



## SEPTEMBER 2014 QUARTERLY REPORT

### Mungana Goldmines Limited (ASX: MUX)

#### Key Points

- Mungana completed the purchase of the Chillagoe assets in North Queensland previously owned by Kagara Ltd (in Liquidation) and its wholly owned subsidiary Mungana Pty Ltd (in Liquidation).
- Exploration to recommence at Chillagoe with a focus on zinc.
- Experienced mining executive Rick Yeates appointed to the Mungana board as a Non-Executive Director

#### North Queensland – Chillagoe Purchase

On 24 July Mungana Goldmines Ltd (MUX) held an EGM where eligible shareholders voted in favour of the purchase of the Chillagoe assets in North Queensland from Kagara Ltd (in Liquidation) (KZL) and its wholly owned subsidiary Mungana Pty Ltd (in Liquidation) (MPL). The transaction was completed on 31 July 2014.

Consideration comprises the issue of two Secured Convertible Notes for \$7.5M each. The first instrument is automatically convertible at 10c per share following the assessment and subsequent payment of the stamp duty associated with the transaction. The second is convertible at 20c at the note-holder's election up to 5 years from the date of issue.

The acquisition of the Kagara assets includes 7 granted exploration leases totalling 437km<sup>2</sup>, 9 granted mining leases covering 1784 hectares and 1 mining lease application covering 613.4 hectares. Indicative approvals have been granted for the transfer of all the KZL and MPL tenements to MUX. Stamp duty of \$631,000 was paid for the transaction post quarter end and the tenements are in the process of being formally transferred to MUX.

Also included in the transaction is the partially completed base metal concentrator and associated tailings storage facility, a 213,000 hectare pastoral lease, a mining camp (11 x 4 ensuite room dongas), exploration office and core processing facility, hotel style accommodation and other freehold properties.

## North Queensland zinc strategy – Exploration Update

An Induced Polarisation (IP) geophysical survey is planned for the King Vol and the Red Cap project areas. At King Vol the survey has been designed to test for strike extensions and repetitions to the known deposit, as well as testing for blind mineral occurrences in the area such as Montevideo and Rusty File (Figure 1).

