THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser immediately.

Second Supplementary Bidder's Statement

ACCEPT

the Cash Offer by Auctus Chillagoe Pty Ltd
ACN 605 055 285

to acquire ALL of your fully paid ordinary shares in

Mungana Goldmines Limited
ACN 136 606 338

for $0.135 cash per share

The Offer is dated 13 May 2015 and is scheduled to close at 7:00pm (AEST) on 6 July 2015, unless further extended or withdrawn.

HARDY BOWEN LAWYERS

Table of Contents

Clause **Page No**

IMPORTANT INFORMATION

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with this document, please consult your financial or other professional adviser immediately. You should read the contents of this Bidder's Statement in its entirety.

Second Supplementary Bidder's Statement

This document is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) under section 643 of the *Corporations Act 2001* (Cth) issued by Auctus Chillagoe Pty Ltd (**Auctus**) in relation to Auctus' off-market takeover offer to acquire all of the fully paid ordinary shares in Mungana Goldmines Limited (**MUX**) contained in Auctus' bidder's statement dated 29 April 2015, as supplemented by the first supplementary bidder's statement dated 09 June 2015 (**Bidder's Statement**).

A copy of this Second Supplementary Bidder's Statement was lodged with ASIC on 22 June 2015. Neither ASIC nor any of its officers take any responsibility for the content of this Bidder's Statement.

Investment Advice

The information in this Second Supplementary Bidder's Statement is general information only and does not take into account your individual objectives, financial situation or needs. You should consider whether the information in this Second Supplementary Bidder's Statement is appropriate for you in light of your objectives, financial situation and needs. You should consider seeking independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Notice of foreign Mungana Shareholders

This Second Supplementary Bidder's Statement and the Offer are subject to Australian disclosure requirements which may be different from those applicable in other jurisdictions. This Second Supplementary Bidder's Statement and the Offer do not in any way constitute an offer in any place which, or to any person to whom, it would not be lawful to make such an offer.

This Second Supplementary Bidder's Statement is intended to be distributed in Australia. The distribution in other jurisdictions may be restricted by law or regulation. Persons who come into possession of this Second Supplementary Bidder's Statement should inform themselves of, and observe, these restrictions.

Forward Looking Statements

This Second Supplementary Bidder's Statement includes forward-looking statements that have been based on Auctus' current expectations and predictions about future events. These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that are specific to the industry in which Auctus operates as well as general economic conditions, prevailing exchange rates and conditions in the financial market.

None of Auctus, its officers, persons named in this Second Supplementary Bidder's Statement nor any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of any forward-looking statements. You are cautioned not to place reliance on these statements in the event that the outcome is not achieved.

The forward-looking statements in this Second Supplementary Bidder's Statement reflect views held only at the date of this Second Supplementary Bidder's Statement.

Information regarding MUX

In preparing the information relating to MUX contained in this Second Supplementary Bidder's Statement, Auctus has relied on publicly available information relating to MUX which has not been independently verified by Auctus or the Auctus Directors.

Accordingly, subject to applicable law, Auctus makes no representations or warranties (express or implied) as to the accuracy and completeness of such information.

Defined terms and Interpretation

Unless expressly defined herein, terms defined in the Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement and the rules of interpretation detailed in the Bidder's Statement shall apply to this Second Supplementary Bidder's Statement as if contained expressly herein.

Effect of Rounding

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Second Supplementary Bidder's Statement may be subject to the effect of rounding. Accordingly, the actual figures may vary from those included in this Second Supplementary Bidder's Statement.

Maps and Diagrams

Any maps and diagrams appearing in this Second Supplementary Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this Second Supplementary Bidder's Statement.

Queries

You should contact your legal, financial or professional adviser if you are unsure about how to deal with this Second Supplementary Bidder's Statement. If you have any enquires about the Offer, please contact the Mungana Shareholder Information Line 1300 482 171 (for callers within Australia) or +61 3 9415 4146 (for callers outside Australia) between 9:00am and 5:00pm (AEST) or contact your legal, financial or other professional adviser.

1. Summary

1.	**MUX has retracted its production target.**	**Section 2.2**
2.	**Auctus considers that MUX's Aspirational King Vol Production Range is materially overstated.**	**Section 2.3**
3.	**Evidence from historic mining by Kagara at Mungana supports Auctus' view.**	**Section 2.4**
4.	**Auctus considers MUX has underestimated the capital required to bring the King Vol project into positive cash flow by approximately $50m.**	**Section 3**
5.	**Auctus considers that the independent expert report prepared by Grant Thornton contains material errors impacting on its assessment of the fair value range of Mungana Shares.**	**Section 4**

The Auctus Directors believe you should **ACCEPT** the Offer for the following reasons:

1.	**You are being offered full cash consideration, which delivers certain value for your Mungana Shares.**
2.	**The Offer represents an attractive premium to the trading prices of Mungana Shares pre Offer.**
3.	**Accepting the Offer removes risks associated with maintaining your investment in Mungana Shares. The future price of Mungana Shares is uncertain and may fall if the Offer is not successful.**
4.	**No superior proposal or alternative offer has emerged.**

2. MUX Aspirational King Vol Production Range

2.1 Summary

A	***MUX states:*** ***"[it] retracts the King Vol production target….as it is not based on reasonable grounds, and therefore should be treated as an aspirational statement."*** [1] ***"Assumption [mining rate of at 350,000 tpa of ore] is considered reasonable based on the historical Mungana underground mine which was mined by Kagara from 2008 to 2012 …..It is assumed the mining methods and development logic used at the Mungana mine will be similar to those used at the King Vol mine."*** [2]
B	**Auctus considers the MUX Aspirational King Vol Production Range to be materially overstated.**
C	**MUX's conversion rate of mineral resource to mineable inventory is inconsistent with its stated assumptions and common industry practice.**
D	**MUX has failed to explain its new head grade for the King Vol Upper Domain of 14.03% zinc and has failed to factor in ore dilution.**
E	**Auctus considers that based on MUX's public disclosure, as per the table below, when the above errors are corrected, the full MUX Aspirational King Vol Production Range is more accurately stated to be between approximately 18,500 and 31,000 tpa zinc.**

King Vol Production Range					
Conversion rate (%) of mineral resource to mineable inventory[3]	**Mineable inventory tonnes per annum**[4]	**Production at 15% dilution of 14.3% zinc resource grade with a 93.6% recovery (tpa)**[5]	**Production at 25% dilution of 14.3% zinc resource grade with a 93.6% recovery (tpa)**[6]	**Production at 15% dilution of 13.04% zinc resource grade with a 93.6% recovery (tpa)**[7]	**Production at 25% dilution of 13.04% zinc resource grade with a 93.6% recovery (tpa)**[8]
50	190,125	22,129	20,358	20,179	**18,564**
70	266,175	**30,980**	28,502	28,250	22,990

[1] Retraction Announcement page 2
[2] Replacement Presentation page 26
[3] Section 2.3(a) – Further Flaws in MUX's Aspirational King Vol Production Range – Production Rate
[4-8] Section 2.3(b) – Further Flaws in MUX's Aspirational King Vol Production Range – Head Grade

2.2 MUX's Retracted Production Targets

On 26 May 2015, MUX withdrew and retracted its previous investor update dated 11 May 2015 (**Withdrawn Presentation**) by issuing a replacement investor update (**Replacement Presentation**). This action followed repeated requests from Auctus to MUX to publicly clarify certain aspects of the Withdrawn Presentation which Auctus considered may be misleading and material to the consideration of the Offer by Mungana Shareholders.

In the Replacement Presentation, MUX retracted its initial production target for the King Vol project contained in the Withdrawn Presentation of 40,000 tpa zinc in concentrate (**Initial Production Target**) and replaced it with a range of 35,000 to 40,000 tpa zinc in concentrate and additional bi-product credits (**Replacement Production Target**).

Following an application to the Takeovers Panel by Auctus concerning aspects of the Replacement Presentation, including the Replacement Production Target for the King Vol project, which Auctus submitted were misleading, MUX issued an announcement on 5 June 2015 (**Retraction Announcement**) which retracted and withdrew the Replacement Production Target and stated:

> *"…the projected annualised zinc production [Replacement Production Target] was determined in the absence of sufficient certainty in respect of specific JORC modifying factors relevant to its achievement. Accordingly, <u>[MUX] retracts the King Vol production target</u> as it did not intend it to be considered a production target, <u>as it is not based on reasonable grounds, and therefore should be treated as an aspirational statement…</u>"* (Emphasis added) (**MUX Aspirational King Vol Production Range**).[5]

In less than a month, MUX has retreated from publishing a fixed Initial Production Target for the King Vol project of 40,000 tpa zinc in concentrate to an aspirational statement targeting a production range of 35,000 to 40,000 tpa zinc in concentrate and bi-product credits.

2.3 Further Flaws in MUX's Aspirational King Vol Production Range

Notwithstanding the Retraction Announcement, for the reasons detailed in this Section, Auctus remains of the view that MUX's Aspirational King Vol Production Range of 35,000 to 40,000 zinc in concentrate and bi-product credits is materially overstated and therefore its disclosure continues to be misleading.

