Second Supplementary Target's Statement

In response to the takeover offer made by

Auctus Chillagoe Pty Ltd

ACN 605 055 285

For all the ordinary shares in

Mungana Goldmines Limited

ACN 136 606 338

the Directors of Mungana Goldmines Limited unanimously recommend that you

REJECT

the **INADEQUATE**, **OPPORTUNISTIC** and **HIGHLY CONDITIONAL** Offer.

TORRIDON PARTNERS
Financial adviser

ashurst
Legal adviser

This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

1. Important Information

Nature of this document

This document is the second supplementary Target's Statement prepared by Mungana Goldmines Limited ACN 136 606 338 (**Mungana**) under section 644 of the *Corporations Act 2001* (Cth) and is dated 26 June 2015 (**Second Supplementary Target's Statement**). This Second Supplementary Target's Statement is prepared in relation to the off-market takeover offer by Auctus Chillagoe Pty Ltd ACN 605 055 285 (**Auctus**) for all of the fully paid ordinary shares in Mungana.

This document supplements, and should be read together with:

- the Target's Statement lodged with ASIC on 28 May 2015 (**Original Target's Statement**); and
- the first supplementary target's statement lodged with ASIC on 9 June 2015 (**First Supplementary Target's Statement**).

This Second Supplementary Target's Statement prevails over the Original Target's Statement and the First Supplementary Target's Statement to the extent of any inconsistency.

Defined terms

Capitalised terms used in this Second Supplementary Target's Statement have meaning given in Section 11 of the Original Target's Statement, unless the context otherwise requires.

Lodgement with ASIC

A copy of this Second Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Disclaimer as to forward looking statements

This Second Supplementary Target's Statement contains forward looking statements, including statements of current intention, opinion and predictions as to possible future events. These forward looking statements are based on, among other things, Mungana's assumptions, expectations, estimated objectives, plans and intentions as at the date of this Second Supplementary Target's Statement.

Forward looking statements are subject to inherent risks and uncertainties. Although Mungana believes that the expectations reflected in any forward looking statement included in this Second Supplementary Target's Statement are reasonable, no assurance can be given that such expectations will prove to be correct. Actual events, results or outcomes may differ materially from the events, results or outcomes expressed or implied in any forward looking statement.

Except as required by applicable law or the ASX Listing Rules, Mungana does not undertake to update or revise any forward looking statements, nor any other statements whether written or oral that may be made from time to time by or behalf of Mungana, whether as a result of new information, future events or otherwise.

Neither Mungana (nor any of its officers and employees), nor any other person named in this Second Supplementary Target's Statement with their consent, nor any person involved in the preparation of this Second Supplementary Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood or fulfilment of any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

Disclaimer as to information

The information regarding Auctus contained in this Second Supplementary Target's Statement has been prepared by Mungana from publicly available information. None of the information in this document concerning Auctus has been commented on, or verified by Auctus or Mungana (save for obtaining the information from the Bidder's Statement, the first supplementary bidder's statement issued on 9 June 2015, the second supplementary bidder's statement issued on 22 June 2015 (**Second Supplementary Bidder's Statement**) and the third supplementary bidder's statement issued on 25 June 2015 (**Third Supplementary Bidder's Statement**)). Accordingly, Mungana does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The Independent Expert prepared the letter set out in Annexure A and takes full responsibility for that letter. The Independent Technical Specialist prepared the letter set out in Annexure B and takes full responsibility for that letter.

2. Snapshot of Key Points

1	Mungana's major shareholders, Kagara and MPL, have each confirmed that they do not intend to accept the Offer
2	The Production Statement is not misleading
3	The Pre-Production Capital Estimate is not misleading
4	The Independent Expert and the Independent Technical Specialist have each confirmed that their respective reports do not contain any material errors
5	Your Directors continue to unanimously recommend that you **REJECT** the Offer for the reasons set out in the Original Target's Statement

To **REJECT** the Offer, you should **TAKE NO ACTION** in relation all correspondence sent to you by Auctus.

3. Summary

The Second Supplementary Bidder's Statement

In the Second Supplementary Bidder's Statement, Auctus makes allegations in respect of:

- the aspirational statement by Mungana that it is aiming for first production by the end of 2016 at an annualised rate of 350,000 tpa for 35,000-40,000 tpa zinc in concentrate (**Production Statement**);
- the statement by Mungana that it is aiming for estimated pre-production capital expenditure of less than A$40 million due to there being key infrastructure and plant components already in place (**Pre-Production Capital Estimate**); and
- the Independent Expert's Report and the Independent Technical Specialist's Report.

