



MUNGANA  
GOLDMINES

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Market Announcements Office  
ASX Ltd  
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ASX code: MUX

## Mungana Signs Agreement with Newcrest to unlock Porphyry Gold-Copper Potential at Chillagoe

*Agreement with leading gold producer to spend up to \$20m on exploration over a period of up to 8 years*

### HIGHLIGHTS

- Mungana and Newcrest sign landmark exploration agreement for Newcrest to explore for gold-copper at the Chillagoe Project in North Queensland.
- The key focus for Newcrest is to explore for large gold-copper porphyry deposits. The prospectivity for this style of mineralisation is evidenced by the Red Dome deposit, which historically produced 1Moz of gold, 4.3Moz of silver and 35,000t of copper from an open pit.
- The agreement provides for Newcrest to spend up to \$20m on exploration over a period of up to eight years by way of an initial \$3m commitment to be spent within the first 18 months followed by an option to sign a farm-in agreement and spend up to an additional \$17m over a further 78 months to earn a 70% interest in the exploration area.
- While the Newcrest exploration work is underway, Mungana's core focus remains on exploring and developing its high-grade zinc and base metal assets at Chillagoe including the King Vol deposit, Red Cap and Mungana areas.
- The King Vol zinc deposit, Red Cap area and surface infrastructure, including the processing facility associated with the previously announced zinc and base metals strategy as well as the existing Red Dome and Mungana resources, are excluded from the joint venture area.

Mungana Goldmines Limited (ASX: MUX) is pleased to advise that it has signed a landmark exploration commitment agreement (**ECA**) with Newcrest Mining Limited (ASX: NCM) to explore for large copper-gold discoveries at its Chillagoe Project in North Queensland (**Newcrest Agreement**).

The Newcrest Agreement provides for expenditure of up to \$20m by Newcrest on exploration over a period of up to eight years by way of:

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- an initial \$3m commitment to be spent within the first 18 months; and
- an option to sign a farm-in agreement and spend up to an additional \$17m over a further 78 months.

Under the farm-in agreement, Newcrest will earn a 70% interest in an unincorporated joint venture with Mungana (30%) if it incurs \$20 million, and if a minimum 1Moz of gold or gold-equivalent Mineral Resource is discovered.

The arrangements with Newcrest exclude the high-grade King Vol zinc deposit, located 25km to the north-west of Chillagoe, defined Mineral Resources at Red Dome and Mungana and in the Red Cap area including the recently announced revised Red Cap resources (ASX: 27 April 2015) and the surface infrastructure and processing facilities located at the Mungana mine site, including the partially completed Concentrator. These assets form the centrepiece of Mungana's previously announced North Queensland zinc development strategy, which is why they are excluded from the Newcrest Agreement. Further details in relation to the Newcrest Agreement are set out below.

The Chillagoe tenements are highly prospective for large porphyry gold-copper discoveries, as evidenced by the Red Dome deposit, located just 3km from the Mungana mine site. This deposit produced over 1Moz of gold, 4.3Moz of silver and 35,000t of copper from a large open pit mining operation between 1985 and 1997.

Mungana's Managing Director, Tony James said the Company was pleased to have secured the involvement of one of the world's leading gold companies to explore for large gold-copper deposits at Chillagoe.

"This represents a big vote of confidence in the quality and potential of the Chillagoe Project and it's extremely satisfying for everyone involved to deliver this agreement after many months of work" he said. "Chillagoe already has proven potential for large-scale porphyry gold-copper deposits, as evidenced by the Red Dome deposit which was mined in the 1980s and 1990s."

"Newcrest will bring the expertise and financial capacity required to undertake the sort of deep and large scale exploration that is needed to discover deposits of this scale."

"In the meantime, Mungana will be able to get on with the job of exploring and developing our high-grade base metal deposits and this agreement with Newcrest fits perfectly into our long term growth strategy for the Chillagoe project".

"This news will also bring welcome investment to the Chillagoe area and, together with our own activities, will see a considerable increase in exploration activity in the months and years ahead with the potential ultimately to lead to the development of a significant new gold-copper mine in the area in addition to the development of our King Vol zinc project."