(a) Production Rate

MUX stated in the Retraction Announcement that in calculating the MUX Aspirational Production Range, MUX:

> "*…used its detailed knowledge of its latest resource model and focussed on the upper domain (which extends from a depth of 50 metres to 350 metres) (**Upper Domain**) due to the superior level of confidence associated with this part of the resource estimation, where the total combination of indicated (936,000 tonnes) and*

[5] Retraction Announcement pages 1-2

inferred (585,000 tonnes) resources are 1,521,000 tonnes at 14.3% zinc…" [6]

Auctus is uncertain as to the intended meaning of "superior level of confidence" and considers that, for clarity, MUX should update its King Vol resource disclosure to reflect this purported increased level of confidence in a manner consistent with JORC 2012. In any event, Auctus considers that the MUX Aspirational King Vol Production Range remains materially overstated. MUX stated in the Replacement Presentation that:

"The above assumption [350,000 tpa] is considered reasonable based on the historical Mungana underground mine which was mined by Kagara from 2008 to 2012 produced 700,000t @ 11.1% Zn at a mine production rate equivalent to approximately 90 vertical metres per annum. It is assumed the mining methods and development logic used at the Mungana mine will be similar to those used at the King Vol mine." [7]

Based on the historical Kagara estimated conversion rate of 70% of ore resource to mineable inventory for the Mungana Mine (**Kagara Estimated Conversion Rate**) and noting that Kagara's actual conversion rate post mining was materially lower (see Section 2.4), Auctus calculates that the mineable inventory for the Upper Domain (using MUX's resource figures detailed above and its assumptions detailed in appendix B of the Replacement Presentation including the Kagara Estimated Conversion Rate) is approximately 266,000 tpa of contained zinc. This is materially less than MUX's aspirational target of 350,000 tpa.

The adopted conversion rate of mining resource to mineable inventory of approximately 92% is significantly higher than and inconsistent with the Kagara Estimated Conversion Rate.

Notwithstanding the assumption inconsistency, Auctus considers that a conversion rate of 92% of ore resource to mineable inventory is highly unlikely to be achieved and that a conversion factor of between 50% - 70% is a more realistic estimate at this stage of project development. This view is based on the inevitable reduction in mineable inventory during the process of converting the ore resource into a mineable ore reserve, as detailed below:

(i) mining reserves have higher cut off grade than resources with a consequential reduction in mineable inventory calculated off a reserve in comparison to the initial resource;

(ii) a resource does not need to be constrained by mining shapes such as stopes, as a mining method may not have been decided on. Therefore, resources are inherently global figures and sometimes based on simply a block count. Reserves “cookie cut” the resources and hence are always a subset of the resource inventory. The very nature of creating stopes or pits, “cookie cuts” the resource so the conversion rate can never be 100%; and

(iii) as well as the ore losses described above that are inherent with underground mining, reserves are always lower in metal content than resources because in situ pillars have to be left which results in additional ore loss and hence resource loss.

[6] Retraction Announcement page 1
[7] Replacement Presentation page 26

In addition, this conclusion is consistent with a detailed analysis of the historical conversion rates achieved by Kagara at the Mungana Mine (refer to Section 2.4).

Auctus notes that conversion rates from ore resource to mineable inventory vary considerably from mine to mine with some mines only converting utilising a factor of 0.5. Having regard to the above and Section 2.4), Auctus considers a range of 50-70 to be a realistic estimated range at this stage of development.

(b) **Head Grade**

On 28 January 2015, MUX announced that the head grade for the King Vol zinc deposit was 11.9% zinc, calculated as a weighted average of the head grade of the indicated portion of the resource of 14.7% zinc and the head grade of the inferred component of 10.4% zinc.

In the Retraction Announcement, MUX stated, based upon its "*latest resource model*", that the head grade for the Upper Domain of the King Vol zinc deposit was 14.3% zinc.

MUX did not provide any details in the Retraction Announcement to explain its stated head grade for the Upper Domain and has not subsequently updated its King Vol Zinc Deposit – JORC 2012 Resource Update of 28 January 2015 (**King Vol JORC Update**) to reflect the subdivision of the resource between the Upper Domain and lower levels.

Auctus queries the accuracy of the Upper Domain head grade of 14.3%. Auctus calculates that, based on the grades for the indicated and inferred portions of the resource contained in King Vol JORC Update, the weighted average of the head grades of the inferred and indicated portions of the Upper Domain is approximately 13.04%, not 14.3%.

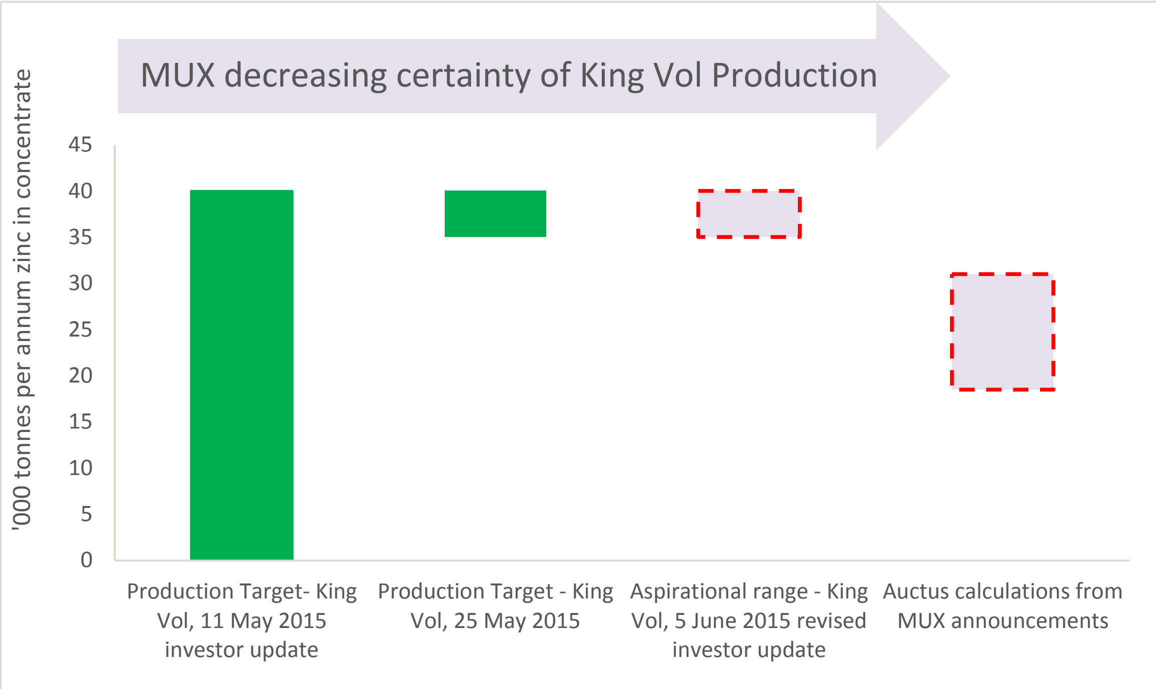
Auctus considers that in addition to the discrepancy in the calculation of the head grade for the Upper Domain, MUX has not provided for any ore dilution let alone historic dilution ranges considered reasonable by MUX based on the historical Mungana underground mine of up to 33%. Previous ore dilution assumptions by Kagara when calculating ore reserve statements from indicated resources utilized 25% (calculated) [8]. Taking account of such dilution would reduce the weighted average head grade of the Upper Domain significantly. Detailed in the below table is the impact of these adjustments on production based on a very conservative range of 15-25%.

King Vol Production Range					
Conversion rate (%) of mineral resource to mineable inventory	**Mineable inventory tonnes per annum**	**Production at 15% dilution of 14.3% zinc resource grade with a 93.6% recovery (tpa)**	**Production at 25% dilution of 14.3% zinc resource grade with a 93.6% recovery (tpa)**	**Production at 15% dilution of 13.04% zinc resource grade with a 93.6% recovery (tpa)**	**Production at 25% dilution of 13.04% zinc resource grade with a 93.6% recovery (tpa)**
50	190,125	22,120	20,358	20,180	**18,561**
70	266,175	**30,968**	28,502	28,252	22,985

[8] ASX statement 18 September 2007 ' Mungana and King Vol Reserve Statement'

Having regard to the above and Auctus' analysis (refer to Section 2.4) and based on publicly available information available, Auctus considers that a more accurate estimation of the aspirational production rate from the MUX King Vol Production Range is between approximately 18,500tpa to 31,000tpa.

As illustrated below, there is a significant variance between Auctus' calculated range and each of the Initial Production Target, the Replacement Production Target and the MUX Aspirational King Vol Production Range. Auctus highlights to Mungana Shareholders MUX's decreasing level of confidence in its production range forecasts.



(c) **Mine Life**

Auctus notes the mine life for a future King Vol mine based upon the Upper Domain is ***only four years***. This is premised on mineable inventory of 1,064,700 tonnes, being the total Upper Domain resource at an assumed 70% conversion of mineral resource into mineable inventory, mined at 266,175 tpa, which is premised on the MUX assumption that *"the mine can be developed and produce ore in a steady state scenario by mining 75 vertical metres per annum"*[9] and statements from MUX that the Upper Domain resource extends from a depth of 50 metres to 350 metres.

Without MUX updating the King Vol JORC Update to account for the subdivision of the mineral resource and related head grades, Auctus considers that it is not possible to evaluate fully the future economic viability of the proposed King Vol mine after four years, for example it is unclear what the consequential impact of the increase in the head grade for the Upper Domain is for the remainder of the resource.

