



JUNE 2014 QUARTERLY REPORT

Mungana Goldmines Limited (ASX: MUX)

Key Points

- All conditions precedent in respect of the sales agreement for the Northern Assets have now been met with the shareholders voting in favour of the transaction at the 24 July EGM.
- Mungana embarks on North Queensland zinc strategy.
- Mungana's objection to the QLD OSR's \$12.2m Stamp Duty assessment was successful.
- WPG Resources Limited completed the purchase of the Company's interest in the Tarcoola and Tunkillia Gold Projects and all funds (\$1.5m) have been received with numerous stage payments and royalties in favour of MUX, still in place over the assets.

North Queensland – Chillagoe Purchase

On 30 December 2013 Mungana Goldmines Ltd (MUX) announced that it had signed a binding heads of agreement with Kagara Ltd (in Liquidation) (KZL) and its wholly owned subsidiary Mungana Pty Ltd (in Liquidation) (MPL) under which the Chillagoe assets in North Queensland owned by KZL and MPL (Northern Region Assets) will be sold to MUX (Heads of Agreement). MUX, KZL and MPL have now entered into a sale agreement in respect of the Northern Assets on terms consistent with the Heads of Agreement (Sale Agreement).

MUX announced an EGM for 24 July after receiving a report from an independent expert concluding that the terms of the transaction contemplated by the Sale Agreement are reasonable to MUX shareholders not associated with KZL and MPL. MUX shareholders voted in favour of the transaction at the EGM. The transaction completed on 31 July 2014.

Consideration comprises the issue of two Secured Convertible Notes for \$7.5M each. The first instrument is automatically convertible at 10c per share following the recent successful stamp duty outcome but after the new stamp duty, relating to this sale agreement, is paid. The second is convertible at 20c at the note-holder's election up to 5 years from the date of issue.

The proposed acquisition has the potential to increase Kagara's shareholding in Mungana from 59.25% currently to 79.07% assuming conversion of both Convertible Notes in full and payment of the maximum amount of interest in shares.

Once the transaction is completed Mungana, will become the dominant tenure holder in the Chillagoe district that has historically produced over 38t of Au, 464t of Ag, 100Kt of Cu, 60Kt of Pb and 77kt of Zn. The acquisition of the Kagara assets includes 7 granted exploration leases totalling 437km², 9 granted mining leases covering 1784 hectares and 1 mining lease application covering 613.4 hectares (Figure 1).