Mungana has carefully considered all of Auctus' allegations in the Second Supplementary Bidder's Statement and is firmly of the view that the Production Statement and the Pre-Production Capital Estimate are not misleading.

Auctus' allegations, where applicable, have also been considered by the Independent Technical Specialist and the Independent Expert. The Independent Technical Specialist has confirmed that the Independent Technical Specialist's Report does not contain any material errors (see Annexure B). Mungana has also received confirmation from the Independent Expert that no material changes are required to the Independent Expert's Report and it continues to be of the opinion that the Offer is not fair and not reasonable to Mungana Shareholders (see Annexure A).

Auctus has made two applications to the Takeovers Panel in respect of some of the matters raised in the Second Supplementary Bidder's Statement and the Takeovers Panel declined to conduct proceedings on both occasions.

Your Directors and management are concerned by the cost and amount of time they have had to devote to responding to Auctus' allegations and applications to the Takeovers Panel. However, your Directors and management remain committed to completing the work program to bring the King Vol Zinc Project into production.

Majority shareholders do not intend to accept the Offer

Following the Second Supplementary Bidder's Statement, as announced on ASX on 26 June 2015, Mungana received confirmation from the liquidators of Kagara and MPL, together holding approximately 72% of the Mungana Shares on issue, that they do not intend to accept the Offer.

The Offer is subject to, amongst other things, a 90% minimum acceptance condition. On the basis of the statement made on behalf of Kagara and MPL, this minimum acceptance condition will not be satisfied.

In the Third Supplementary Bidder's Statement, Auctus stated that, if it obtains a relevant interest in 70% or more of the Mungana Shares that are the subject of the Offer, Auctus will declare the Offer free from all remaining Offer Conditions, with the exception of the "prescribed occurrences" condition. On the basis of the statement made on behalf of Kagara and MPL, Auctus will not obtain a relevant interest in 70% or more of the Mungana Shares that are the subject of the Offer.

Take <u>NO ACTION</u> and <u>REJECT</u> Auctus' offer for your Mungana Shares

In light of the above, for the reasons set out in the Original Target's Statement, your Directors continue to believe that Auctus' Offer is **<u>INADEQUATE</u>**, **<u>OPPORTUNISTIC</u>** and **<u>HIGHLY CONDITIONAL</u>** and continue to unanimously recommend that Mungana Shareholders **<u>REJECT</u>** that offer.

4. Production Statement

The Production Statement is aspirational in nature

As set out in the First Supplementary Target's Statement, the Production Statement is aspirational in nature, as it was determined in the absence of sufficient certainty in relation to some of the modifying factors in the JORC Code 2012.

Mungana is continuing to progress its work plan to complete a feasibility study in respect of the King Vol Zinc Project and bring that project into production. Your Directors are confident that such further work will provide further certainty in relation to the relevant modifying factors such that it will be able to make a production target in due course.

The Production Statement is not misleading

Mungana determined the Production Statement after careful consideration and having regard to a wide range of factors.

Mungana is firmly of the view that the Production Statement is not misleading. Whilst Mungana sees several shortcomings with Auctus' analysis in the Second Supplementary Bidder's Statement, it does not consider it necessary or appropriate to address each of Auctus' allegations in respect of the Production Statement in this document. The disclosure of further details in respect of Mungana's basis for the Production Statement would be inconsistent with the aspirational nature of the statement. It could potentially also be confusing as it may imply that there is a greater degree of certainty in respect of the statement than there actually is or potentially imply that it is a production target, which it is not.

Notwithstanding the above, your Directors believe it is important to make the following points in relation to Auctus' allegations regarding the Production Statement:

- **Confidence in upper domain:** Mungana has a level of confidence in the upper domain of the King Vol deposit which is superior to the balance of the deposit because that is where substantially all of the Indicated Resources are located. As previously disclosed, the upper domain comprises 936,000 tonnes of Indicated Resources and 585,000 tonnes of Inferred Resources for combined total of 1,521,000 tonnes at a zinc grade of 14.3%.