Auctus considers that MUX's ability to raise significant debt capital to finance project development will be reduced given the assessed mine life of four years for a future King Vol mine based upon the Upper Domain. If this is the case, Auctus considers that, MUX will be more reliant on equity capital for project development, leading to an increase in dilution to existing Mungana Shareholders.

[9] Replacement Presentation page 26

2.4 Kagara Case Study

(a) Background

As noted in Section 2.3, MUX stated in the Replacement Presentation that:

> *"The above assumption [350,000 tpa] is considered reasonable <u>based on the historical Mungana underground mine</u> which was mined by Kagara from 2008 to 2012 produced 700,000t @ 11.1% Zn at a mine production rate equivalent to approximately 90 vertical metres per annum. <u>It is assumed the mining methods and development logic used at the Mungana mine will be similar to those used at the King Vol mine</u>."* [10] *(Emphasis added)*

Given the above statement by MUX, Auctus has reviewed and analysed the past disclosures issued by Kagara with respect to the Mungana Mine to compare the pre-mining assumed conversion rates of mineral resource to mineable inventory with the actual conversion rates from mining.

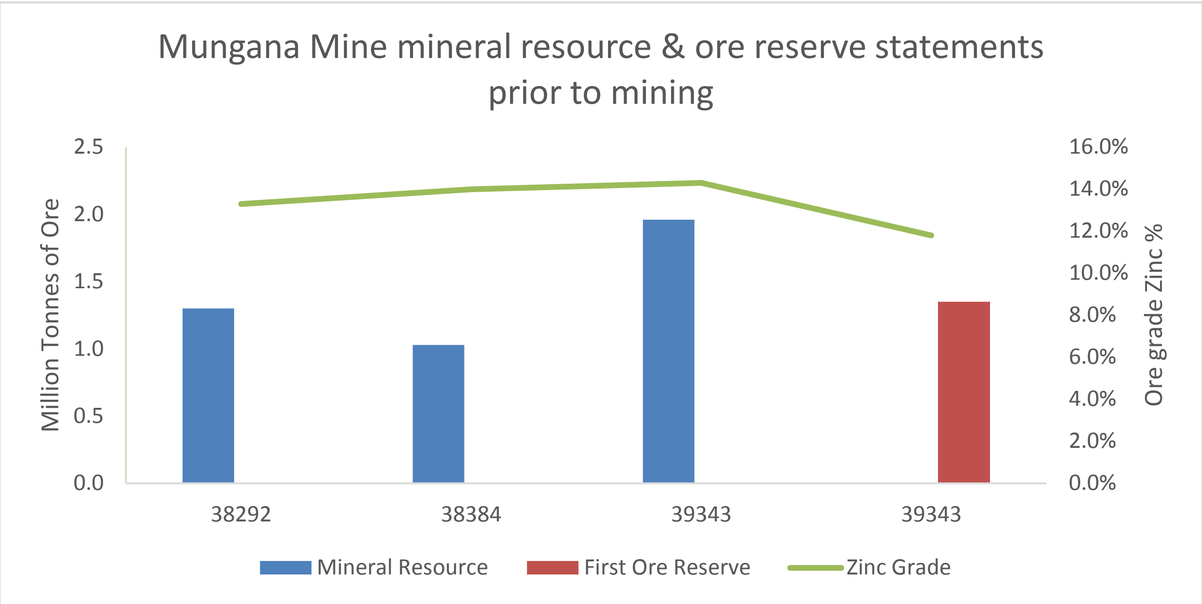
(b) Mineral Resource and Ore Reserves

Kagara published a mineral resource in November 2004 of 1.3Mt. This mineral resource was recalculated in February 2005 and reduced to 1.03Mt due to the exclusion from the Mungana Mine of some of the previous mineral resource due to its reallocation to Kagara's gold porphyry resource.

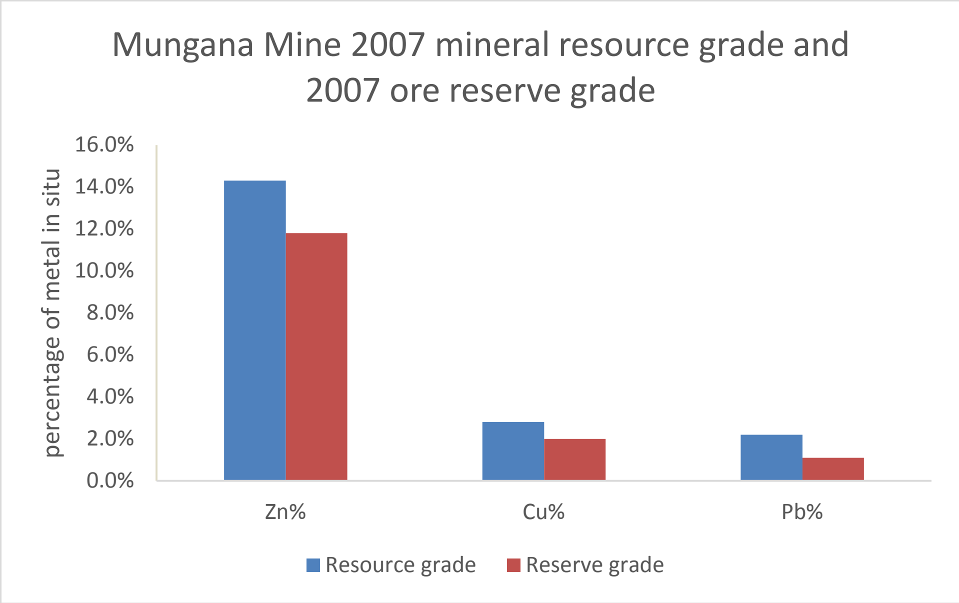
By September 2007, Kagara had grown Mungana's base metal resource base to 1.96Mt at a grade of 14.3% zinc.

At this time, Kagara released its first ore reserve calculation based on the Mungana base metal resource. The ore reserve consisted of 1.35Mt of ore at a grade of 11.8% zinc.

Kagara stated that the ore reserve represented a 71% conversion of the indicated mineral resource of 1.69Mt at 14.8% zinc.



[10] Replacement Presentation page 26



Auctus notes that the 71% conversion is applied appropriately only to MUX's indicated mineral resource, not its inferred resource.

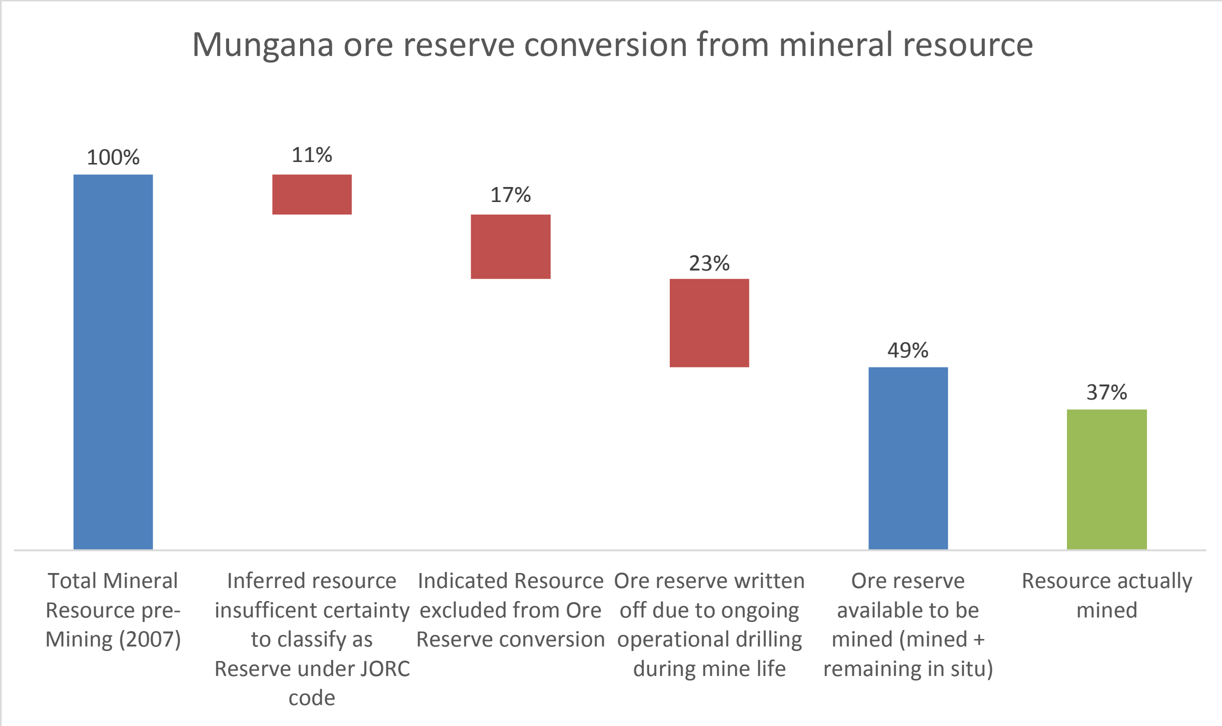
At the conclusion of the 2011 financial year, Kagara reported an impairment charge of A$31.6m in its financial results announcement. This impairment charge occurred as Kagara undertook a reconciliation between the ore tonnes mined per vertical metre and the expected ore tonnes estimated in the ore reserve calculation. The reconciliation demonstrated that less ore had been mined than the reserve model suggested should have been the case.

