



DECEMBER 2014 QUARTERLY REPORT

Mungana Goldmines Limited (ASX: MUX)

Key Points

- Induced Polarisation geophysical survey completed at King Vol and partially completed at Red Cap
- King Vol Mineral Resource updated to JORC 2012 compliant 358Kt contained zinc
- Transfer of all tenure associated with the Chillagoe Project acquisition from Kagara now complete

North Queensland zinc strategy – Exploration Update

Field Work

An Induced Polarisation (IP) geophysical survey was completed at the King Vol prospect area in late December (Figure 1). The dipole – dipole survey was carried out by Search Exploration Services using a high powered 50KVa transmitter and a 32 channel receiver. The survey data collected is of a very high quality and a further three lines were added to the original design for a total of 19.1 line kilometres.

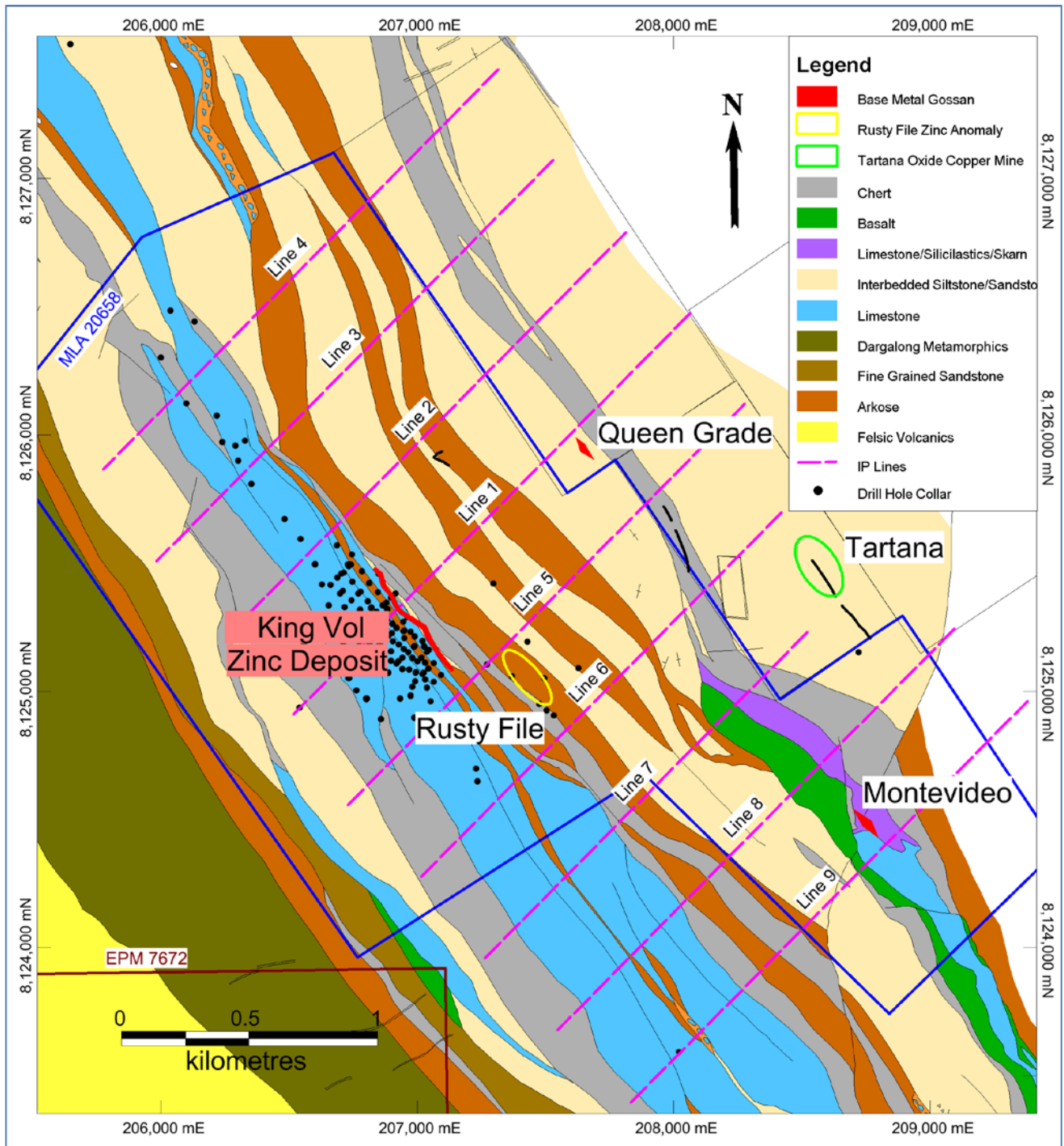


Figure 1: Completed IP survey at the King Vol project area

At the Red Cap project an IP survey was also commenced during the quarter. A total of 5 lines (8.8 line kilometres) were completed prior to the end of the quarter representing 50% of the designed survey (Figure 2). The first line traversed the known base metal lodes at Penzance and Victoria, providing a clear signature image for the massive sulphide bodies.