- **King Vol production range:** Mungana does not agree in a number of respects with Auctus' calculations provided in Section 2.3 of the Second Supplementary Bidder's Statement in relation to the King Vol production range. In particular, Mungana notes that it is not appropriate to apply a recovery factor or a dilution factor to a resource model without considering the mining volumes that need to be mined to extract that resource.

- **Mining methods and development logic:** Mungana has assumed that the mining methods and development logic previously used by Kagara at the Mungana mine will be similar to those used at the King Vol mine. This approach is considered reasonable, as the mining methods and development logic at the Mungana mine were consistent with industry standard practices for underground mining in Australia for that style of mine. The comments in relation to the Mungana mine relate solely to the mining methods and associated productivity. At no stage has Mungana implied that it extends to expected geological and metallurgical performance. Auctus' approach in the Second Supplementary Bidder's Statement is incorrect, as it is not appropriate to assume that the geological and metallurgical performance of the King Vol mine will be consistent with the Mungana mine.

5. Pre-Production Capital Estimate

The Pre-Production Capital Estimate is not misleading

Auctus' suggestion in Second Supplementary Bidder's Statement that Mungana has materially underestimated the capital requirements to bring the King Vol Zinc Project into positive cash flow is of itself misleading.

Mungana has only ever disclosed its estimate of the capital expenditure required to bring the King Vol Project into first production (ie the Pre-Production Capital Estimate). It has not given any estimate of the total capital requirements required to bring the project into positive cash flow.

The Pre-Production Capital Estimate was derived after careful consideration. It is based on Mungana's own detailed knowledge of the King Vol Zinc Project and initial high-level reviews by:

- Entech Pty Ltd, in relation to the King Vol mine establishment and development to first ore production; and
- GR Engineering Services Limited, in relation to the work required to complete the processing facility and associated infrastructure to the required level to process 350,000 tonnes of ore from the King Vol mine.

Auctus' analysis in the Second Supplementary Bidder's Statement of Mungana's estimated capital requirements includes costs that Mungana has made clear are not included in the Pre-Production Capital Estimate.

As part of Mungana's current work program, it proposes to carry out the necessary work to be able to reach a firm view in respect of the total capital and operating requirements to bring the King Vol Zinc Project into positive operating cash flow.

Dilutionary impact of funding

As disclosed in the Original Target's Statement, in securing funding for the King Vol Zinc Project, Mungana Shareholders could have their current shareholdings diluted. Mungana has identified several shortcomings in Auctus' calculation of the potential dilution. Furthermore, the extent of such dilution is inherently difficult to estimate with any reasonable degree of certainty and will depend on a wide range of factors. Accordingly, Mungana Shareholders are cautioned from placing too much reliance on Auctus' illustration of the potential dilution set out in the Second Supplementary Bidder's Statement.

6. Independent Expert's Report

The Independent Expert and the Independent Technical Specialist have each considered Auctus' allegations in the Second Supplementary Bidder's Statement.

The Independent Expert has confirmed in a letter dated 26 June 2015 (**Annexure A**) as follows:

- No material changes are required to the Independent Expert's Report as a result of the matters raised by Auctus in the Second Supplementary Bidder's Statement which are applicable to that report.
- It continues to be of the opinion that the Offer is not fair and not reasonable to Mungana Shareholders.

The Independent Technical Specialist has confirmed in a letter dated 26 June 2015 (**Annexure B**) as follows:

- It does not consider that there are any material errors in the Independent Technical Specialist's Report as a result of the matters raised by Auctus in the Second Supplementary Bidder's Statement which are applicable to that report.
- If it had excluded transactions two and four from its assessment of the gold ounces ratio, its final preferred value would *not* have been materially different to the final preferred value set out in the Independent Specialist's Report.
- If it had re-calculated the multiple in respect of transaction four for its assessment of the metal ratio ounce, there would be no material change to its final valuation.

7. Potential competing proposals

Update in relation to proposal referred to in the Original Target's Statement

As disclosed in the Original Target's Statement, after the Offer was announced, Mungana received an indicative, non-binding proposal from a potential competing bidder. That proposal did not specify an offer price and was subject to due diligence, which the Board was not satisfied it should grant at that time. Mungana advises that, since the date of the Original Target's Statement, there have been no further discussions with the potential competing bidder in relation to its proposal.