Such reconciliations are a common practice in mining to ensure that the stated mineral resource and ore reserves, which are statistical models based on interpolation of incomplete data, don't deviate too far from the reality that is discovered through mining.

Furthermore, development drilling in advance of the mine demonstrated that the ore body was less continuous between the reduced levels (relative to mean sea level as distinct from depths to water) of 1600 and 1450 than initially forecast. Kagara therefore decided to recalculate the remaining ore reserves to account for the negative reconciliation of ore mined to date.

As a result, Kagara reduced the ore reserves at the Mungana Mine by 439,000 tonnes, a 30% reduction from the initial 2007 estimate.

Rather than being a 71% indicated resource to reserve conversion as stated by Kagara in 2007, the actual resource to mined inventory conversion rate achieved was closer to approximately 50%.



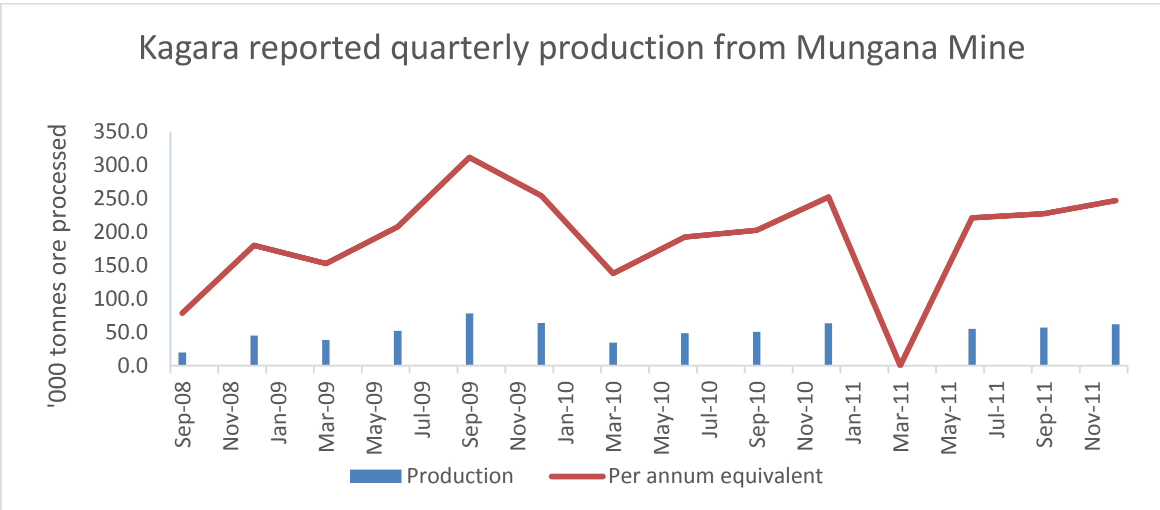
(c) **Production History**

Kagara published a mineral resource of 1.69Mt at 14.8% zinc in 2007. By 2011 only 49% of the previously stated mineral resource had been mined or formed part of Kagara's then mineral reserve.

Following the release of the Mungana base metal ore reserve in 2007, Kagara intended to commence production with a conceptual throughput of 450ktpa.

In its September 2008 quarterly activities report Kagara announced that it would undertake a strategic review of its operations after which it revised its expected throughput from Mungana down to 350ktpa.

Mining commenced earlier in 2008 and Auctus has reconstructed the production profile based on Kagara's quarterly activity reports released to the ASX between June 2008 and December 2011.



The annualised production rate shows the throughput that would have been achieved had that quarter's production been sustained for the whole year. Note that data for the Mungana Mine is not available for the March quarter 2011. In reality in Auctus' opinion production from a mine is rarely uniform over four successive quarters.

Auctus notes that at the Mungana Mine Kagara achieved:

(i) a maximum annualised throughput rate of approximately 311ktpa which is 31% less than the original forecast of 450ktpa and 11% less than the revised forecast of 350ktpa which was made post the commencement of mining; and

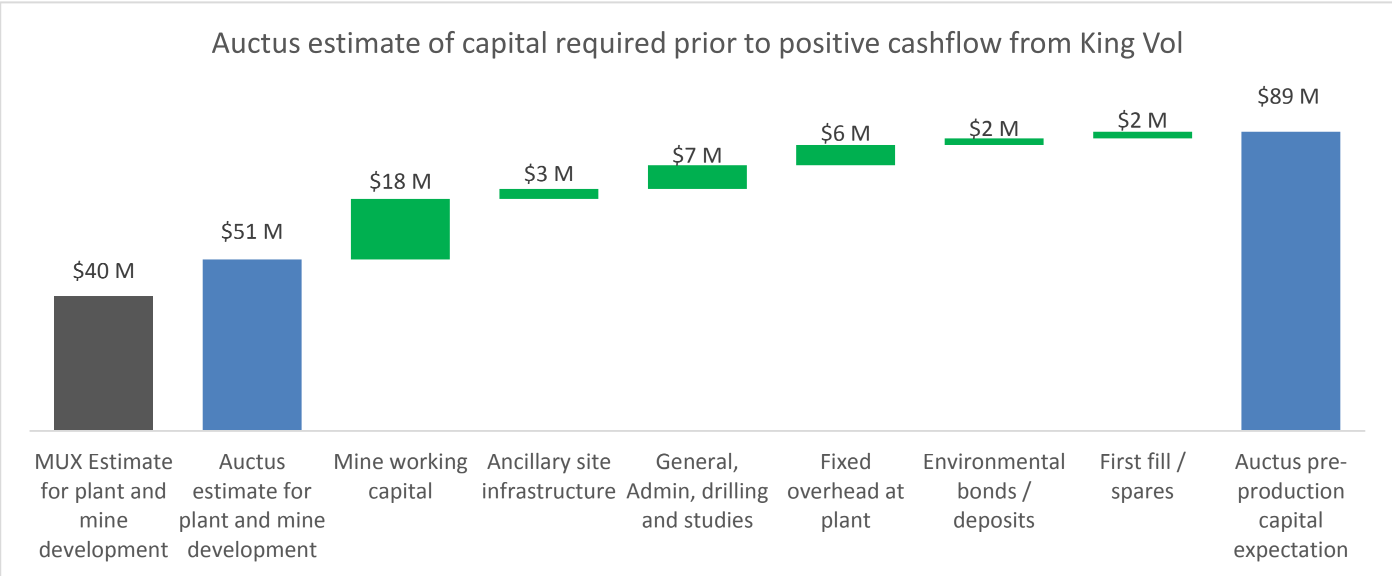
(ii) an average annual throughput of approximately 205ktpa (March 2011 excluded due to lack of data) which is a 55% reduction from the initial 450ktpa forecast and a 41% reduction from the revised production target of 350ktpa.

In particular, Auctus notes the reduced production in the March 2010 quarter highlighted in the chart above occurred due to unforeseen ore losses resulting from encountered geological structures. Such occurrences are not unusual in underground mining and allowances should therefore be factored into realistic production forecasts by an experienced underground mining management team.

3. Pre-Production Capital Requirements

3.1 Summary

A	**MUX stated:** ***"Aiming for estimated pre-production capex of less than $40m due to infrastructure and plant components already in place (subject to ongoing assessment)."*** [11]
B	**Auctus considers MUX has underestimated the capital requirements required to bring the King Vol project into positive cash flow by approximately $50m.**
C	**Auctus considers MUX should provide to Mungana Shareholders its total projected funding requirements (without exception) for the period up to the King Vol project becoming cash flow positive.**
D	**MUX has not provided this clarification.**
E	**Auctus considers that providing Mungana Shareholders with a clear understanding of the likely impact of dilution which could result from the full funding of MUX, is key information for Mungana Shareholders seeking to analyse the merits of the Offer against the Rejection Recommendation from MUX.**
F	**Auctus is offering Mungana Shareholders certain value in full cash consideration under the Offer, whereas MUX's Rejection Recommendation requires Mungana Shareholders to bare full project development risk.**



[11] Replacement Presentation page 3

3.2 Background

MUX stated in its Withdrawn Presentation that its:

> "*estimated capex [is] less than A$40m due to key infrastructure and plant components already in place*"[12]

Having retracted the Withdrawn Presentation, MUX stated in its Replacement Presentation that it was:

> *"aiming for estimated pre-production capex of less than A$40m due to key infrastructure and plant components already in place (subject to ongoing assessment).*
>
> *This estimated pre-production capital of less than A$40m is based on an initial high-level review of Entech Pty Ltd for the mine establishment and development, and GR Engineering Services Limited for the processing requirements and the company's own knowledge and understanding of the project. There is a risk associated with this pre-production capital estimate in that following detailed review at the appropriate study levels this estimate may be incorrect". (Emphasis added)* [13]

Having been specific that MUX's capital requirements to bring the King Vol zinc project into production were "*less than A$40m*" (**MUX Pre-Production Capital Estimate**) in both the Withdrawn Presentation and the Replacement Presentation, MUX was noticeably less specific in the Target's Statement, which noted:

> *"Mungana will require significant further funding to complete all of the required steps associated with the mine development and [to] carry out ongoing exploration" (Emphasis added)* [14]

In the absence of any clarification as to the meaning of "*significant further funding*", Mungana Shareholders are left to draw their own conclusions as to whether this marks a change from the MUX Pre-Production Capital Estimate. Prior to MUX issuing the Target's Statement, Auctus had written to MUX on a number of occasions seeking clarification as to what cost components had been included in MUX's Pre-Production Capital Estimate and which had been omitted. MUX declined to respond but noticeably reduced the certainty in its capital projections from a definitive number to categorising the requirements as "significant".