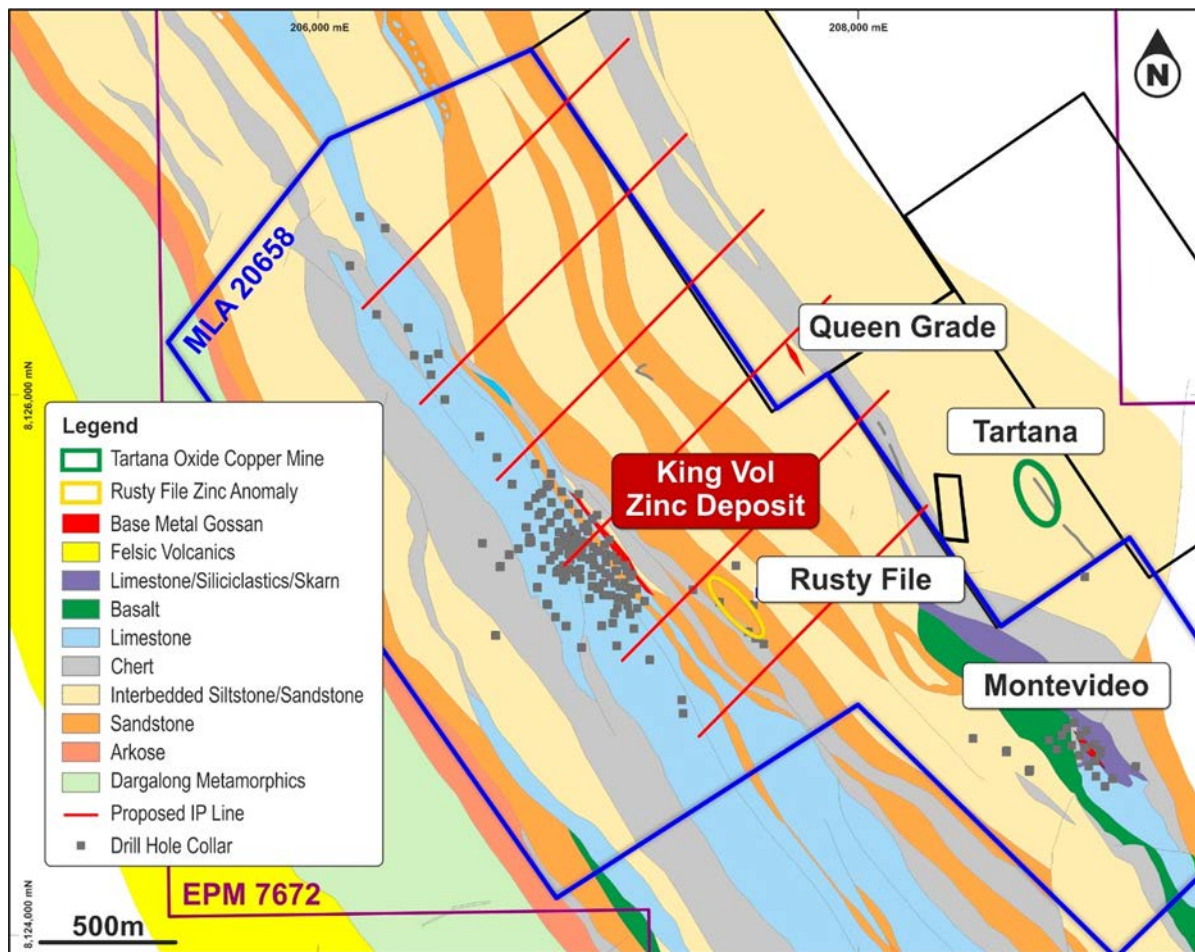


Figure 1: Proposed IP survey at the King Vol project area

Ground reconnaissance work has been carried out in preparation for gridding of the six lines at King Vol. A geophysicist has been engaged and it is planned to have a field crew on the ground in early November.

A re-assay program of pulps preserved from the last drilling at King Vol has been completed. The new assays have subsequently been checked for QAQC compliance and loaded into the drill hole database. Work is underway to upgrade the existing King Vol Mineral Resource to JORC 2012 standard.

At the Red Cap project the IP survey is planned to be completed over 11 lines (19.1 line km's). The survey is planned to take in the Penzance, Belgravia, Victoria and Victoria North prospects (Figure 2).

Further diamond core holes will be drilled into the inferred component of the King Vol resource on cessation of the wet season in 2015. This drilling is designed to improve the level of confidence and down-plunge continuity of the central, thicker and higher grade portion of the deposit, which includes previous intercepts of 20.74m at 9.2% Zn and 17.95m at 7.3% Zn.

In the interim, work will recommence on project permitting and hydro-geological studies in order to advance the King Vol feasibility program.

