whether CMY is still intending to pay performance-based fees to its directors. If it is, please disclose what performance criteria will be applied, what amounts will be paid if they are met and who will judge whether they are met. If it is not, please make a clear statement to that effect to correct the statement in the Update.*

CMY no longer intends to pay performance based fees to its directors. No performance based fees have been paid to CMY directors since director fees were revised effective 1 July 2017.

9. *Noting that the consulting agreements between CMY and Messrs Dykes and Dunlop referred to on page 21 of CMY’s half yearly report for the period ended 31 December 2016 purport to be for “extensive work in an executive capacity over and above their directors’ roles”, please expressly state whether these agreements have been terminated, as it is implied but not stated in the Update. Please also advise the current status of the consulting arrangements between CMY and Mr Torney also referred to on that page.*

The consulting agreements between CMY and Messrs Dykes and Dunlop referred to on page 21 of CMY’s half yearly report for the period ended 31 December 2016 have been terminated.

The consulting agreement between CMY and Mr Torney referred to on page 21 of CMY’s half yearly report for the period ended 31 December 2016 has also been terminated.

10. *In relation to the statement in the Update that: “While Capital continues to have a consulting arrangement with Chapmans Limited, any payments are on a success or performance basis, not a retainer”, please advise:*

a) *What services has Chapmans agreed to provide under that consulting agreement?*

The services covered under this agreement are:

“The Company appoints Chapmans to actively source, negotiate and finalise (if requested), on reasonable commercial endeavours basis, satisfactory investment/s into mineral projects for the purposes and in a manner instructed by the Company.

Chapmans will perform the services for the Company in connection with this Engagement as is customary and appropriate in transactions of this nature. These services may include:

- (a) The Company's business - familiarisation to the extent appropriate and necessary with the business, operations including a site visit, properties, financial condition and prospects of the Company;
- (b) Assistance with presentation and marketing to potential investors including, but not limited to, preparation of investor presentations, presentations to equity analysts and institutions (where appropriate);
- (c) advising and assisting the Company on:
  - (i) assisting with the drafting, negotiating and reviewing of the relevant formal documentation, including a Share Purchase Agreement and a disclosure document (if required) with the Company's assistance and that of the Company's other advisers (legal, financial and technical) to the Engagement;
  - (ii) assist with identifying a target acquisition;
  - (iii) the structure of the capital raisings including terms and pricing of the shares or other securities offered or issued by the Company;
  - (iv) the content and structure of the disclosure documents (together with other advisers, should a disclosure document be required);
  - (v) due diligence in accordance with clause 3 below;
  - (vi) discussions as required with appropriate regulatory authorities including the ASX and the Australian Securities & Investments Commission (ASIC), such discussions undertaken

together with the Company's appointed legal advisers where appropriate;

- (vii) market sentiment and impact of any capital raising;
- (viii) allocation of securities; and
- (ix) administrative aspects including, but not limited to, the receipt of application proceeds in respect of the issued securities, dealing arrangements and the payment of expenses."

- b) *Has CMY paid, or agreed to pay, any fees (be they retainers or success or performance based fees) to Chapmans under that consulting agreement? If so, when, how much and for what?*

The terms of the Engagement letter for Fundraising, Listing Opportunity and Project Management for the period 1 April 2017 to 30 June 2018 are:

- This current engagement does not attract a retainer however CMY has agreed to pay Chapmans a fee on a success basis for each project referred to CMY. The fee will be agreed by both parties and approved by an external independent party to ensure that the fee is reasonable; and
- A placement fee equivalent to 6% of the proceeds from any capital raising.

No amount has been paid or is due to be paid under this Engagement letter.

- c) *Is Chapmans currently working on any mandates for CMY which, if successfully executed, will result in the payment of a success or performance based fee to Chapmans under that consulting agreement? If so, please describe the likely amount of the fee in question.*

Chapmans is not currently working on any mandates for CMY which, if successfully executed, will result in the payment of a success or performance based fee to Chapmans under that consulting agreement. That consulting agreement has been terminated effective 26 September 2017.