Receipt of another proposal

Since the date of the First Supplementary Target's Statement, Mungana has received a further indicative non-binding proposal from a different party. That proposal did not specify a price (apart from indicating that it is expected to be greater than that currently offered by Auctus) and is subject to due diligence. Your Board has not yet decided whether to grant due diligence access. Accordingly, there can be no assurance that any proposal capable of acceptance will eventuate.

8. Other important information

Consents

Grant Thornton Corporate Finance Pty Ltd has given, and not withdrawn, before lodgment of this Second Supplementary Target's Statement with ASIC, its written consent to the inclusion of its letter dated 26 June 2015 in the form and context in which it appears in Annexure A and references to that letter and the Independent Expert's Report in the form and context in which they appear in this document.

SRK Consulting (Australasia) Pty Ltd has given, and not withdrawn, before lodgment of this Second Supplementary Target's Statement with ASIC, its written consent to the inclusion of its letter dated 26 June 2015 in the form and context in which it appears in Annexure B and references to that letter and the Independent Technical Specialist's Report in the form and context in which they appear in this document.

As permitted by ASIC Class Order CO 13/521, this Second Supplementary Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX, including the statements in relation to Kagara and MPL in Section 3 and the Pre-Production Capital Estimate in Section 5. Pursuant to this ASIC Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Second Supplementary Target's Statement. Mungana, on request during the Offer Period, will provide within two business days of the request, a copy of the document (or part) free of charge to a Mungana Shareholder. A copy may be obtained by contacting Mungana via email at info@mungana.com.au. Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au and Mungana's website at www.munganagoldmines.com.au.

Competent Person's Statement

The information in this Second Supplementary Target's Statement relating to the King Vol area Mineral Resource is based on, and fairly represents, 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 JORC Code 2012 details of which were released on ASX on 28 January 2015.

Mr Wolfe is a member of the Australian Institute of Geoscientists and has 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.

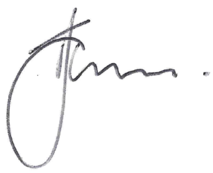
Mungana confirms that it is not aware of any new information or data that materially affects the information in relation to King Vol area Mineral Resource included in the 28 January 2015 announcement. Mungana confirms that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the 28 January 2015 continue to apply and have not materially changed.

9. Authorisation

This document has been approved by a resolution passed by the Directors of Mungana.

Dated: 26 June 2015

Signed for and on behalf of Mungana:



Tony James
Managing Director

ANNEXURE A

Letter from Independent Expert

The Directors
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26 June 2015

Dear Sirs

Re: Auctus Chillagoe Pt Ltd – Second Supplementary Bidder's Statement

On 11 May 2015, the Directors of Mungana Goldmines Limited engaged Grant Thornton Corporate Finance Pty Ltd to prepare an Independent Expert's Report (**IER**) to assist the shareholders of MUX in assessing the merits of the takeover offer from Auctus Chillagoe Pty Ltd announced on 29 April 2015 to acquire all of the ordinary shares in MUX for a cash offer of $0.135 per share (**Takeover Offer**). The IER was included in the Target's Statement which was dispatched to the shareholders of MUX on 29 May 2015.

In the valuation assessment of the fair market value of the equity of MUX for the purposes of the IER, Grant Thornton Corporate Finance engaged SRK Consulting (Australasia) Pty Limited (**SRK**) to prepare a valuation report on the exploration and pre-development mineral assets of MUX[1] (**SRK Report**).

The definitions included in the IER apply to this letter.

On 22 June 2015, Auctus issued a Second Supplementary Bidder's Statement which, in Section 4, contains details of alleged errors in the IER and SRK Report. Set out below are Grant Thornton Corporate Finance's comments in relation to the Second Supplementary Bidder's Statement and alleged errors.

1. Reference to the trading prices of MUX

In Sections 4.2 and 4.7 of the Second Supplementary Bidder's Statement, Auctus alleges that the MUX fair market value assessed by Grant Thornton Corporate Finance is inconsistent with the trading prices of MUX before the announcement of the Takeover Offer and the recently announced Capital Raising Price[2] .

[1] A copy of the executive summary to the SRK Report was attached to the IER and a full copy of the SRK Report is available on the ASX as at 29 May 2015. We note that Grant Thornton also engaged GRS Engineering for the valuation of the processing plant and related infrastructure.
[2] MUX announced on 28 May 2015 the raising of A$5 million by way of a share placement at A$0.14 per share.