3.3 MUX Estimate Understated

Auctus considers that to fully evaluate the Offer and MUX's recommendation to its shareholders to reject the Offer (**Rejection Recommendation**), it is essential that MUX clearly identifies all of the company's funding requirements (without exception) for the period up to the King Vol project becoming cash flow positive (**Total Capex Requirements**). This is the amount that will require to be funded. Providing estimates of certain components of the Total Capex Requirements, without clear articulation of what is included and excluded is potentially misleading.

Auctus considers this is exactly what MUX has done, instead of providing the Total Capex Requirements, it has estimated what it terms "*pre-production capex*" but has

[12] Withdrawn Presentation page 3
[13] Replacement Presentation pages 3 and 27
[14] Target's Statement section 7.2

failed to clarify what this includes and excludes and has not provided any commentary on the professional reports provided by Entech and GRE.

In Auctus' opinion it is not credible for MUX to inform Mungana Shareholders that their interests are best served by supporting the company's incumbent management to deliver on the further exploration and development of the King Vol zinc project into production, without highlighting and itemising in its target's statement the Total Capex Requirements and clearly outlining the risks associated with such funding requirements for Mungana Shareholders.

3.4 Auctus' Pre-Production Capital Estimate

Auctus considers that a more accurate and complete estimate of the capital costs required to take MUX from its current stage of exploration of the King Vol asset to being cashflow positive is approximately A$90m, comprising the following:

Description	Amount (A$m)	Auctus assumptions and comments
Completion of plant	40	In its 2007 annual report, Kagara noted that completion of the plant required total capital expenditure of approximately A$80m. The Withdrawn Presentation stated that A$40m has already been expended and MUX's subsequent disclosure has not updated this statement.
Mine development cost	11	Auctus considers that A$11m expenditure is required for decline development to access the top of the King Vol ore body.
Mine working capital requirements	18	Auctus considers the mine operating costs to produce first batch of ore at A$6m per month.
Site infrastructure costs	3	In addition to completion of the plant, ancillary site infrastructure must necessarily be established.
General & Administration costs	7	MUX has stated that the cost of running costs of MUX total A$850,000 per quarter. If, as MUX claims, first production at King Vol is to occur by the end of 2016 MUX will expend A$5.1m in running costs alone. MUX has also outlined an aggressive and expansive exploration plan in the Replacement Presentation with the additional funding for this program estimated to be $2m.
Fixed overhead for plant	6	Auctus considers that A$2m expenditure per month is required for ramp up and operating costs at the King Vol plant and that the operating time before achieving the first batch of saleable product is 3 months.
Environmental bonds/deposits	2	Consisting of cash backed bonds and deposits required for environmental approvals.
First fill/spares	2	Auctus estimates that A$2m expenditure is required for the initial fill of the plant with operating consumables and purchase of sufficient operating spares and stock prior to commencing production.
Total	**A$89m**	

Auctus considers that it is essential for MUX to provide its estimate of the Total Capex Requirements, including the cost of bringing the processing plant into the commissioning stage, the associated costs of the initial ore feed to the processing plant and purchasing of spare parts for the processing plant in accordance with prudent management, plus sufficient working capital to operate the plant for the period required to process ore prior to the revenues from the first mineral sales being received.

3.5 Dilutionary impact to existing Mungana Shareholders

Given the estimate of capital expenditure required to be incurred prior to King Vol becoming cash flow positive, Auctus believes existing Mungana Shareholders face the risk of significant dilution if they retain their shareholding in MUX.

Provided below is an illustration of what Auctus considers to be the likely dilution to be suffered by existing Mungana Shareholders in two separate capital raising scenarios.[15] We note the illustration of potential dilution to existing Mungana Shareholders is based on the likely funding requirements for the King Vol project only and does not include the approximate A$290m of “up front” capital required to bring the Mungana gold project into production, including construction of a 4Mtpa plant or the implications of MUX's recently announced exploration farm-in agreement with Newcrest Mining Limited.

Auctus has considered two scenarios to illustrate the potential dilution to Mungana Shareholders, with the only difference being the amount of capital required prior to King Vol becoming cash flow positive.

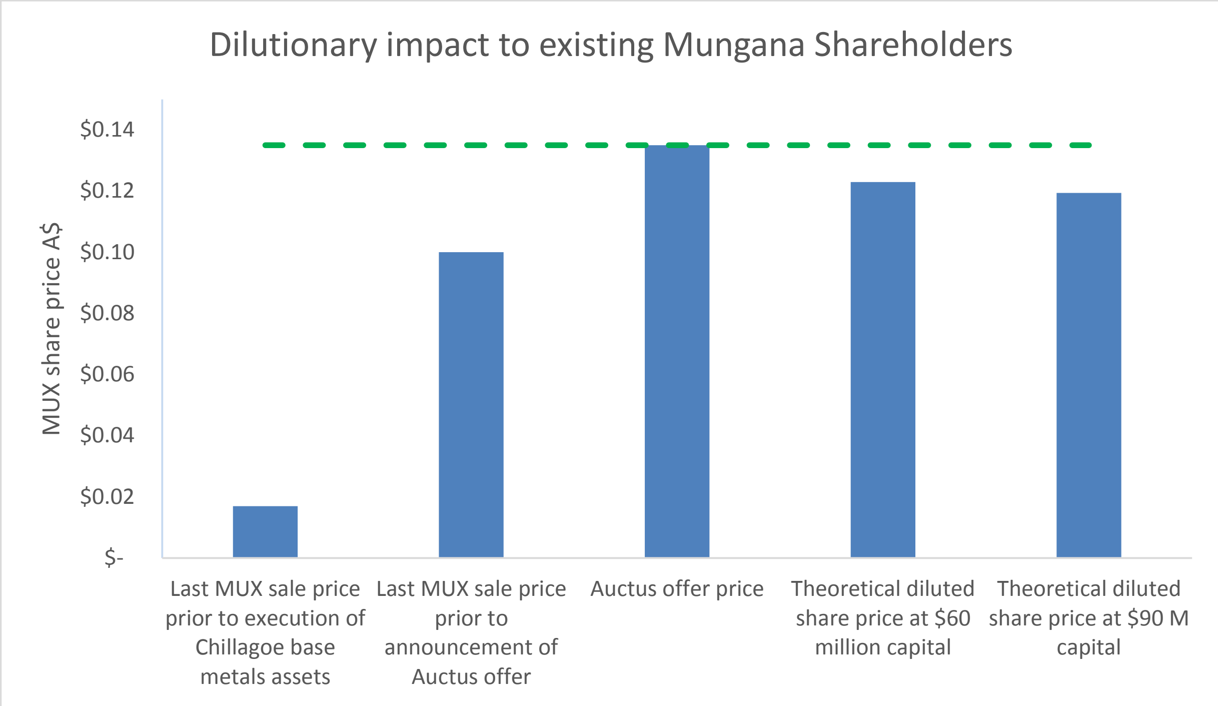
As noted in Section 2.3 above, Auctus estimates that approximately A$90m in capital is required for King Vol to become cash flow positive. We have assessed dilution based on this amount, as well as a capital requirement of only A$60m, which Auctus considers to be overly aggressive.

The table below illustrates these two scenarios and other key assumptions used to assess the potential dilution to existing Mungana Shareholders.

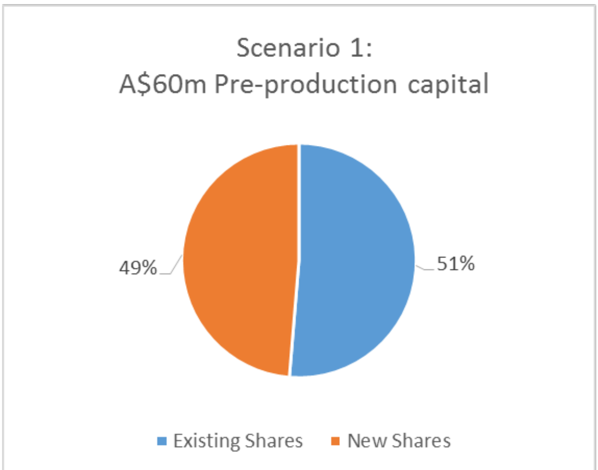
	Scenario 1	**Scenario 2**
Capital Requirement	A$60m	A$90m
% funded by debt[16]	60%	60%
Equity requirement	A$24m	A$36m
Additional percentage of current MUX equity value required	71 %	107 %
Share price pre-raise[17]	A$ 0.14	A$ 0.14
Capital raise discount[18]	25 %	25 %

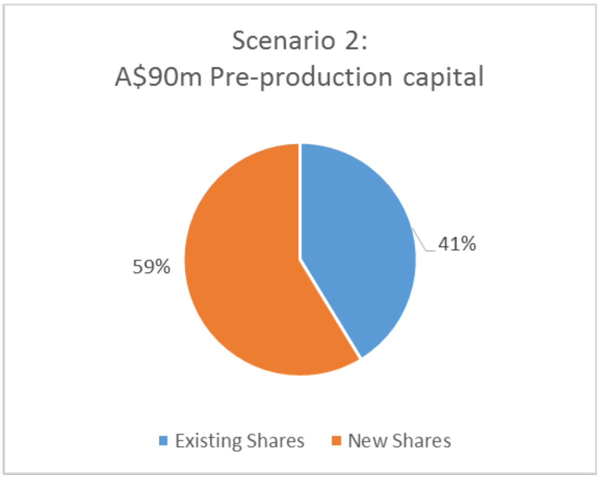
Using the above assumptions the theoretical ex placement share price for MUX for Scenario 1 is approximately A$0.123 per Mungana Share and for Scenario 2 is approximately A$0.119 per Mungana Share. As illustrated below, both of these amounts are significantly lower than Auctus’ current cash Offer of A$0.135 per Mungana Share.