- d) *ASX notes that Messrs Peter Dykes and Anthony Dunlop are directors of both CMY and Chapmans and they are therefore potentially conflicted in relation to contracts between those entities. ASX further notes that each of CMY and Chapmans only has three directors (the third director for CMY being Mr Peter Torney and the third director for Chapmans being Mr Chris Newport). Given this, who approved the entry of that consulting agreement on behalf of CMY and what steps did they take ensure that was appropriate and on arms' length terms?*



The consulting agreement referred to in the question contains within it a mechanism whereby any success fees are to be agreed by both parties and approved by an external independent party to ensure that the fee is reasonable – see the response to question 10b) above. The mechanism was designed to ensure that success fees were only able to be paid on arms' length terms.

We note that ASX has requested CMY to identify "who approved the entry of that consulting agreement on behalf of CMY and what steps did they take to ensure that was appropriate and on arms-length terms". CMY considers that this is a matter in relation to the internal processes of CMY and does not consider that this request is within the scope of ASX's enquiry.

Notwithstanding, CMY advises that Peter Torney approved the entry into the consulting agreement on behalf of CMY. CMY notes that Mr Torney is an Executive Director of the Board. Mr Torney was appointed as a director of CMY on 11 June 2013.

Mr Torney is a former stockbroker with over 14 years' experience in the Australian financial services industry during which time he has been involved in a number of successful stockbroking and equity capital markets businesses. Mr Torney has experience in retail and institutional broking, capital raisings, share placements and initial public offerings in Australia and Asia. Mr Torney has held directorships in public and private companies.

Mr Torney considered the terms of the Consulting Agreement were appropriate and on arms-length terms based on his experience. Mr Torney has had a long career in business and is well-placed to determine the appropriateness of the terms.

11. *ASX understands that the consulting agreement referred to in the Update was entered into on 15 March 2017 and that CMY had other consulting agreements in place with Chapmans prior to date. Please confirm whether or not this is the case and if it is:*

CMY had Consulting Agreements in place with Chapmans Limited prior to 15 March 2017. These agreements and the agreements set out below have been referred to in previous disclosures to ASX. Specifically:

- Engagement letter for Fundraising, Listing Opportunity and Project Management for the period 30 October 2015 to 30 September 2016.

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- Engagement letter for Fundraising, Listing Opportunity and Project Management for the period 1 July 2016 to 30 September 2016. This engagement was replaced by the engagement immediately above.
- Engagement letter for Fundraising, Listing Opportunity and Project Management for the period 1 October 2016 to 30 December 2017. This engagement was replaced by the agreement for the period 1 April 2017 to 30 June 2018 the subject of question 10 above.

a) *What services did Chapmans Limited ("Chapmans") provide to CMY under those pre-15 March 2017 consulting arrangements?*

In July 2015, Chapmans commenced discussions with the current Board of CMY. As at 30 June 2015, (as per the 2015 Annual report), CMY has Cash at Bank of \$7,735, Total Current Assets of \$177,342, Trade and Other Payables of \$1,191,065. **A total Net current asset of -\$1,013,723.**

Subsequently:

- on 28 July 2015, Chapmans invested \$77,500 in CMY and arranged a \$1M short term loan for CMY in circumstances where CMY was having no success in raising capital itself; and
- on 12 August 2015 Chapmans underwrote a rights issue for \$1.48M. This rights issue was successfully completed and was integral in the continuation of the company as a going concern.

Pursuant to the consulting arrangements the subject of this question and referred to above, Chapmans have:

- identified and secured the following projects for CMY:
  - April 2016 – Acquisition of Livn (this transaction did not proceed)
  - May 2016 – Acquisition of Shaw River Lithium Pty Ltd in Western Australia;
  - June 2016 – Wolfhound Lithium – Ireland;
  - August 2016 - Ravensthorpe & Yalgoo – WA Lithium projects in WA secured;

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- September 2016 - Bigbell South & Mindoole Lithium projects in WA secured;
- September 2016 - Wail Project in WA secured;
- October 2016 – Gascoyne Lithium Project secured in WA;
- March 2017 – Scotia Cobalt and Nickel project acquisition in WA;
- March 2017 – BCC Settlement & Formation of Capital Cannabis Ltd; and
- assisted CMY to assess other opportunities which have not been pursued, including Gold, Lithium and other mineral deals both in Australia and Internationally.

b) *Did CMY pay any retainers to Chapmans under those pre-15 March 2017 consulting arrangements? If so, when and how much?*

For the year ended 30 June 2016, as set out in note 19b of CMY's 2016 Annual Report, CMY paid Chapmans \$1,350,000 in retainer fees. This comprised 9 monthly payments of \$150,000 (excluding GST).