We have included our comments on the matters raised below.

Comparison with trading prices before the announcement of the Takeover Offer

- ASIC Regulatory Guide 111 "Content of Expert's Report" ("RG111") clearly articulates in paragraph 69 (d) that the quoted price for listed securities should only be adopted when there is a liquid and active market.

- As set out in the IER, there has historically been a low level of trading in MUX Shares mainly as a direct result of the top three shareholders holding approximately 88% and the top 10 shareholders holding approximately 94% of the issued capital in MUX. The monthly volume traded as a percentage of outstanding shares ranged between 0.06% and 0.73% with an average of 0.34% between August 2014 and 22 May 2015.

- Given the lack of liquidity in MUX Shares and the requirements of RG111, we are of the opinion that any references to the trading prices of MUX for a change of control transaction are irrelevant as they may not be representative of fair market value.

- In addition, in Section 6.11 of the IER, we have discussed and articulated Grant Thornton Corporate Finance's view of the difference between our valuation assessment of MUX on a 100% basis and the trading prices leading up to the Takeover Offer. This is consistent with the requirements of RG111 paragraph 65.

Comparison with the Capital Raising Price

- In Section 4.7 of the Second Supplementary Bidder's Statement, Auctus compares our fairness assessment of MUX Shares on a 100% and control basis with the Capital Raising Price of 14c per MUX Share. However, it is important to understand that the Capital Raising Price is in relation to a parcel of shares (i.e. minority basis and does not incorporate a premium for control) and therefore cannot be compared directly with our assessment of MUX Shares as set out in the IER.

- In the reasonableness considerations of the IER under the heading *"MUX cash reserves and potential future dilution"* and "*The Offer Price is at a discount to the Capital Raising Price"* we comment on the potential future dilution to MUX Shareholders from future capital raisings in the absence of the Takeover Offer. However, more relevant for the purpose of this discussion, we comment that the Capital Raising Price, which represents the value of MUX Shares on a minority basis, is at a 3.7% premium to the Offer Price, which should represent the value of MUX Shares on a 100% basis and should include a premium for control. In aggregate, the new shares to be issued under the Capital Raising only represent approximately 15% of the issued capital in MUX[3] compared to the 100% of the issued capital sought to be acquired by Auctus under the Takeover Offer.

[3] *Under the Capital Raising 36,136,000 new shares in MUX will be issued.*

- Based on the current challenging market conditions for resource companies, it is not uncommon for junior exploration companies to undertake capital raisings to continue assets development at a discount to the fair market value of its shares on a 100% basis even if a minority discount is taken into account. This reflects the general consensus that no rationale investor would agree to subscribe for a parcel shareholding at a premium to the trading prices as the investors would be better-off to purchase the shares directly on market. This is not applicable for a change of control transaction when 100% of the shares are available for sale.

In summary, we reiterate that the Takeover Offer (value of MUX on a control basis) is more dilutive to MUX Shareholders than the Capital Raising Price (value of MUX on a minority basis).

2. Valuation of MUX's gold assets

In Section 4.5 of the Second Supplementary Bidder's Statement, Auctus compares the valuation assessment of the pre-development gold assets included in the IER (between A$32.6 million and A$67.5 million) with the market capitalisation of A$2.73 million implied by the closing trading price of MUX on 27 December 2013, being the last trading day before it was announced that MUX and Kagara had entered into a binding heads of agreement for the acquisition of the Chillagoe base metals assets[4] by MUX.

In relation to this statement made by Auctus, we note the following:

- We note that RG111 in paragraph 11 (a) requires the fairness assessment to be undertaken *"assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length"*. In addition RG111 paragraph 15 notes that *"a bidder may also offer a price which is 'not fair' where the target is in financial distress. This is because the fair value of the target securities should be determined on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid (e.g. an orderly realisation of the target's assets)"*. In our opinion, the trading prices of MUX in December 2013 likely reflect a degree of uncertainty in relation to the ability of MUX to continue as a going concern. Specifically, we note the following:

  - MUX's largest shareholder, MPL (wholly owned subsidiary of KZL) was already in liquidation. Given the legal tenor of tenements to MUX's gold assets where held by KZL and MPL, there was significant uncertainty around MUX's ability to retain the gold assets or to avoid a fire-sale of the assets. Prior to MPL/KZL entering into voluntary administration on 30 April 2012, the share price of MUX generally traded materially above the high-end of our valuation assessment of MUX Shares in the IER.