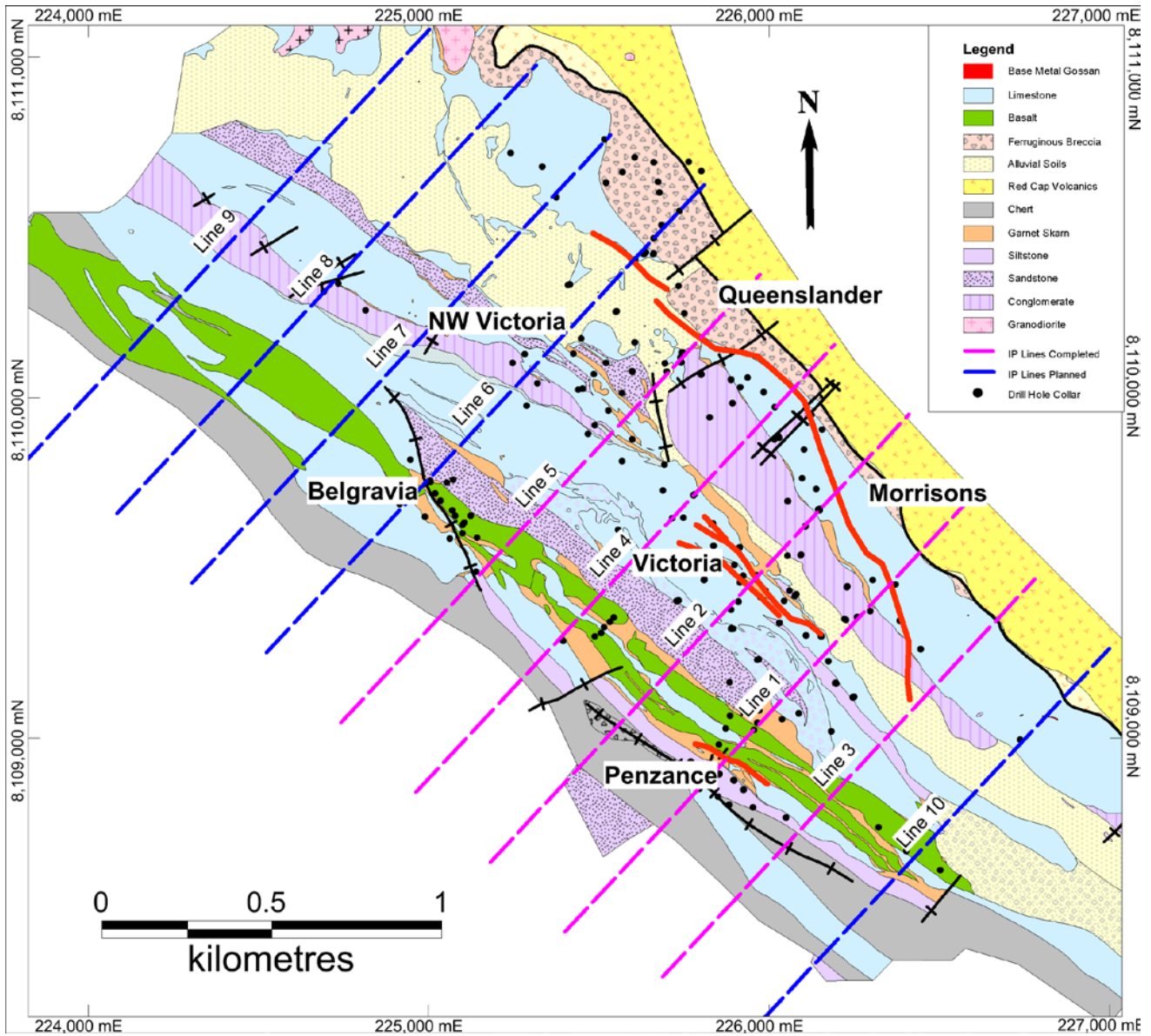


Figure 2: Partially completed IP survey at the Red Cap project area

Three dimensional modelling of the data from both surveys is currently underway with the results and targets expected in February. A first pass RC drill program will commence at the end of the current wet season to test the priority targets.



Figure 3: Search Exploration undertaking the IP survey at the Red Cap project area

Resource Update

International Resource Solutions (IRS) has been engaged by MUX to establish JORC 2012 compliant Mineral Resources from the base metal projects purchased from Kagara Ltd in 2014. The first of these resources to be updated is the high grade King Vol deposit (see ASX announcement “King Vol Zinc Deposit Resource Update” 28/01/2015).

King Vol Mineral Resource – January 2015									
	Tonnes (Mt)	Grade				Contained Metal			
		Zn%	Cu%	Pb%	Ag g/t	Zn (kt)	Cu (kt)	Pb (kt)	Ag (Moz)
Indicated	1.05	14.7	0.9	0.7	36.5	154	9	7	1.23
Inferred	1.94	10.4	0.7	0.5	26.4	202	13	10	1.65
Total	2.99	11.9	0.8	0.6	29.9	356	22	17	2.88

Table 1: King Vol Mineral Resource estimate



During the quarter, IRS undertook site visits to all of the significant deposits purchased from Kagara and spent time inspecting drill core. JORC 2012 compliance focus will now move to the Red Cap project area, and specifically to the Penzance deposit, which was subject to some of the last work carried out by Kagara prior to it entering administration.

Tenure

On December 24th, the Queensland Department of Natural Resources and Mines (DNRM) completed the assignment of all tenure subject to the Chillagoe purchase from Kagara Ltd and Mungana Pty Ltd to MUX. This will allow MUX to proceed with its strategy to consolidate the exploration tenure in the region and to progress the mine lease application over the high grade King Vol deposit.