For the half year ended 30 December 2016, as set out in the half-year report, CMY paid Chapmans Limited a total of \$750,000 as a retainer. This comprised 3 monthly payments of \$150,000 (excluding GST) and 3 monthly payments of \$100,000 (excluding GST).

c) *Did CMY pay any success or performance based fees to Chapmans under those pre-15 March 2017 consulting arrangements? If so, when, how much and what for?*

No success or performance fees were paid, but the following fees for capital raising services were paid:

Date	Relating to Share Placement	Amount
21/9/15	September 2015 Placement	\$52,800
10/12/15	December 2015 Placement	\$167,706
24/5/16	May 2016 Placement	\$33,000
24/5/16	May 2016 Placement	\$99,000

d) *Noting the matters referred to in paragraph 10(d) above, who approved the entry of those pre-15 March 2017 consulting arrangements on behalf of CMY*

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*and what steps did they take to ensure that they were appropriate and on arms' length terms?*

CMY considers that this is a matter in relation to the internal processes of CMY and does not consider that this request is within the scope of ASX's enquiry.

Notwithstanding, Peter Torney approved the entry into the pre-March 2017 Consulting Agreements on behalf of CMY. CMY notes that Mr Torney is an Executive Director of the Board. Mr Torney considered the terms of the pre-March 2017 Consulting Agreements were appropriate and on arms-length terms based on his experience. Mr Torney has had a long career in business and is well-placed to determine the appropriateness of the terms.

Mr Torney is a former stockbroker with over 14 years' experience in the Australian financial services industry during which time he has been involved in a number of successful stockbroking and equity capital markets businesses. Mr Torney has experience in retail and institutional broking, capital raisings, share placements and initial public offerings in Australia and Asia. Mr Torney has held directorships in public and private companies.

The above responses provided have been authorized and approved by the board.

Yours faithfully

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read "Peter Torney". The signature is fluid and cursive, with a large loop at the end.

**Capital Mining Limited**



6 September 2017

Elizabeth Hunt  
Mining Corporate  
216 St Georges Terrace  
PERTH WA 6000

By Email: [liz@miningcorporate.com.au](mailto:liz@miningcorporate.com.au)

Dear Ms Hunt

**RE: CAPITAL MINING LIMITED (CMY)**

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

- A. CMY's Appendix 5B cash flow report for the quarter ended 31 March 2016 released on ASX's Market Announcement Platform ("MAP") on 29 April 2016, which reported:
  - Estimated cash outflows for the next quarter relating to exploration and evaluation of \$60,000; and
  - Estimated cash outflows for the next quarter relating to administration of \$250,000.
- B. CMY's Appendix 5B cash flow report for the quarter ended 30 June 2016 released on MAP on 29 July 2016, which reported:
  - Payments for exploration & evaluation of \$15,000 (against the estimate of \$60,000 in the previous quarter's Appendix 5B);
  - Payments for administration of \$1,380,000 (against the estimate of \$250,000 in the previous quarter's Appendix 5B);
  - Estimated cash outflows for the next quarter relating to exploration and evaluation of \$500,000; and
  - Estimated cash outflows for the next quarter relating to administration of \$500,000.
- C. CMY's Appendix 5B cash flow report for the quarter ended 30 September 2016 released on MAP on 31 October 2016, which reported:
  - Payments for exploration & evaluation of \$125,000 (against the estimate of \$500,000 in the previous quarter's Appendix 5B);
  - Payments for administration and corporate costs of \$1,289,000 (against the estimate of \$500,000 in the previous quarter's Appendix 5B);
  - Estimated cash outflows for the next quarter relating to exploration and evaluation of \$295,000; and