  - On 30 September 2013, MUX had a stamp duty liability of A$12.2 million (majority due for repayment at the end of February 2015) and a cash balance of only approximately A$3.4 million.

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[4] *Prior to the acquisition of the Chillagoe base metal assets, the pre-development gold assets were the only assets held by MUX.*

- The audited annual report as at 30 June 2013 included an emphasis of matter in relation to the Company's ability to continue as a going concern.

- The reviewed half year report as at 31 December 2013 also emphasised material uncertainty regarding MUX's continuation as a going concern. Specifically, it was noted that "*in the event that MUX is unable to sell any of the Company's assets or otherwise raise equity funding, there is material uncertainty about the Company's ability to continue as a going concern*".

- The same limitations on the liquidity of MUX trading prices discussed above also apply to the period up to 27 December 2013.

- The Australian dollars denominated gold price has increased from A$1,364.5/oz on 27 December 2013 to A$1,496.1/oz on 29 April 2015 (release date of the Bidder's Statement) and has increased further to A$1,521.8/oz on 24 June 2015.

Based on the above, we consider the trading prices of MUX in December 2013 irrelevant for the purpose of assessing the fair market value of the pre-development gold assets in May 2015.

3. Corporate costs

In reference to Section 4.8 of the Second Supplementary Bidder's Statement, Grant Thornton Corporate Finance is satisfied that the selected valuation methodology appropriately reflects the going concern value of MUX. Specifically, we note the following:

- The assessed value of MUX is predominately based on the resource multiples of comparable company transactions (assessed by SRK) and listed comparable companies (cross-check valuation undertaken by Grant Thornton Corporate Finance). The selected valuation methodology only attributes value to the existing resources in the ground of MUX's assets rather than to the cash flows arising from their future development. Accordingly, it would not be appropriate for the net present value of the corporate overheads to be included in our valuation assessment. We further note that the resource multiples of listed comparable companies (cross-check valuation assessment adopted by Grant Thornton Corporate Finance) are based on the trading prices which already incorporates market assessment of the underlying corporate costs. For the same principle, we have attributed no value to the existing tax losses of A$28.3 million as at 30 June 2014.

- The potential costs expected to be incurred to divest the assets on an orderly basis are immaterial as MUX does not expect any significant tax liabilities given the existing tax losses.

4. Enterprise value calculation

In reference to Section 4.9 of the Second Supplementary Bidder's Statement, whilst we believe that the resource multiple range assessed in the IER is reasonable and appropriate, we acknowledge the merit of Auctus comment in relation to the requirement of including the market value of the convertible notes in our assessment of the enterprise value for the purpose of calculating the resource multiples of MUX implied in our primary valuation methodology.

However, even if the market value of the convertible notes is added to calculate the enterprise value of MUX, the implied resource multiple on a control basis is still broadly consistent with the resource multiple of listed comparable companies once the premium for control is taken into account.

5. Value of the Tunkillia Project deferred consideration

In reference to Section 4.10 (d) of the Second Supplementary Bidder's Statement, we note that Grant Thornton Corporate Finance's assumptions in relation to the calculation of the fair market value of the deferred consideration on the sale of the Tunkillia Project are set out in Section 6.4 of the IER. We are of the opinion that our valuation assessment is appropriate.

However, as indicated in the IER, there is significant uncertainty inherent in the valuation of the Tunkillia deferred consideration which is driven by the early stage nature of the underlying project. Accordingly, it is not unreasonable for Auctus to hold a different opinion on this matter.

However, we note that the fair market value of the Tunkillia deferred consideration only represents between 2.6% and 2.8% of the fair market value of MUX.

6. Comments on the SRK Report

Based on a review of the SRK Letter enclosed as Appendix A, we do not believe that any changes are required to the IER in relation to the matters raised in the Second Supplementary Bidder's Statement.

7. Conclusion

Based on the above considerations, Grant Thornton Corporate Finance continues to remain of the opinion that "*the Takeover Offer is* ***NOT FAIR and NOT REASONABLE*** *to the shareholders of MUX*" and no material changes are required to the IER.