Corporate

Resignation of Joe Treacy as Chairman and Non-Executive Director

Mr Joe Treacy stepped down from his position as Chairman of MUX at the company's AGM in November and as non-executive Director on the 31st of December 2014. Mr Treacy was succeeded as Chairman by fellow Director Mr John Fitzgerald.

Financial

At the end of the December 2014 quarter, the Company was debt free and had A\$3.1m in cash and short term deposits.



Appendix 1 – Corporate Information

Board Members

John Fitzgerald	Chairman
Joe Treacy	Non-Executive Director (Resigned 31 December 2014)
Justin Wu	Non-Executive Director
Rick Yeates	Non-Executive Director

Secretary

Ben-Louis Ludik	Company Secretary
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Registered & Principal Office

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Australia

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Stock Exchange Listings

Australian Securities Exchange: MUX

Shareholder Enquiries

Link Market Services
Level 15, 324 Queen St
Brisbane, QLD, 4000
Australia
Telephone: +61 2 8280 7454

Substantial Shareholders

Mungana Pty Ltd	146.2m
Kagara Ltd	27.6m
Guangdong Guangxin Holdings Group Ltd	25.1m
Total Shares	240.9m
Options	0.25m



Competent Person Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Brian Wolfe. Mr Wolfe is a member of the Australian Institute of Geoscientists (AIG) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Wolfe is a full time employee of International Resource Solutions Pty Ltd and is acting as a consultant to Mungana Goldmines Ltd. Mr Wolfe consents to the inclusion in this report of the Mineral Resources in the form and context in which they appear.