- Estimated cash outflows for the next quarter relating to administration and corporate costs of \$275,000.
- D. CMY's Appendix 5B cash flow report for the quarter ended 31 December 2016 released on MAP on 31 January 2017, which reported:
- Payments for exploration & evaluation of \$358,000 (against the estimate of \$295,000 in the previous quarter's Appendix 5B);
  - Payments for administration and corporate costs of \$868,000 (against the estimate of \$275,000 in the previous quarter's Appendix 5B);
  - Estimated cash outflows for the next quarter relating to exploration and evaluation of \$250,000; and
  - Estimated cash outflows for the next quarter relating to administration and corporate costs of \$250,000.
- E. The Company's half yearly report for the period ended 31 December 2016 released on MAP on 16 March 2017, which included (at page 21 of 23 pages), the following notes:

### **13. TRANSACTIONS WITH RELATED PARTIES**

*Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.*

- *On 1 July 2016 Peter Dykes and Anthony Dunlop had entered into consultancy arrangements with the Company to provide extensive work in an executive capacity over and above their directors' roles. The term of the agreements is 2 years commencing from 1 September 2016. Fees payable to each of Messers [sic] Dykes and Dunlop under the consultancy agreements are \$240,000 per annum. Pursuant to the Agreements and subject to Board approval, the Company may issue additional performance fees. During the period bonuses of \$150,000 were paid to each of Messers Dykes and Dunlop. Prior to the effectuation of these agreements Messers Dykes and Dunlop were each paid a total of \$100,000 for consulting services for the months of July and August 2016. [Emphasis added]*
- *On 1 July 2016 Peter Torney had entered into a consultancy arrangement with the Company. The term of the agreement is 2 years commencing from 1 September 2016. Fees payable under the Agreement is \$360,000 per annum. Pursuant to the Agreement and subject to Board approval, the Company may issue additional performance fees. During the period a bonus of \$150,000 was paid to Mr Torney. Prior to the effectuation of this agreement Mr Torney was paid a total of \$100,000 for consulting services for the months of July and August 2016. ...*

*The Company entered into a mandate with Chapmans Limited (an ASX listed company of which Mr Peter Dykes and Mr Anthony Dunlop are directors) ("Chapmans") on 30 October 2015 for the provision of sales, marketing and capital markets initiatives. The monthly fee set out in the mandate is \$150,000 (ex GST) plus a 6% fee on any capital raisings. The term of the agreement expired on 30 September 2016. On 19 September 2016 the Company extended the mandate for the provision of the above mentioned services. The monthly fee is \$100,000 (ex GST) plus 6% brokerage fee on any capital raisings effective from 1 October 2016.*

*On 15 March 2017 the Company signed a mandate to replace its existing mandate with Chapmans whereby effective 1 April 2017, the Company will no longer be charged a monthly retainer however a*

*success fee will be charged upon the introduction of a project. The success fee will be agreed upon by the parties and reviewed by an external independent third party to ensure that the fee is reasonable if considered necessary.*

F. CMY's Appendix 5B cash flow report for the quarter ended 31 March 2017 released on MAP on 30 April 2017, which reported:

- Payments for exploration & evaluation of \$153,000 (against the estimate of \$250,000 in the previous quarter's Appendix 5B);
- Payments for administration and corporate costs of \$566,000 (against the estimate of \$250,000 in the previous quarter's Appendix 5B);
- Estimated cash outflows for the next quarter relating to exploration and evaluation of \$1,000,000; and
- Estimated cash outflows for the next quarter relating to administration and corporate costs of \$350,000.

ASX notes that CMY's Appendix 5B cash flow report for the quarter ended 31 March 2017 also included a separate line item of \$495,000 for "CHP mandate fees" over and above the administration and corporate costs of \$566,000 referenced above and that there is a notation that "This mandate has been terminated".