If you wish to discuss the contents of this letter, please contact me on (02) 8297 2554.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Partner

PHILLIP RUNDLE
Partner

ANNEXURE B

Letter from Independent Technical Specialist

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26 June 2015
MUN005

Grant Thornton
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Attention: Andrea De Cian

Dear Andrea

Response to Second Supplementary Bidder's Statement

SRK Consulting Australasia Pty Ltd (SRK) refers to the second supplementary bidder's statement issued by Auctus Chillagoe (Auctus) dated 22 June 2015 (Second Supplementary Bidder's Statement). SRK notes that Auctus alleges material errors and the use of inappropriate comparable transactions in its Independent Technical Specialist's Report (Specialist's Report).

1). Executive Summary

SRK acknowledges the merit of limited sections of the Second Supplementary Bidder's Statement with respect to two of the Comparable Gold Transactions (as defined in the Second Supplementary Bidder's Statement), but importantly, SRK note that the analysis therein following the exclusion of those transactions is based on an incorrect interpretation of the Specialist's Report. Auctus' suggested alternative approach, when applied correctly (and not mechanically), would result in no material change to SRK's final valuation.

SRK acknowledges the arithmetic error noted by Auctus for one gold silver copper transaction, however; SRK does not consider that this transaction should be removed once corrected. SRK notes that Auctus' analysis following the exclusion of this transaction is based on an incorrect interpretation of the Specialist's Report. SRK has reviewed its calculation of these multiples with the arithmetic error corrected and notes that this would result in no material change to SRK's final valuation.

The calculation of the preferred valuation range is a matter for SRK's independent judgment. Contrary to Auctus' analysis in the Second Supplementary Bidders' Statement, it is not a 'mechanical' process. SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis, or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this report.

SRK has derived the final and preferred values from more than one valuation method; which in SRK's opinion are all supportive of SRK's final preferred value and sees no basis to change the conclusions of its report.

2). Introduction

As set out in the Second Supplementary Bidder's Statement, Auctus alleges that two of the Comparable Gold Transactions (i.e. transactions 2 and 4 cited in Section 4.3) should be excluded from consideration and when excluded, the weighted average Comparable Gold Transaction multiple is A$13.02 per resource gold ounce instead of A$19.42 per resource gold ounce as set out in Table 5.2 of the Specialist's Report. In Auctus' opinion, when these two comparable transactions are removed from the weighted average Comparable Gold Transaction multiple, they have a material impact on the valuation of Mungana's pre-development mineral assets (Mineral Assets). SRK disagrees with that conclusion.

As set out in the Second Supplementary Bidder's Statement, Auctus alleges that Transaction 4 (cited in Section 4.3) should be removed as an outlier. Whilst SRK acknowledges arithmetic errors in the transaction resource multiples; SRK does not agree with the removal, in preference to the correction, of this transaction from this dataset.

3). SRK approach to the valuation of Gold Resources

SRK acknowledges the basis for the exclusion of the two selected transactions from SRK's assessment. However; SRK is satisfied that the two transactions noted by Auctus were given appropriate consideration and weighting within the extensive overall valuation methodologies adopted. The final Comparable Gold Transaction multiple applied to the valuation of the Mineral Assets in the Specialist's Report is still considered appropriate and valid. SRK's reasoning is summarised below.

- The A$19.42 per resource gold ounce derived in the Specialist's Report was not applied directly and mechanically in our valuation assessment of the Mineral Assets. Specifically, SRK considered the magnitude of the Comparable Gold Transaction range, the quality of selected transactions and the outcomes of the other valuation methods. SRK is of the firm view that arbitrarily selecting for critique portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in the report and the conclusions reached.
- In considering the appropriate gold ounces ratio to apply in our valuation, SRK applied a ±35% range around the A$19.42 per resource gold ounce value to reflect the level of uncertainty with respect to the range of values identified within the Comparable Gold Transactions (including the outliers values of transaction 2 and transaction 4). In order to take into account, among other things, the wide range of resource multiple observed (minimum of A$5.84/oz and maximum of A$84.07/oz), SRK considered that the low end of the range (35% discount to A$19.42/oz i.e. A$12.62/oz) was appropriate to derive the final preferred value of the Mineral Assets. If transactions 2 and 4 are removed, as suggested by Auctus, in SRK's opinion the application of a 35% discount before selecting the preferred resource multiple is no longer appropriate.
- In SRK's opinion, the removal of outliers from the nominated Comparable Gold Transactions is simply an alternative approach. In this event, SRK would be of the view that the much narrower range of observed values would also warrant a preferred value towards the median A$11.30, or weighted average A$13.02, to reflect the greater degree of confidence in the narrower range. SRK considers the outcomes from this approach would be consistent with the other methodologies considered and applied and would therefore apply a gold ounces ratio of A$13.02 as the preferred value, without applying further discount.
- As stated in Section 5.4.1 and 5.4.2 of the Specialist's Report, SRK's final preferred gold ounces ratio of A$12.62/oz (which is lower than the A$13.02/oz suggested by Auctus) has been applied to the Mineral Assets and is considered in line with and supported by the preferred value defined by the Yardstick Method (A$11.44/oz; based on the average of the Inferred range of (0.5-1.0%) on a gold ounce only basis).