Disclaimer

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

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Mungana Goldmines Ltd

ABN

15 136 606 338

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(490)	(869)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(152)	(727)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	40	70
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(602)	(1,527)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	54
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (see 1.25)	(631)	(631)
	Net investing cash flows	(631)	(577)
1.13	Total operating and investing cash flows (carried forward)	(1,233)	(2,104)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,233)	(2,104)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,233)	(2,104)
1.20	Cash at beginning of quarter/year to date	4,476	5,347
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,243	3,243

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	84
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.12 Payment of Stamp Duty on Chillagoe transaction.

Non-cash financing and investing activities

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

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

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	329
4.2 Development	-
4.3 Production	-
4.4 Administration	248
4.5 Other (Stamp duty on Chillagoe acquisition)	-
Total	577

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,564	2,156
5.2 Deposits at call	509	2,150
5.3 Bank overdraft	-	-
5.4 Other (provide details)-security bonds	170	170
Total: cash at end of quarter (item 1.22)	3,243	4,476

Changes in interests in mining tenements

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

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

See attachments B and C.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	+Ordinary securities	240,907,171	240,907,171		
7.4	Changes during quarter				
	(a) Increases through issues	76,283,233	76,283,233	0.10	0.10
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>(description and conversion factor)</i>	250,000		<i>Exercise price</i> \$ 2.00	<i>Expiry date</i> 17-Nov-15
	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	400,000 400,000 400,000		\$ 1.55 \$ 2.00 \$ 2.50	31-Dec-14 31-Dec-14 31-Dec-14
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Note: 7.10 refers to shares cancelled.

Compliance statement

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



Sign here: Date: 28/01/2015
(Company secretary)

Print name: Ben-Louis Ludik

Notes

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

Tenement Schedule



Mungana Goldmines Ltd; ABN 15 136 606 338; Quarter ended 31 December 2014

Live Tenements							
State	Region	Tenement Reference	Owned by:	% interest at beginning of quarter	% interest at end of quarter	Farm-in/out	Original stake %
QLD	Chillagoe	EPM12902	MUX	Au/Ag 100	100		
QLD	Chillagoe	EPM14104	MUX	Au/Ag 100	100		
QLD	Chillagoe	EPM14108	MUX	Au/Ag 100	100		
QLD	Chillagoe	EPM15458	MUX	Au/Ag 100	100		
QLD	Chillagoe	EPM15459	MUX	Au/Ag 100	100		
QLD	Chillagoe	EPM18530	MUX	Au/Ag 100	100		
QLD	Chillagoe	EPM19064	MUX	100	100		
QLD	Chillagoe	EPM19196	MUX	100	100		
QLD	Chillagoe	EPM7672	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML20640	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML4798	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML4910	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML4911	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML4921	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML4928	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML4977	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML5176	MUX	Au/Ag 100	100		
QLD	Chillagoe	ML5319	MUX	Au/Ag 100	100		
QLD	Liontown	EPM25132	MUX	100	100		
QLD	Liontown	EPM25133	MUX	100	100		
QLD	Liontown	EPM25134	MUX	100	100		
QLD	Liontown	EPM25135	MUX	100	100		
QLD	Liontown	EPM25148	MUX	100	100		
QLD	Liontown	EPM25270	MUX	100	100		
QLD	Liontown	EPM25271	MUX	100	100		
QLD	Liontown	EPM25437	MUX	100	100		

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