

24 August 2018

Ms Anjuli Sinniah
Adviser, Listings Compliance (Perth)
Level 40, Central Park
152 – 158 St Georges Terrace
Perth WA 6000

By email

Dear Ms Sinniah

A-Cap Resources Limited (ACB): ASX AWARE QUERY

We refer to your letter to A-Cap Resources Limited dated 21 August 2018 and set out below our response to each of your questions using the same numbering as referenced in your letter.

1. Does ACB expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

Yes. ACB expects that it will continue to have negative operating cash flows for the time being, as is usual for mining exploration entities.

2. Has ACB taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, ACB is continuing to assess capital raising alternatives.

A summary of ACB's current capital raising alternatives are provided as follows:

- i. The ACB Board and substantial shareholder Jiangsu Shengan Resources Group Co., Ltd (Jiangsu) continue to advance an application filed with the Commercial Bureau of Yancheng, China by Jiangsu for the issue of a Certificate of Overseas Investment to raise capital to fund operations and projects works activities. Once a Certificate of Overseas Investment is issued to Jiangsu, the ACB Board will consider the terms of a fully underwritten non-renounceable entitlement offer to shareholders. Jiangsu has confirmed to the ACB Board its continued support to the company and by agreement, will fully underwrite an entitlement offer to shareholders. Jiangsu has supported the company as an underwriter to non-renounceable entitlement offers to shareholders for completed capital raisings during 2016 and 2017 financial years amounting to A\$9 million.*
- ii. ACB commenced a bank loan application process with the Industrial and Commercial Bank of China (ICBC) for a US\$ loan facility on 23 August 2018 for a loan amount up to US\$9 million to fund operations and support the implementation of the company's diversified minerals strategy. The ICBC loan application process requires ACB to open a Free Trade Account for Non-Residents (FTN) in the Shanghai Free Trade Zone, account opening details, authorities and approvals have been provided to ICBC. Jiangsu has confirmed to the ACB Board to cash back the ICBC loan and provide a third-party bank guarantee to ICBC as the loan's security interest required by ICBC over*

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the full term of the loan. The ACB Board anticipates subject to loan and corporate approvals, a loan completion timeframe by 31 October is reasonable.

The ICBC loan is considered by the ACB Board as an interim funding alternative whilst other capital raising alternatives are advanced to ensure no disruption occurs with the implementation of the company's diversified minerals strategy including new cobalt laterite projects acquisition and related exploration activities.

- iii. *ACB substantial shareholders Jiangsu Shengan Resources Group Co., Ltd and Ansheng Investment Co., Ltd have each confirmed to the ACB Board they will continue to support the implementation of the company's diversified minerals strategy and, if required, are prepared to extend a short term debt accommodation facility to ACB subject to commercial agreement and corporate approvals to meet the company's assessed working capital requirement until either of alternative (i) or (ii) above are completed. Ansheng Investment Co., Ltd extended a short-term debt accommodation facility to ACB during the 2016 financial year which was repaid out of the capital raising proceeds completed in February 2016.*
- iv. *The ACB Board believes it has the ability to raise additional capital, based on its previous ability to raise capital when required. ACB additionally continues to engage with institutional investors and investment funds overseas and in Australia as capital raising alternatives.*

3. Does ACB expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, ACB expects to be able to continue its operations and to meet its business objectives based on its response to item 2 above.

4. Please provide any other information that ACB considers may be relevant to ASX forming an opinion on whether ACB is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

Except as set out in this response, no further information is considered relevant. ACB considers it is in compliance with Listing Rule 12.2 for the reasons stated above and notes that:

- i. *Based on ACB's 31 December 2017 financial report, ACB recognises total consolidated assets of \$53,448,607 and total consolidated liabilities of \$310,708.*
- ii. *ACB successfully completed a \$4 million fully underwritten non-renounceable offer to shareholders in September 2016; and*
- iii. *As a mining exploration entity, ACB assesses its funding requirements based on its activities and has a reasonable expectation that it will be able to continue funding its operations for the reasons stated above.*

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5. Please confirm that ACB is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rules that has not already been released to the market.

ACB confirms it is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to the ASX in accordance with that rule that has not already been released to market.

6. Please confirm that ACB's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an office of ACB with delegated authority from the board to respond to ASX on disclosure matters.

ACB confirms that the responses above have been authorised and approved by the ACB Board.

For and on Behalf of the Board of
A-CAP RESOURCES LIMITED



NICHOLAS YEAK
Company Secretary

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21 August 2018

Mr Nick Yeak
A-Cap Resources Limited
Level 1, 136 Stirling Highway,
NEDLANDS WA 6009

By email: nyeak@a-cap.com.au

Dear Mr Yeak

A-Cap Resources Limited (“ACB”): Appendix 5B Query

I refer to ACB’s Appendix 5B quarterly report for the period ended 30 June 2018 lodged with ASX Market Announcements Platform on 31 July 2018 (the “Appendix 5B”).

ASX notes that ACB has reported:

- negative net operating cash flows for the quarter of \$843,000;
- cash at the end of the quarter of \$1,075,000; and
- estimated cash outflows for the next quarter of \$762,000.

It is possible to conclude, based on the information in the Appendix 5B that if ACB were to continue to expend cash at the rate indicated by the Appendix 5B, ACB may not have sufficient cash to continue funding its operations. In view of that, ASX asks ACB to respond separately to each of the following questions and requests for information:

1. Does ACB expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has ACB taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does ACB expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that ACB considers may be relevant to ASX forming an opinion on whether ACB is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that ACB is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that ACB’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ACB with delegated authority from the board to respond to ASX on disclosure matters.

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 **7.30am AWST Friday 24 August 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in ACB’s securities under Listing Rule 17.3.

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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, ACB'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 anjuli.sinniah@asx.com.au and tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to ACB's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that ACB's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ACB's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

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

Yours sincerely

Anjuli Sinniah
Senior Adviser, Listings Compliance (Perth)