4). SRK approach to the valuation of Gold-Silver-Copper Transaction multiples

SRK acknowledges the arithmetic errors in transaction 4. However; SRK is satisfied that the transaction was given appropriate consideration and weighting within the extensive overall valuation methodologies adopted. SRK's reasoning is summarised below.

- The A$18.80 per resource metal ratio ounce derived in the Specialist's Report was not applied directly and mechanically in our valuation assessment of the Mineral Assets. Specifically, SRK considered the magnitude of the range identified within the Comparable Gold-Silver-Copper Transactions, the quality of selected transactions and the outcomes of the other valuation methods.

- In considering the appropriate metal ratio ounce multiple to apply in our valuation, SRK applied a ±35% range around the A$18.80 per resource metal ratio ounce value to reflect the level of uncertainty with respect to the range of values identified within the Comparable Gold-Silver-Copper Transactions (including values in transaction 4). In order to take into account (among other things) the wide range of resource multiple observed (minimum of A$2.70/oz and maximum of A$67.19/oz), SRK considered that the low end of the range (35% discount to A$18.80/oz i.e. A$12.22/oz) was appropriate to derive the final preferred value of the Mineral Assets. If transaction 4 is removed, as suggested by Auctus, in SRK's opinion the application of a 35% discount before selecting the preferred resource multiple is no longer appropriate.
- In SRK's opinion, the removal of this transaction is not appropriate; however, SRK notes that correcting the arithmetic errors in this transaction is appropriate. In this event, SRK's range of observed values would warrant a preferred value towards the preferred A$10.11 or weighted average A$11.72 per resource metal ratio ounce to reflect the greater degree of confidence in the narrower range of multiples. SRK considers the outcomes from this approach would be consistent with the other methodologies considered and applied and would therefore apply a resource metal ratio ounce ratio of between A$10.11 and A$11.72.
- SRK notes that these values are not significantly different from the A$12.22 used in SRK's calculation of the final preferred value and are supported by the ranges derived by other methodologies.

The final metal ratio multiple applied to the valuation of the Mineral Assets in the Specialist's Report is still considered appropriate and valid.

5). Conclusion on Auctus' allegations

SRK has derived the final and preferred values from more than one valuation method using its independent judgment. It is not a 'mechanical' process.

The mechanical process adopted by Auctus' in its analysis in the Second Supplementary Bidder's Statement to seek to demonstrate a material change to SRK's preferred values is based on an incorrect interpretation of the SRK Report and creates a misleading view of the process underlying the opinions presented in this report – i.e. Auctus has assumed that if transaction 2 and 4 had been excluded SRK would have again applied a ±35% range to the gold ounce ratio, which is not the case.

SRK is satisfied that, even if it had excluded transactions 2 and 4, the result would not be inconsistent with SRK's preferred value determined from multiple valuation approaches.

SRK further notes that it does not agree with Auctus' removal of transaction 4 from the Gold-Silver-Copper comparable transactions; however, SRK agrees that the multiple should re-calculated. SRK has corrected this transaction multiple and evaluated the impact on the final preferred valuation. SRK is satisfied that this results in no material change to the final valuation which remains consistent with the values determined from multiple valuation approaches.

The remaining allegations by Auctus are considered by SRK to be incorrect.

Accordingly, SRK does not consider there should be any material change to its final preferred valuation of the Mungana Assets.

Yours faithfully

SRK Consulting (Australasia) Pty Ltd

Bryce Healy

Dr Bryce Healy

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