[15] The illustration is based on a number of assumptions and whilst Auctus considers such dilutionary effects to be likely in the context of the level of capital which MUX needs to raise, this remains an illustration and may or may not ultimately reflect the actual dilution suffered by Mungana Shareholders during a future capital raising by MUX.
[16] The ability to raise 60% of capital through debt is considered a conservative assumption given the short mine life indicated for the Upper Domain of the King Vol project.
[17] Auctus has used the Mungana Share price as at the close of trade on 17 June 2015 for illustrative purposes. Auctus believes the Mungana Share price will likely drop in the event the Offer is withdrawn.
[18] Auctus considers this assumption to be very conservative given the large amount of equity required relative to MUX’s market capitalisation and that 72% of shares are controlled by a shareholder in liquidation. Consideration of recent capital raisings on ASX of this magnitude indicate the discount required may need to be considerably higher.



Further to the above, Auctus has also considered the reduced exposure current Mungana Shareholders will have to the enlarged MUX. As illustrated using the above assumptions and assuming existing Mungana Shareholders do not participate in future capital raisings, their exposure to the enlarged MUX will be significantly reduced.





4. Independent Expert Report

4.1 Summary

A	**Independent Expert Report contains a number of material errors, including inaccurate calculations and the use of inappropriate comparable transactions.**
B	**The errors impact the valuation of the Mungana mineral assets and consequently the fair value range assessed by Grant Thornton for the Mungana Shares.**
C	**SRK as the appointed technical specialist used two inappropriate transactions in its market comparables for the valuation of Mungana's pre-development gold assets which had the effect of overstating the assets' value.**
D	**SRK opted for the lower end of the value range in recognition of "the varying levels of technical and geological uncertainty across the MUX assets, including but not limited to the difficulties in converting resources into reserves." Applying the identical methodology adopted by SRK but correcting the errors in the report produces materially lower values for the mineral assets.**
E	**For indicative purposes only, Auctus details below the impact of correcting the errors in the Independent Expert Report on the fair value range of Mungana Shares as calculated by Grant Thornton.[19]**

Valuation Summary	**Low A$'000**	**High A$'000**
Fair market value of MUX mineral assets	45,125	62,841
Fair market value of the Processing Plant and Infrastructure	8,000	10,000
Add: Adjusted other assets/(liabilities)	2,913	2,913
Less: Value of Tranche B Convertible Notes	1,917	2,324
Less: Value of Options	-7,492	-9,367
Less: Transaction costs	-500	-500
Add: Tax losses	4,806	4,806
Add: Cash from the Capital Raising (net of transaction costs)	45,086	62,841
Equity value of MUX on a control basis	54,730	73,017
Number of Mungana Shares ('00s)	277,043	277,043
Value per share on a control basis (cents)	**0.1976**	**0.2636**
Variation in value per share comparing Grant Thornton and corrected value of MUX mineral assets	**-0.0443**	**-0.0533**
% variance in value per share comparing Grant Thornton and corrected value of MUX mineral assets	**-18.33%**	**-16.83%**

[19] Note Auctus does not in any way endorse Grant Thornton's valuations of Mungana Shares and has included this table for illustrative purposes only to show the material impact on Grant Thornton's valuation resulting from the material errors in the Independent Expert's Report. In doing so, Auctus has adopted Grant Thornton's methodology as described in the Independent Expert's Report.

4.2 Background

Auctus considers Grant Thornton's valuation of a Mungana Share is unrealistic, bears no correlation to the market and its Independent Expert's Report contains factual inaccuracies.

As part of its Independent Expert Report, Grant Thornton commissioned an independent technical specialist, SRK Consulting (Australasia) Pty Limited (**SRK**), to prepare an Independent Technical Report (the **SRK Report**) in relation to MUX's exploration and pre-development assets.

Auctus has identified a number of errors, inconsistencies and omissions in both the SRK Report and Independent Expert's Report which it considers to be material and accordingly considers that the valuation determined by Grant Thornton is incorrect and materially overvalues MUX.

Further, given that the results generated from Grant Thornton's valuation (and detailed in the Independent Expert's Report) are significantly different to the recent trading prices of Mungana Shares, Auctus queries the reliability and credibility of the Valuation.

The Grant Thornton valuation:

(a) has been calculated based on the SRK Report which includes both inaccurate and inappropriate assumptions for assessing the value of MUX's mineral assets;

(b) attributes significant and unrealistic value to MUX's gold pre-development assets, the majority of which are acknowledged to have significant uncertainty and are unlikely to be mined economically;

(c) contains errors itself which overstate the assessed value of Mungana Shares; and

(d) bears no meaningful correlation to the current Mungana Share price, the price at which MUX recently announced that it would raise new equity capital or the price of Mungana Shares pre the Offer.

The material issues that Auctus has identified in both the Independent Expert's Report and SRK Report are as follows:

4.3 Inaccurate calculation and inappropriate use of comparable gold comparable transactions

Table 5-3 of the SRK Report (page 38) details "Comparative Gold Property Transactions in eastern Australia to May 2015" (**Comparable Gold Transactions**). The SRK Report states seven of the Comparable Gold Transactions (as detailed in the table below) were considered in deriving a benchmark value of A$19.42 per resource ounce of contained gold which was utilised to value MUX's Pre-Development gold projects. Outliers considered inappropriate comparables were correctly removed by SRK prior to considering the following 7 transactions.

Transaction	Deposit	Contained Oz Au	A$ / resource Oz
1	Iron Mountain sale of Golden Camel	14,600	11.30
2	LionGold acquisition of Hargraves	245,000	34.31
3	ARC-Earn in on Junee & Oberon	227,000	9.75
4	Elysium takeover of Burraga (Lucky Draw Project)	80,256	84.07
5	Burraga acquisition of the Lucky Draw Project (2010)	78,000	11.58
6	Hudson interest in Mt Adrah	770,000	16.86
7	GBM acquisition of Mt Coolon	290,155	5.84

Auctus has identified what it considers to be a number of inaccurate calculations and/or inappropriate assumptions in the analysis performed by SRK on the seven Comparable Gold Transactions, which when corrected have a material impact on the valuation of MUX's mineral assets and consequently a material impact on Grant Thornton's fair market value assessment of Mungana Shares.

An overview of these errors or inappropriate assumptions are provided below.

Transaction 2: LionGold acquisition of Hargraves

In June 2014 LionGold Corp entered into a non-binding heads of agreement (**HOA**) with Hill End Gold Limited. The HOA was highly conditional and subject to due diligence. As stated in Table 5-3 of the SRK Report, on 31 October 2014 the HOA lapsed and was terminated without progressing to a completed transaction.

The inclusion of proposed transactions, and furthermore proposed transactions that have since been formally terminated, in the sample of Comparable Gold Transactions is not appropriate and contrary to standard industry practice.

The calculated A$/oz transaction price for the LionGold acquisition of Hargraves is significantly higher than the weighted average A$/oz transaction price for the seven Comparable Gold Transactions used by SRK to value the gold assets held by MUX. The removal of this transaction from the dataset materially reduces the calculated weighted average A$/ounce of contained gold benchmark.

Transaction 4: Elysium Takeover of Burraga Copper Ltd

Table 5-3 of the SRK Report includes reference to the takeover offer by Elysium Resources Limited (**Elysium**) for Burraga Copper Pty Ltd (**Burraga**), which owned the Lucky Draw Project (**Elysium Takeover**), which is stated to contain 80,256 ounces of contained gold. The scrip consideration for the Elysium Takeover is stated to be approximately A$7.35 million.

In addition to the Lucky Draw Project, Burraga held a number of other assets at the time of the transaction, including the historic Lloyd's copper mine as well as the Hackney's Creek Gold Deposit.

Elysium's announcement dated 30 August 2013 detailing the proposed Elysium Takeover indicates Burraga's JORC Resources at the time of the transaction were approximately 3.2Mt at 0.5% copper and 2.7Mt at 1.6 grams per tonne (g/t) gold.

Burraga's gold resource of 2.7Mt at 1.6 g/t yields a resource of approximately 138,891 troy ounces of contained gold. This resource is approximately 73% higher than the 80,256 ounces stated in the SRK Report and used to calculate the A$/oz transaction price for the Elysium Takeover. Further, the above resource refers to the gold only resources and does not include the copper resource owned by Burraga at the time of the Elysium Takeover.

Auctus considers that SRK has materially miscalculated the transaction multiple applicable to the Elysium Takeover by using an inaccurate gold resource and not considering the Burraga's total mineral resource base (i.e. its stated JORC compliant copper resources).