### **Support of major shareholder**

Auctus Chillagoe Pty Ltd (**Auctus**) dispatched offers under its 13.5 cents off-market takeover bid for all Mungana shares on 13 May 2015 (**Offer**). The Offer is subject to a large number of conditions. Auctus may take the view that a condition of its Offer has been breached, in which case it is possible that Auctus may decide to allow the Offer to lapse, even though Mungana does not believe the Newcrest Agreement is inconsistent with the commercial objectives of Auctus in making the Offer.

The Board of Mungana believes that the Newcrest Agreement is in the best interests of the Company's shareholders.

The decision to enter into the Newcrest Agreement was made by the Board of Mungana after careful consideration of all relevant circumstances (including the fact that the Offer may not proceed), and after consultation with the liquidators of Kagara Ltd (in liquidation) ACN 008 988 583 (**Kagara**) and Mungana Pty Ltd (in liquidation) ACN 101 738 096 (**MPL**), the Company's major shareholders.

Each of Kagara and MPL, together holding approximately 72% of the total issued voting shares in Mungana, have confirmed in writing on 22 May 2015 that, having regard to the circumstances, the information provided to them by Mungana and the recommendations of the Mungana Board at that time, if a shareholders' meeting were to be convened to consider a resolution to permit the Newcrest Agreement, their present intention would be to vote any Mungana shares held by them at the relevant time in favour of that resolution. Kagara and MPL reserve the right to revisit their intentions in circumstances where a competing proposal that is superior to the Offer of \$0.135 cash per Mungana share, and reasonably capable of being implemented, is announced.

In light of the above majority shareholder support, the Company determined that it was not necessary to make the Newcrest Agreement conditional on a majority of shareholders voting in favour of the agreement in the context of the Offer.

### **Newcrest Agreement Details**

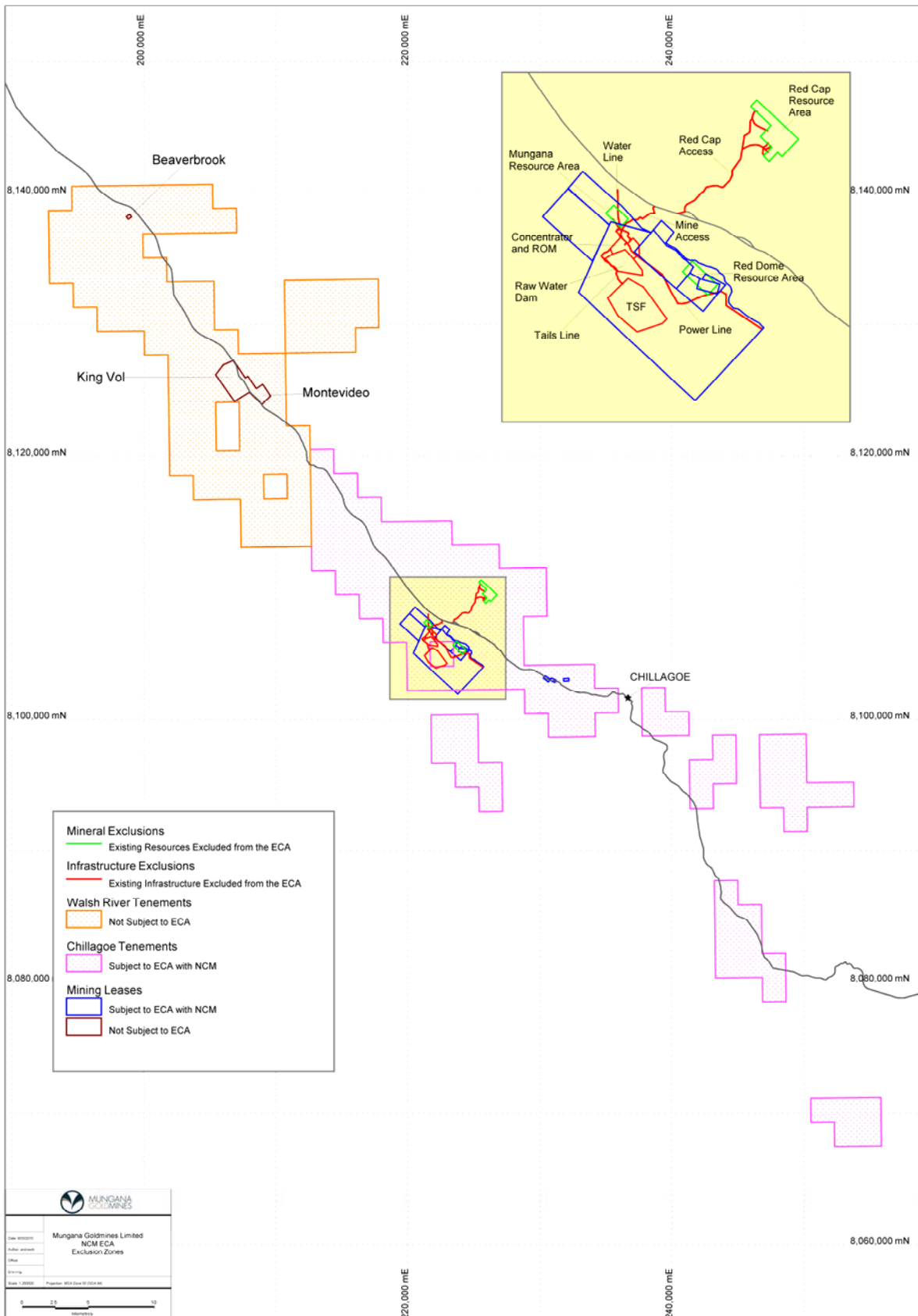
The Newcrest Agreement broadly provides for the following three stages:

- **Stage 1** – Newcrest is required to spend a minimum of \$3 million on exploration over the first 18 months in an exploration area which excludes specific areas nominated by Mungana (**Exploration Area**). The excluded areas includes the existing King Vol base metal resources, access, processing and infrastructure facilities located at the Mungana mine site, the Mungana and Red Dome deposits, the Red Cap prospect and new areas of mineral resources identified by Mungana at Red Cap during Stage 1 (**Exclusion Area**). This gives Mungana time to conduct exploration activities to further define the Red Cap prospect area.
- **Stage 2** – If Newcrest satisfies the Stage 1 expenditure requirements, it may elect to execute an agreed form of farm-in agreement, under which it has the right, but not an obligation, to spend a minimum of \$17 million on exploration in the Exploration Area over 78 months (subject to a minimum expenditure requirement of \$2 million per annum). Newcrest may terminate this agreement at any time provided it complies with specific rehabilitation obligations in relation to its activities.
- **Stage 3** – If Newcrest satisfies the Stage 2 expenditure requirements and identifies Mineral Resources of at least 1Moz of gold or gold equivalent in the Exploration Area, it may elect to acquire a 70% legal and beneficial interest in the Exploration Area by executing an agreed form of joint venture agreement under which an unincorporated joint venture is formed with Newcrest acting as manager. The consequences of non-payment of called sums included suspended voting rights, dilution, a right to purchase the defaulting party's JV interest at 90% of the interest's fair market value, vesting the JV manager with the right of sale of the defaulting party's product, and the ability to enforce a cross security in specified circumstances.

If Newcrest does not exercise its options to enter into the farm-in and the joint venture, Mungana will retain:

- its interest in the Exploration Area; and
- any exploration data/knowledge obtained during the exploration commitment period and any farm-in period.

The exploration commitment, agreed form of farm-in agreement and agreed form of joint venture agreement each provide for a co-ordination committee and procedures where representatives from both companies will coordinate their respective activities on the Exploration Area and the Exclusion Area, with access route sharing rights, information-sharing rights and obligations.



**Figure 1: Mungana Goldmines Tenure highlighting all areas subject to the ECA with Newcrest.**

**Competent person's reference**

*The information in this announcement relating to:*

- *the King Vol Mineral Resource are based on, and fairly represent, the information and supporting documentation prepared by Mr Brian Wolfe, an employee of International Resource Solutions Pty Ltd and a consultant to Mungana, in compliance with the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012) details of which were released on ASX on 28 January 2015;*
- *the Red Cap Mineral Resource are based on, and fairly represent, the information and supporting documentation prepared by Mr Andrew Beaton, an employee of Mungana, in compliance with the JORC Code 2012 details of which were released on ASX on 27 April 2015;*

*Mr Wolfe is a member of the Australian Institute of Geoscientists and Mr Beaton is a member of the Australian Institute of Mining and Metallurgy and both have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code 2012.*

*Mungana confirms that it is not aware of any new information or data that materially affects the information relating to Mineral Resources included in the 28 January 2015 and 27 April 2015 announcements referred to above. Mungana confirms that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the 28 January 2015 and 27 April 2015 announcements continue to apply and have not materially changed*

**ENDS**

***For further information:***

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