G. The query letter issued by ASX on 29 June 2017 asking CMY, among other things, to provide "itemized details" of the administration and corporate costs paid by CMY in each quarter referenced above and to explain why its exploration and evaluation payments for each quarter have in all but one quarter been substantially less, and its administration and corporate expenses for each quarter have consistently been substantially more, than the estimated amounts expected to be incurred on account of those activities included in each previous quarter's Appendix 5B.

H. The announcement by CMY released on MAP (along with a copy of ASX's query letter) on 5 July 2017 titled "Response to ASX Query" ("Response Letter"). The Response Letter includes, among other things, the following table ("Table") in purported compliance with the request by ASX for CMY to provide "itemized details" of its administration and corporate costs:

Quarter	Total Payments	Director payments	Payments to Mining Corporate	Other
30/06/2016	\$1,380,000	P Dykes \$178,200 P Torney \$288,200 A Dunlop \$178,200.00	\$27,402	\$707,998 Consulting fees, compliance costs, promotion & marketing travel, operating costs.
30/09/2016	\$1,289,000	P Dykes \$145,600 P Torney \$156,600 A Dunlop \$145,600	\$63,076	\$778,124 Consulting fees, compliance costs, legal fees, travel, operating costs.
31/12/2016	\$868,000	P Dykes \$143,800 P Torney \$168,400 A Dunlop \$143,800	\$36,992	\$375,008 Consulting fees, wages, compliance costs, travel, operating costs, insurances
31/03/2017	\$566,000	P Dykes \$101,200 P Torney \$112,200 A Dunlop \$101,200	\$30,078	\$221,322 Consulting fees, wages, compliance costs, travel, operating costs.

- I. The announcement by CMY released on MAP on 7 July 2017 titled “*Corporate Update*” (“Update”), which included the following highlights:
- *Effective 1 July 2017, Directors fees will be reduced by up to 50% and paid as follows (excluding GST):*
    - *Peter Dykes \$15,000 per month*
    - *Peter Torney \$20,000 per month*
    - *Anthony Dunlop \$5,000 per month*
  - *The remaining 50% will be performance based.*
  - *While Capital continues to have a consulting arrangement with Chapmans Limited, any payments are on a success or performance basis, not a retainer.*
- J. CMY’s Appendix 5B for the quarter ended 30 June 2017 released on MAP on 31 July 2017 which reported:
- Payments for exploration & evaluation of \$175,000 (against the estimate of \$1,000,000 in the previous quarter’s Appendix 5B); and
  - Payments for administration and corporate costs of \$637,000 (against the estimate of \$350,000 in the previous quarter’s Appendix 5B).

### **Request for Information**

Noting the magnitude of the fees in question, ASX considers the amount of the consultancy fees being paid by CMY and the consultants to whom those fees are being paid to be information that a reasonable person would expect to have a material effect on the price or value of CMY’s securities, within the meaning of Listing Rule 3.1.



ASX also considers the information about the changed fee arrangements for CMY's directors' fees to be information that a reasonable person would expect to have a material effect on the price or value of CMY's securities, within the meaning of Listing Rule 3.1, but is concerned that the information included in the Update about these changed arrangements was confusing and requires clarification.

Accordingly, ASX requests that CMY provide the following information under Listing Rule 18.7 for the purposes of ASX being satisfied that CMY is in compliance with Listing Rule 3.1:

1. With respect to the Table in the Response Letter, please provide a detailed breakdown of the amounts in the "other" column, splitting out the aggregated figure for consulting fees, compliance costs, promotion and marketing, travel and corporate expenses into separate line items. Please also add in the \$495,000 for "CHP mandate fees" referenced in CMY's Appendix 5B cash flow report for the quarter ended 31 March 2017, which was not included in the Table in the Response Letter.
2. In the case of consulting fees disclosed in the Response Letter, please include a further breakdown of the consulting fees disclosed in the Table in the Response Letter specifying who the consultant was and what services were provided. Again, please remember to add in the \$495,000 for "CHP mandate fees" referenced in CMY's Appendix 5B cash flow report for the quarter ended 31 March 2017, which was not included in the Table in the Response Letter.
3. Please provide the same information about the figures for exploration and evaluation and administration and corporate costs included in CMY's Appendix 5B for the quarter ended 30 June 2017 as was requested in questions 1, 2, 3 and 4 of ASX's query letter dated 29 June 2017 concerning earlier quarters. Please ensure that the figures for consulting fees, compliance costs, promotion and marketing, travel and corporate expenses are broken down into separate line items.
4. In the case of any consulting fees included in CMY's Appendix 5B for the quarter ended 30 June 2017, please include a further breakdown of the consulting fees specifying who the consultant was and what services were provided.
5. Other than Chapmans, please indicate if the consultants disclosed in your answers to questions 2 and 4 above have any relationship with, or have previously done consulting work for, CMY or its related parties or Chapmans or its related parties.
6. Please advise in each case whether the amount of consulting fees disclosed in the Table in the Response Letter or in your response to questions 3 and 4 above include out-of-pocket expenses claimed by the consultant or whether these expenses were included in the separate figures for promotion and marketing and travel.
7. In relation to the statement in the Update that directors fees "*will be reduced by up to 50%*" [emphasis added], please state specifically the before and after fees for each director and what the actual percentage reduction will be in each case.
8. In relation to the statement in the Update about CMY's directors' fees that: "*The remaining 50% will be performance based*", please advise whether CMY is still intending to pay performance-based fees to its directors. If it is, please disclose what performance criteria will be applied, what amounts will be paid if they are met and who will judge whether they are met. If it is not, please make a clear statement to that effect to correct the statement in the Update.
9. Noting that the consulting agreements between CMY and Messrs Dyke and Dunlop referred to on page 21 of CMY's half yearly report for the period ended 31 December 2016 purport to be for "*extensive work in an executive capacity over and above their directors' roles*", please expressly state whether these agreements have been terminated, as is implied but not stated in the Update. Please

also advise the current status of the consulting arrangements between CMY and Mr Torney also referred to on that page.

10. In relation to the statement in the Update that: *“While Capital continues to have a consulting arrangement with Chapmans Limited, any payments are on a success or performance basis, not a retainer”*, please advise:
  - a) What services has Chapmans agreed to provide to CMY under that consulting agreement?
  - b) Has CMY paid, or agreed to pay, any fees (be they retainers or success or performance based fees) to Chapmans under that consulting agreement? If so, when, how much and for what?
  - c) Is Chapmans currently working on any mandates for CMY which, if successfully executed, will result in the payment of a success or performance based fee to Chapmans under that consulting agreement? If so, please describe the likely amount of the fee in question.
  - d) ASX notes that Messrs Peter Dykes and Anthony Dunlop are directors of both CMY and Chapmans and they are therefore potentially conflicted in relation to contracts between those entities. ASX further notes that each of CMY and Chapmans only has three directors (the third director for CMY being Mr Peter Torney and the third director for Chapmans being Mr Chris Newport). Given this, who approved the entry of that consulting agreement on behalf of CMY and what steps did they take to ensure that it was appropriate and on arms’ length terms?
11. ASX understands that the consulting agreement referred to in the Update was entered into on 15 March 2017 and that CMY had other consulting arrangements in place with Chapmans prior to date. Please confirm whether or not that is the case and if it is:
  - a) What services did Chapmans Limited (“Chapmans”) provide to CMY under those pre-15 March 2017 consulting arrangements?
  - b) Did CMY pay any retainers to Chapmans under that those pre-15 March 2017 consulting arrangements? If so, when and how much?
  - c) Did CMY pay any success or performance based fees to Chapmans under those pre-15 March 2017 consulting arrangements? If so, when, how much and for what?
  - d) Noting the matters referred to in paragraph 10(d) above, who approved the entry of those pre-15 March 2017 consulting arrangements on behalf of CMY and what steps did they take to ensure that they were appropriate and on arms’ length terms?

Given the seriousness with which ASX regards these matters, ASX considers it appropriate that CMY remain in suspension until it provides satisfactory answers to the questions above.

#### **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 **7 am (WST) on Monday, 11 September 2017**.

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). 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.

Yours sincerely

*[Sent electronically without signature]*

James Rowe

**Manager, Listings Compliance (Perth)**