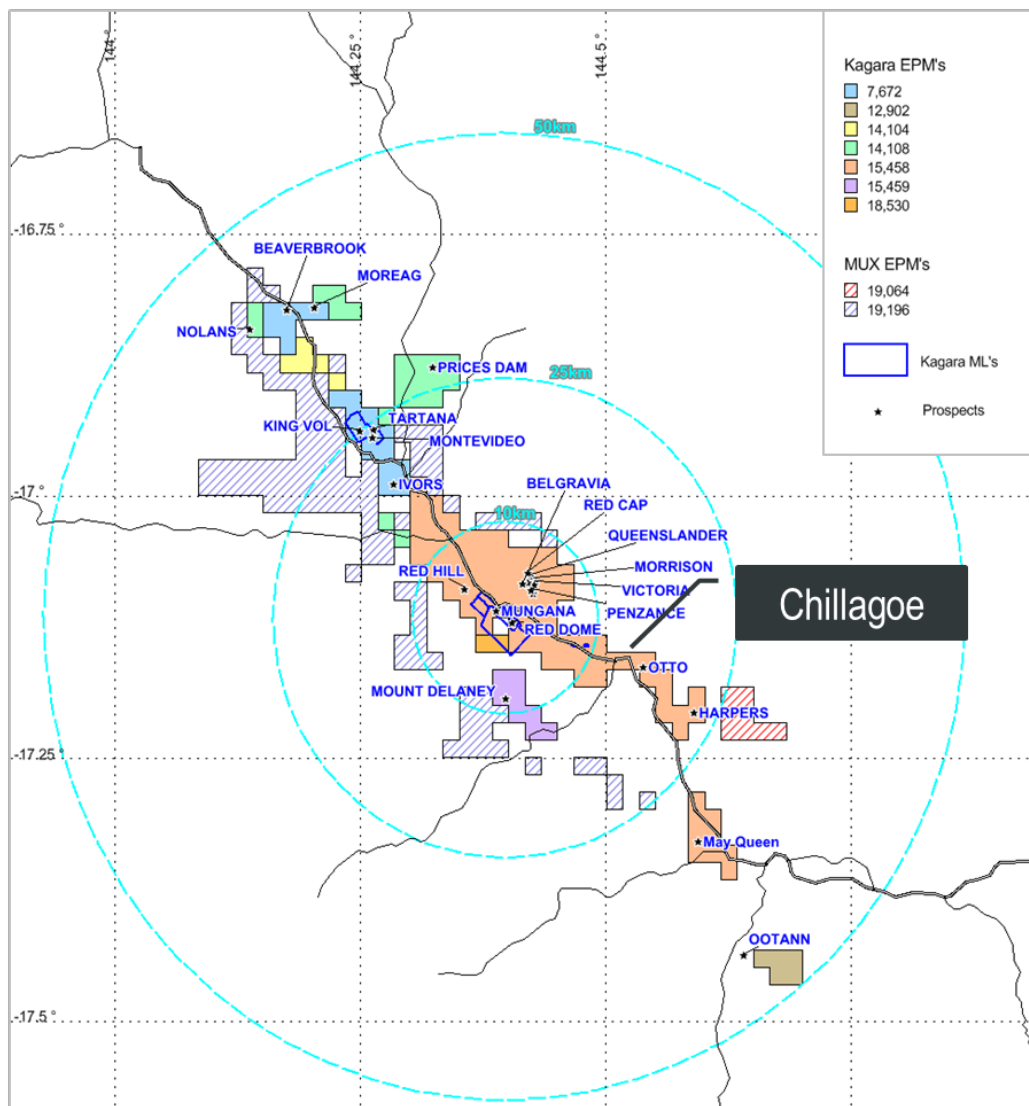


Figure 1: Mungana's and Kagara's Chillagoe Project exploration and mining tenements

North Queensland zinc strategy – King Vol

King Vol is a high quality zinc asset, providing a rare exploration and medium-term development opportunity located next to a partially completed base metals concentrator that has the potential to position Mungana to



take advantage of a significant looming shortfall in the zinc market. Leading forecasters and market analysts predict persistent deficits for the next four years until 2018 as several major global mines shut down.

Mungana's strategy will be to commence technical studies to upgrade the existing King Vol Mineral Resource to JORC 2012 standards, and to undertake exploration to expand the resource down-plunge and along strike. This work will lay the foundations for a feasibility study designed to advance King Vol towards development in the medium term.

South Australian Projects

Tarcoola Gold Project (MUX 100%) and Tunkillia Gold Project (MUX 70%, Helix Resources 30%)

Mungana Goldmines Limited (ASX: MUX) has completed the sale of Tunkillia Gold Pty Ltd and its interests in the Tunkillia and Tarcoola gold projects in South Australia to WPG Resources Ltd (ASX: WPG) following satisfaction of all conditions precedent.

WPG has purchased all of the issued capital of Tunkillia Gold Pty Ltd which was Mungana's 100% owned subsidiary and holds Mungana's interests in the Tunkillia (MUX around 70%, Helix Resources Ltd (ASX: HLX) around 30%) and Tarcoola (100%) gold projects.

OTHER KEY TERMS OF THE TRANSACTION

- WPG previously paid a deposit of \$150,000, under the terms of the Sale and Purchase Agreement announced on 22 May 2014, and paid Mungana a further \$1.35 million in cash and 7.5 million fully paid ordinary shares in WPG (which are subject to voluntary escrow for 12 months).
- WPG will pay Mungana a net smelter return royalty for attributable gold and silver produced from the Mineral Claim (MC 4347) area within the Tunkillia gold project based on the following sliding scale:

• Gold Price per ounce	< US\$1,750	1.00% NSR
• Gold Price per ounce	US\$1,750 to US\$2,000	1.25% NSR
• Gold Price per ounce	US\$2,000 or higher	1.50% NSR
- WPG will pay additional consideration of up to \$1million in a number of stages, upon the achievement of certain milestones, as follows:

Amount	Trigger Date
\$250,000 (in cash or fully paid ordinary shares in the Purchaser, at the Purchaser's election subject to sub-clause (c) below)	<p>If the Purchaser:</p> <ul style="list-style-type: none"> a) is listed on the ASX, the date of a Public Report reporting a Probable Ore Reserve; b) is not listed on the ASX, the date on which a Public Report would have been issued reporting a Probable Ore Reserve if the Purchaser was listed on the ASX; <p>of 100,000oz or more of gold within the Exclusive Area in addition to the JORC compliant resource identified within the Exclusive Area at the Commencement Date.</p>
\$250,000 (in cash)	The earlier of Commencement of Mine Construction or the Commencement of Mining Operations in respect of any part of the Exclusive Area.