Further, Elysium's reported activities in the 12 months post completion of the Elysium Takeover suggest the primary interest in the transaction was to secure control of the historic Lloyds Copper mine and not the Lucky Draw Project.

The Elysium Takeover should not be included in the sample of Comparable Gold Transactions due to the existence of other significant metal content other than gold and Elysium's copper focus. The calculated A$/oz transaction price for the Elysium Takeover is significantly higher than the weighted average A$/oz transaction price for the seven Comparable Gold Transactions used by SRK to value the gold assets held by MUX. The removal of the Elysium Takeover from the dataset materially reduces the calculated weighted average A$/ounce of contained gold benchmark.

4.4 Incorrect assessed Comparable Gold Transaction multiple

Sections 5.4.1 and 5.4.2 of the SRK Report (page 48) indicate the weighted average Comparable Gold Transaction multiple of A$19.42/resource gold ounce is used to define a mid-point for a valuation range for the Mungana and Red Dome pre-development projects. SRK states that:

> *"Due to the comparative technical risk inherent in Inferred Resources SRK recommends a range of 35% above and below this target factor."*

SRK then recommends a preferred value toward the low end of this range "*[i]n recognition of the expected difficulties in converting the Resources into Reserves."*

As detailed above, the weighted average Comparable Gold Transactions multiple of A$19.42/resource ounce is calculated both on inaccurate and inappropriate data. The table below illustrates the impact of removing inappropriate transactions and inaccurate calculations from the dataset. As seen, the removal of these transactions materially reduces the weighted average Comparable Gold Transaction multiple from A$19.42/resource ounce to approximately A$13.02/resource ounce, a decrease of approximately 33%.

A$ / Oz Au in Resource:	SRK Table 5-2	Excluding Transactions 2 & 4
Minimum	5.84	5.84
Maximum	84.07	16.86
Median	11.58	11.30
Average	30.23	11.75
Weighted Average	**19.42**	**13.02**

As illustrated below, correction of the weighted average Comparable Gold Transaction multiple has a material impact on the value range determined for the Mungana and Red Dome Pre-Development Projects. Applying the same 35% risk range used by SRK to reflect the inherent technical risks associated with these assets reduces the assessed value range from A$32.6m to A$67.5m to an approximate range of A$21.9m to A$45.4m.

A$ / Oz Au in Resource:	SRK Low (A$000)	SRK High	Amended Low	Amended High
Mungana	13,200	27,300	8,800	18,300
Red Dome	19,400	40,200	13,100	27,100
Total	**32,600**	**67,500**	**21,900**	**45,400**

The revised preferred value should be to the lower end of the revised range as this transactional correction is separate to the discounting applied by SRK for expected conversion difficulties as stated in section 5.4.1 of the SRK Report.

Similarly, sections 5.6.1 and 5.6.2 of the SRK Report (pages 50-51) indicate the weighted average Comparable Gold Transaction multiple of A$19.42/resource ounce is also used to define the value range for the Red Dome Leach Pad and Shannon-Zilmanton Advanced Exploration Projects. However, for these assets a range of +/-50% and a further factor of 0.7 and 0.5 respectively are applied to reflect the lower certainty of an exploration target versus mineral resource.

Further, section 5.2.4 of the SRK Report indicates a subset of the Comparable Gold Transaction data set was also used to derive a A$/km^2 multiple used to value the Chillagoe and Charters Towers exploration areas. However, the SRK Report does not contain sufficient information regarding which transactions were included in this calculation to independently verify the results. It is possible the errors identified above also impact the assessed value for the Chillagoe and Charters Towers prospects.

4.5 A wholly unrealistic valuation of MUX’s pre-development gold assets

As part of its valuation of MUX's mineral assets, Grant Thornton has attributed a value range of between A$32.6m and A$67.5m for MUX’s pre development gold projects. This is an equivalent of A$0.118 to A$0.244 per Mungana Share (on a fully diluted basis) for the pre-development gold assets alone. This amount is significantly higher than the value attributed by the market for the pre-development gold assets, as evidenced by MUX’s approximate market capitalisation of A$2.73m at the close of trade on 27 December 2013, being the last day that Mungana Shares traded prior to the announcement that MUX and Kagara had entered into a binding Heads of Agreement under which the Chillagoe assets would be sold to MUX. This market capitalisation is calculated based on a closing share price of approximately A$0.017 per Mungana Share.

Auctus believes that Mungana Shareholders need to fully understand the current state of MUX's pre-development gold assets when considering the reasonableness of the assessed fair values. The SRK Report:

(a) highlights the preferred value for the Mungana pre-development project is towards the lower end of the suggested range, in “recognition of the expected difficulties in converting resources into reserves. This is related to the existence of flooded underground workings, lower grade and the depth of the underground workings”

(b) highlights the preferred value for the Red Dome pre-development project is towards the lower end of the suggested range, in “recognition of the expected difficulties in converting resources into reserves due to the existence of flooded pits, lower grade, depth of resources and metallurgical issues due to problematic clay mineralogy encountered in the oxide profile at Red Dome”.

Further, as detailed in section 4.2.3 of the Independent Expert's Report (page 27), MUX completed Stage 1 of a bank feasibility study (**BFS**) on the Mungana and Red Dome Projects in December 2011. Auctus queries and is uncertain as to why results of Stage 1 of the BFS have not been considered for valuation purposes.

From review of the BFS announcement (7 December 2011), the "up-front capital" of approximately A$290 million is required to bring the Mungana Gold Project into production, including construction of a 4Mtpa plant. If MUX undertakes an equity capital raising to fund such a large capital requirement, it will have a significant dilutionary effect on existing Mungana Shareholders. Auctus considers that such dilutionary effect has not been adequately considered or addressed in the IER.

4.6 Inaccurate calculation of comparable gold-silver-copper transaction multiples

As a secondary check to the weighted average Comparable Gold Transactions, SRK applies the raw average of nine gold with by-product transactions referred to as the metal ratio (**MR**) transactions, being a proxy for gold equivalence in the absence of recovery and payability information.

Table 5-4 of the SRK Report identifies only five of these transactions, the other four of which appear to be omitted from the statistics outlined in Table 5-5 of the SRK Report, summarised as follows:

Transaction	Deposit	Oz Au MR	A$ / Oz Au MR
1	WPG consolidation of Tunkillia	902,261	3.50
2	WPG Acquisition of Tunkillia	906,332	2.70
3	Mungana Acquisition of Tunkillia	840,360	13.42
4	Elysium takeover of Burraga (Lucky Draw)	96,532	67.19
5	Silver Lake Acquisition of Phillips River	2,727,604	7.22

Transaction 4 in the dataset uses the Elysium takeover of Burraga as a gold dominant transaction. The MR gold ounces in resource of 96,532 reported in the SRK Report is inconsistent with the mineral resource containing 138,891 ounces of gold and 16,000 tonnes of copper reported by Elysium. In addition to these stated resources, Auctus notes the existence of significant reported copper exploration targets.

Auctus again notes the significant reduction in the assessed average and reduced variability in the population when excluding Transaction 4, as highlighted below.

A$ / MR Oz Au in Resource:	SRK Table 5-5	Excluding Transaction 4
Minimum	2.70	2.70
Maximum	67.19	13.42
Median	7.22	5.41
Average	**18.80**	**6.74**
Weighted Average	7.88	6.82

In its assessment, SRK has also used a "yardstick" approach whereby a percentage of the spot price is applied as a multiple to the resource contained ounces. SRK has used a spot price of A$1,524.73 per ounce. Percentages applied range from <0.5% for ounces not in a reported resource to between 2% and 5% for measured resources.

The table below compares the SRK assessed mid-point values of the MUX gold assets to the calculated mid-point values after the erroneous transactions have been removed from the sample. As illustrated, the removal of the erroneous or inappropriate transactions has a significant impact on the assessed values of the MUX gold assets.

	SRK Primary	SRK Secondary	SRK Yardstick	Amended Primary	Amended Secondary
Mungana Pre-Development	20.3	30.5	11.9	13.6	10.9
Red Dome Pre-Development	29.8	40.3	17.5	20.0	14.4
Red Dome Leach Pad	1.1	-	0.4	0.7	
Shannon-Zilmanton	0.8	-	0.3	0.5	
Total Gold ex raw exploration	**51.9**	**-**	**30.2**	**34.8**	

Auctus makes no representation that the above value ranges are in any way correct or appropriate, but includes the table to draw attention to the materiality of the errors in the SRK Report as well as the fact that SRK's primary valuation methodology is not strongly supported by its secondary or tertiary check methods.

When the erroneous transactions are excluded from SRK's sample population, SRK's Primary, Secondary and Yardstick methodologies show significantly less variability.