\$500,000 (in cash or fully paid ordinary shares in the Purchaser, at the Purchaser's election subject to clause 4.2(c).

The earlier of Commencement of Mine Construction or the Commencement of Mining Operations on MC4347 or the area of any tenement succeeding or replacing MC4347 which overlaps MC4347.

New South Wales Projects

Nyngan Gold Project (AngloGold Ashanti farming in)

Under the Joint Venture Farm-In Agreement executed 21 February 2013 between Mungana Goldmines Ltd (Mungana) and AngloGold Ashanti Australia Pty Ltd (AngloGold), AngloGold may earn a 70% interest in Mungana's tenements by spending \$4 million on Project expenditure by 31 December 2017. Under the Agreement, AngloGold must meet a minimum expenditure of \$500,000 before the expiry of the first 12 months of the Farm-in Period, inclusive of at least \$250,000 on geophysics.

As of February 2014, AngloGold had exceeded the first year's minimum commitment with \$833,073.38 expended on licences EL7751, EL7752, EL8053 and EL8055, with a total of \$252,721.28 directly spent on geophysical surveying.

In March 2014, tenements EL7752 and EL8055 were excluded from the Nyngan Farm-in Agreement due to the negative results of the induced polarisation survey which did not delineate any drill targets on those licences.

In June 2014, the induced polarisation surveys over remaining targets within tenements EL7751 and EL8053 failed to delineate potential drill targets. All accessible targets have now been sufficiently screened and as a consequence AngloGold have elected to withdraw from the Joint Venture.

Corporate

Favourable decision on duty objection

The Queensland Office of State Revenue (OSR) has allowed MUX's objection to the duty assessments issued in February 2013 relating to the Gold Rights Agreement (GRA) over the Chillagoe assets in North Queensland entered into by MUX, Kagara Limited (in Liquidation) (ASX: KZL) and its subsidiary, Mungana Pty Ltd (in Liquidation) (MPL) in 2010, before the MUX initial public offering.

The original duty assessments on the GRA were approximately \$12.19 million and \$2,637.33. The assessment for \$12.19 million has been reduced to nil and the assessment for \$2,637.33 has been reduced by \$1,445.58 (being the penalty and interest component) with the remaining primary duty of \$1,191.75 to be reconsidered by the OSR.

MUX had paid approximately \$1.2m of the assessments to date and received a refund of the overpayment from the OSR.

Financial

At the end of the June quarter, the Company was debt free and had A\$5.4m in cash and short term deposits.



Appendix 1 – Corporate Information

Board Members

Joe Treacy	Chairman
John Fitzgerald	Non-Executive Director
Justin Wu	Non-Executive Director

Secretary

Ben-Louis Ludik	Company Secretary/CFO
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Shareholder Enquiries

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Registered & Principal Office

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Facsimile: +61 7 3832 5045
Email: info@mungana.com.au
Website: www.munganagoldmines.com.au

Substantial Shareholders

Mungana Pty Ltd	97.5m
Guangdong Guangxin Holdings Group Ltd	25.1m
Prosperity Steel	13.0m
Total Shares	164.6m
Options	1.45m

Stock Exchange Listings

Australian Securities Exchange: MUX



Disclaimer

Forward-looking information is no guarantee of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. Forward-looking information is made as at the date of the announcement and the Company disclaims any intent or obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Mungana Goldmines Ltd

ABN

15 136 606 338

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(133)	(890)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(838)	(3,205)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	17	106
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	3,468	3,468
	Net Operating Cash Flows	2,514	(521)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	1,500	1,500
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	1,500	1,500
1.13	Total operating and investing cash flows (carried forward)	4,014	979

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	4,014	979
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	4,014	979
1.20	Cash at beginning of quarter/year to date	1,333	4,368
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,347	5,347

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	36
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.7 Made up of \$2,269k R&D incentive scheme refund received from ATO; \$1,198k refund received from Qld OSR on successful appeal of Stamp Duty assessment.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

AngloGold Ashanti has spent \$141k during this quarter on the Nyngan joint venture.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	486
4.2 Development	-
4.3 Production	-
4.4 Administration	302
4.5 Other (Stamp duty on Chillagoe acquisition)	800
Total	1,588

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	697	153
5.2 Deposits at call	4,650	1,010
5.3 Bank overdraft	-	-
5.4 Other (provide details)-security bonds	170	170
Total: cash at end of quarter (item 1.22)	5,347	1,333

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Note: Please see attachment A for the full MUX tenement listing

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

See attachments B and C.