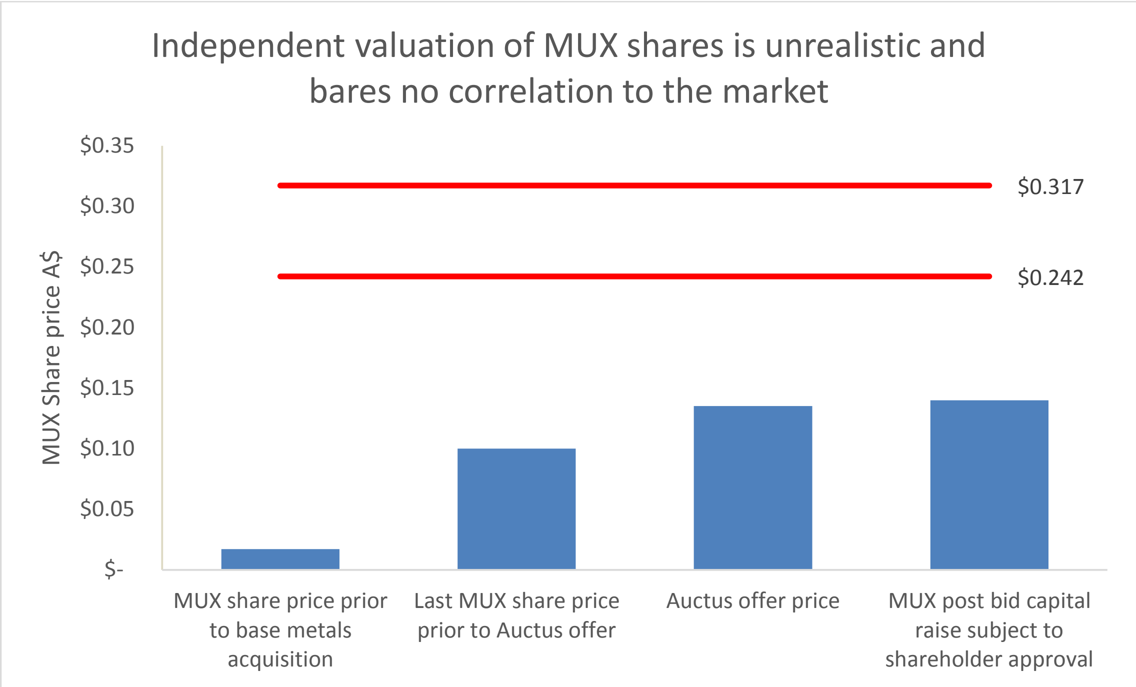
SRK Primary method deviation from yardstick:	+ 72%
SRK Secondary method deviation from yardstick:	+ 140%
Revised Primary method deviation from yardstick:	+ 15%
Revised secondary method deviation from yardstick:	- 14%

4.7 Assessed value of MUX compared to recent trading prices

Grant Thornton has derived an assessed value of between A$0.242 and A$0.317 per Mungana Share. The upper end of this range represents:

(a) an approximate 126% premium to the price at which the MUX Board is seeking to raise approximately A$5 million by way of a share placement (announced on 28 May 2015 after the announcement of the Offer); and

(b) up to a 240% premium to the 5 day volume weighted average price for Mungana Shares prior to the Auctus Offer.



4.8 Incomplete corporate valuation of MUX

Grant Thornton has stated that it has valued MUX on a sum of parts basis using fair market value of net assets. However, there is no indication in the Independent Expert's Report if this fair market value has been determined assuming MUX continues as a going concern or if the fair market value is reflective of values that may be achieved in the orderly realisation of assets.

Specifically, in its corporate valuation of MUX Grant Thornton has not considered either:

(a) the present value of future expected corporate overhead costs - on the assumption of valuing MUX as a going concern; or

(b) potential costs expected to be incurred in divesting assets, including potential tax consequences and selling costs, on the assumption MUX is valued on an orderly realisation of assets basis.

In Auctus' opinion, Grant Thornton has overvalued MUX by omitting these liabilities.

Given the material errors identified and discussed above and the significant differences between the Grant Thornton assessed value and the trading price of Mungana Shares prior to and subsequent to the Offer, the credibility of the Independent Expert's Report is questioned.

4.9 Inaccurate valuation cross-check

In section 6.10 of the Independent Expert's Report (page 43-47), Grant Thornton considers the reasonableness of its valuation having regard to the resource multiples observed for listed comparable companies.

This is a generally accepted valuation methodology. However, Grant Thornton has miscalculated the MUX enterprise value in section 6.10.1 of the Independent Expert's Report. Specifically, Grant Thornton has failed to consider the MUX Convertible Notes which have an aggregate face value of A$7.5 million, which remain on issue at the time of the Independent Expert's Report, or the accrued interest owing on the MUX Convertible Note.

As a result, Grant Thornton has underestimated the enterprise value for the purpose of calculating its resource multiple used for cross checking purposes.

4.10 Other issues

(a) Inconsistent application of central tendency

As illustrated in the table below, the measure of central tendency between the comparable transaction data sets has been applied inconsistently in the SRK Report with no explanation as to why.

For the data sets from which the Simple Average has been used as the measure of central tendency, Auctus notes that the Simple Average is considerably higher than the weighted average.

	Median	Simple Average	Weighted Average
SRK Gold (Primary)	11.58	24.82	**19.42**
Amended Gold (Primary)	11.30	11.75	13.02
SRK Gold MR (Secondary)	7.22	**18.80**	7.88
Amended Gold MR (Secondary)	5.41	6.74	6.82
SRK Base Metal	11.61	**22.23**	16.19

(b) **Inconsistent criteria for transaction dataset**

Auctus notes the inconsistent application of criteria by SRK for including transactions in the gold and base metal transaction data sets. Specifically, Auctus notes that the gold transaction dataset only considers transactions on assets located in Queensland, New South Wales or Victoria, whereas the base metal transaction dataset included transactions from across Australia

(c) **Incomplete base metals transaction**

Table 5-6 of the SRK Report identifies that the transaction between Ivernia Inc and Prairie Downs Metals Limited did not complete with Ivernia withdrawing from the deal after only two phases of drilling. As stated above for the gold transaction dataset, it is not appropriate to include transactions that have not completed as comparable transactions.

(d) **Assessed value of deferred consideration is unrealistic**

Grant Thornton attributes a value range of A$1.9m to A$2.3m on the deferred consideration due from WPG on sale of the Tunkillia project. The deferred consideration consists of A$1m in cash or WPG shares at WPG's election at certain milestones as well as a 1.0% to 1.5% net smelter return royalty.

WPG's market capitalisation as at 18 June 2015 is approximately A$10m and the company held A$2.05 million in cash as at 31 March 2015. Auctus considers it unrealistic that the deferred and highly conditional consideration of cash and a 1% royalty would be worth 17% to 21% of the entire current market value of WPG in a fair market.

(e) **Incorrect statement of future production targets**

In describing the King Vol project on page 26 of the Independent Expert's Report, Grant Thornton has indicated that first production for the King Vol project is targeted for the end of 2016 at an annualised throughput rate of 350ktpa for 400ktpa of zinc in concentrate.

This reflects MUX's prior production target which has subsequently been withdrawn and retracted in favour of an aspirational statement of a range of 350 - 400ktpa zinc in concentrate (refer to Section 2.1).

4.11 No other offers

In its Target's Statement, the MUX Directors have indicated that an "indicative non-binding proposal has been received from another party…that did not specify a price". However no additional information has been made available regarding this proposal.

As at the date of this Second Supplementary Bidder's Statement, the Offer remains the only offer to acquire all Mungana Shares. Neither MUX nor any third party has made any announcement with respect to a competing takeover proposal for MUX or an alternative comparable arrangement.

5. Authorisation of Bidder's Statement

This Second Supplementary Bidder's Statement is dated 22 June 2015 and was approved pursuant to a unanimous resolution passed at a meeting of the Auctus Directors.

Signed for and on behalf of Auctus Chillagoe Pty Ltd
Stephen Murdoch
Chairman

6. Definitions

Auctus has the meaning given in Important Information.

BFS has the meaning given in Section 4.5.

Bidder's Statement has the meaning given in Important Information.

Burraga has the meaning given in Section 4.3.

Comparable Gold Transactions has the meaning given in Section 4.3.

Elysium has the meaning given in Section 4.3.

Elysium Takeover has the meaning given in Section 4.3.

Entech means Entech Pty Ltd.

GRE means GR Engineering Services Limited.

Grant Thornton means Grant Thornton Corporate Finance Pty Ltd.

HOA has the meaning given in Section 4.3.

Independent Expert's Report means the independent expert's report completed by Grant Thornton, as included as Annexure A to the Target's Statement.

Initial Production Target has the meaning given in Section 2.2.

Kagara means Kagara Ltd ACN 008 988 583.

Kagara Revised Production Target has the meaning given in Section 2.4(a).

King Vol JORC Update has the meaning given in Section 2.3(b).

Mungana Mine means the Mungana base metals mine historically operated by Kagara.

MUX has the meaning given in Important Information.

MUX Aspirational King Vol Production Range has the meaning given in Section 2.2.

MUX Pre-Production Capital Estimate has the meaning given in Section 3.2.

MR has the meaning given in Section 4.6.

Rejection Recommendation has the meaning given in Section 3.3.

Replacement Presentation has the meaning given in Section 2.2.

Replacement Production Target has the meaning given in Section 2.2.

Retraction Announcement has the meaning given in Section 2.2.

Second Supplementary Bidder's Statement has the meaning given in Important Information.

Section means a section of this Second Supplementary Bidder's Statement

SRK has the meaning given in Section 4.1.

SRK Report has the meaning given in Section 4.1.

Target's Statement means the target's statement released by MUX on 29 May 2015 in response to the Offer.

Total Capex Requirements has the meaning given in Section 3.3.

Valuation means the fair market value range for a Mungana Share.

Withdrawn Presentation has the meaning given in Section 2.2.