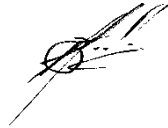
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	+Ordinary securities	164,623,938	164,623,938		
7.4	Changes during quarter				
	(a) Increases through issues	418,215	418,215	\$0.0398	\$16,666
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>(description and conversion factor)</i>	400,000 400,000 400,000 250,000		<i>Exercise price</i> \$ 1.55 \$ 2.00 \$ 2.50 \$ 2.00	<i>Expiry date</i> 1-Oct-15 1-Oct-15 1-Oct-15 17-Nov-14
	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Note: 7.10 refers to shares cancelled.

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29/07/2014
(Company secretary)

Print name: Ben-Louis Ludik

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities**
The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

Tenement Schedule



Mungana Goldmines Ltd; ABN 15 136 606 338; Quarter ended 30 June 2014

Live Tenements

State	Region	Tenement Reference	Owned by:	% interest at beginning of quarter	% interest at end of quarter	Farm-in/out	Original stake %
NSW	Nyngan	EL7751	Nyngan Pty Ltd/MUX	100	100	Farm-Out	100
NSW	Nyngan	EL8053	Nyngan Pty Ltd/MUX	100	100	Farm-Out	100
QLD	Chillagoe	EPM12902	* KZL	Au/Ag 100	100		
QLD	Chillagoe	EPM14104	* KZL	Au/Ag 100	100		
QLD	Chillagoe	EPM14108	* KZL	Au/Ag 100	100		
QLD	Chillagoe	EPM15458	* MUN	Au/Ag 100	100		
QLD	Chillagoe	EPM15459	* MUN	Au/Ag 100	100		
QLD	Chillagoe	EPM18530	* MUN	Au/Ag 100	100		
QLD	Chillagoe	EPM19064	MUX	100	100		
QLD	Chillagoe	EPM19196	MUX	100	100		
QLD	Chillagoe	EPM7672	* KZL	Au/Ag 100	100		
QLD	Chillagoe	ML20640	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML4798	* KZL	Au/Ag 100	100		
QLD	Chillagoe	ML4910	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML4911	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML4921	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML4928	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML4977	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML5176	* MUN	Au/Ag 100	100		
QLD	Chillagoe	ML5319	* MUN	Au/Ag 100	100		
QLD	Liontown	EPM25132	MUX	100	100		
QLD	Liontown	EPM25133	MUX	100	100		
QLD	Liontown	EPM25134	MUX	100	100		
QLD	Liontown	EPM25135	MUX	100	100		
QLD	Liontown	EPM25148	MUX	100	100		
QLD	Liontown	EPM25270	MUX	100	100		
QLD	Liontown	EPM25271	MUX	100	100		
QLD	Liontown	EPM25437	MUX	100	100		
SA	Tarcoola	EL5355	Hiltaba Iron Pty Ltd	100	0		
SA	Tarcoola	ML4650	MUX	100	0		
SA	Tarcoola	ML4667	MUX	100	0		
SA	Tarcoola	ML5179	MUX	100	0		
SA	Tarcoola	ML5300	MUX	100	0		
SA	Tunkillia	EL4495	HLX	72.3	0		
SA	Tunkillia	EL4696	Tunkillia Pty Ltd/MUX	100	0		
SA	Tunkillia	EL4812	HLX	72.3	0		
SA	Tunkillia	EL5254	Tunkillia Pty Ltd/MUX	100	0		
SA	Tunkillia	MC4347	HLX	72.3	0		

* Subject to SPA dated and announced to the market 17 Feb 2014.

Pending Tenements

State	Region	Tenement Reference	Owned by:	% interest at beginning of quarter	% interest at end of quarter	Farm-in/out	Original stake %
QLD	Liontown	EPM25680	MUX	0	100		
QLD	Chillagoe	MLA20658	* KZL	100	100		

* Subject to SPA dated and announced to the market 17 Feb 2014.

Relinquished Tenements

State	Region	Tenement Reference	Owned by:	% interest at beginning of quarter	% interest at end of quarter	Farm-in/out	Original stake %
QLD	Chillagoe	EPM19225	MUX	100	0		
QLD	Chillagoe	EPM19226	MUX	100	0		
QLD	Chillagoe	EPM19335	MUX	100	0		
NSW	Nyngan	EL7752	Nyngan Pty Ltd/MUX	100	0	Farm-Out	100
NSW	Nyngan	EL8055	Nyngan Pty Ltd/MUX	100	0	Farm-Out	100