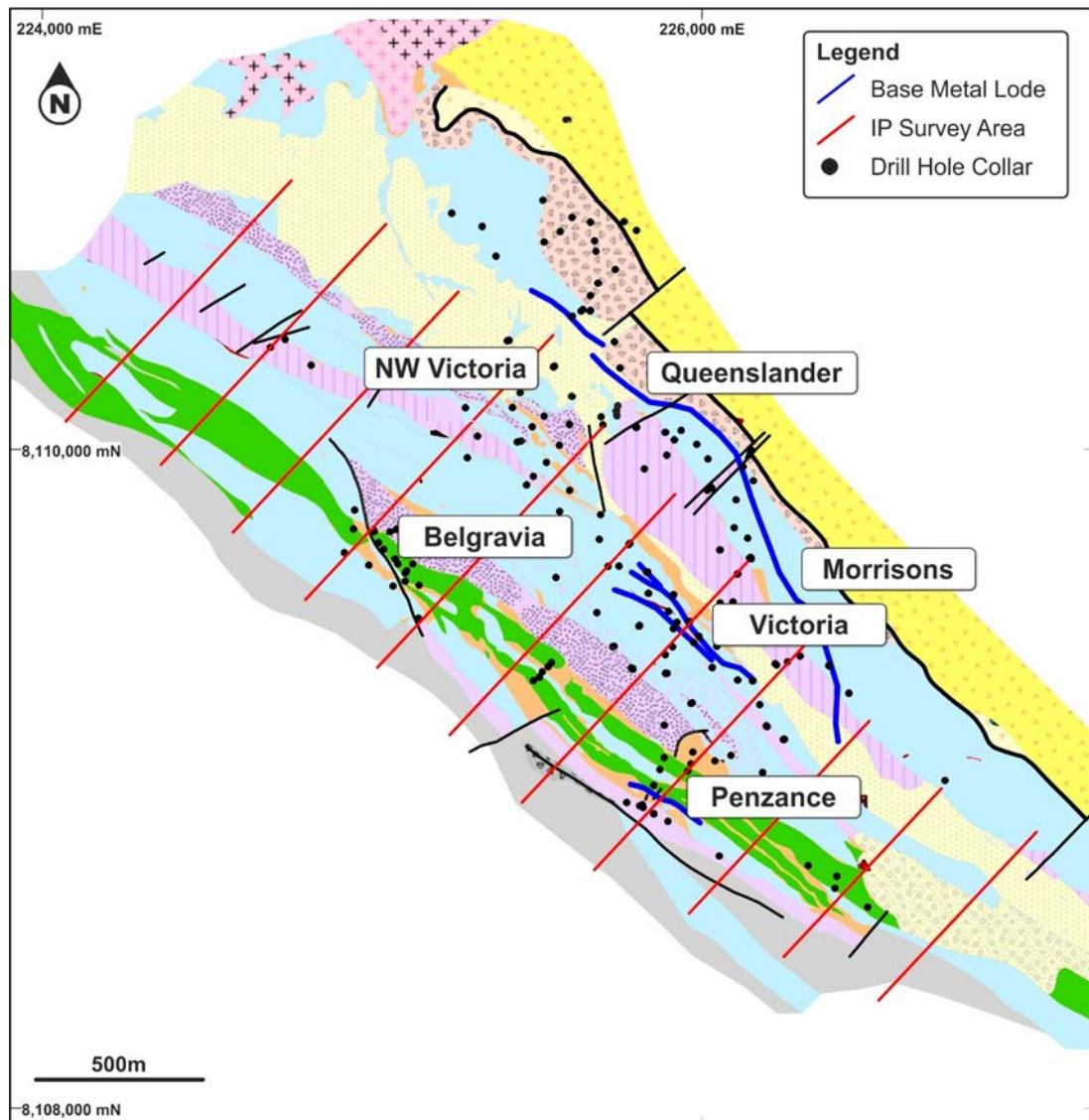


Figure 2: Proposed IP survey at the Red Cap project area

The survey will assist with identifying potential deposits that don't display anomalism at surface and are effectively blind deposits. The Penzance lode is one such deposit and there is potential at Red Cap for more discoveries of this type.

Depending on the duration and intensity of the wet season, it is planned to drill test any targets generated by the IP surveys in the King Vol and Red Cap areas as soon as practically possible after the results are made available.





## New South Wales Projects

### Nyngan Gold Project (MUX 100%)

In July 2014 MUX applied to cancel EL7751 and EL8053 after all targets were sufficiently tested. Cancellation of the licences was granted by the NSW Department of Trade and Investment in August 2014. As such, the Nyngan Gold Project has now been relinquished.

## Corporate

### Appointment of Rick Yeates as Non-Executive Director

As part of its North Queensland zinc strategy MUX has appointed experienced geologist and mining executive Mr Rick Yeates to the board as a non-executive Director. Mr Yeates brings a wealth of industry knowledge and experience in project assessment, financing and marketing to the company. Mr Yeates' professional career spans more than 30 years working for major companies such as BHP, Newmont and Amax, prior to co-founding the consulting firm Resource Service Group (subsequently RSG Global) in 1987. RSG Global was successfully sold to Australian listed consultancy group Coffey International Limited in 2006 to become Coffey Mining.

Mr Joe Treacy will be stepping down from his position as Chairman of MUX at the company's AGM in November. Mr Treacy will remain on the board as a non-executive Director and will be succeeded as Chairman by fellow Director Mr John Fitzgerald.

### Financial

At the end of the September quarter, the Company was debt free and had A\$4.48m in cash and short term deposits. Stamp duty of \$631,000 relating to the Kagara asset acquisitions was paid in October.



## Appendix 1 – Corporate Information

### Board Members

|                 |                        |
|-----------------|------------------------|
| Joe Treacy      | Chairman               |
| John Fitzgerald | Non-Executive Director |
| Justin Wu       | Non-Executive Director |
| Rick Yeates     | Non-Executive Director |

### Secretary

|                 |                       |
|-----------------|-----------------------|
| Ben-Louis Ludik | Company Secretary/CFO |
|-----------------|-----------------------|

### Registered & Principal Office

Mungana Goldmines Ltd  
Unit 5 Level 3 St James Place  
155 Denham Street  
Townsville, QLD, 4810  
Australia

Telephone: +61 7 4729 8400  
Facsimile: +61 7 4772 7430  
Email: [info@mungana.com.au](mailto:info@mungana.com.au)  
Website: [www.munganagoldmines.com.au](http://www.munganagoldmines.com.au)

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



## Disclaimer

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

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

Mungana Goldmines Ltd

ABN

15 136 606 338

Quarter ended ("current quarter")

30 September 2014

### Consolidated statement of cash flows

| Cash flows related to operating activities        |  | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|--|----------------------------|---------------------------------------|
| 1.1   | Receipts from product sales and related debtors            |                            |                                       |
| 1.2   | Payments for (a) exploration & evaluation                  | (379)                      | (379)                                 |
|   | (b) development  | -                          | -                                     |
|   | (c) production   | -                          | -                                     |
|   | (d) administration   | (576)                      | (576)                                 |
| 1.3   | Dividends received   | -                          | -                                     |
| 1.4   | Interest and other items of a similar nature received      | 30                         | 30                                    |
| 1.5   | Interest and other costs of finance paid                   | -                          | -                                     |
| 1.6   | Income taxes paid  | -                          | -                                     |
| 1.7   | Other (provide details if material)                        | -                          | -                                     |
|   | <b>Net Operating Cash Flows</b>                            | <b>(925)</b>               | <b>(925)</b>                          |
| <b>Cash flows related to investing activities</b> |  |                            |                                       |
| 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                         | 54                                    |
| 1.10  | Loans to other entities                                    | -                          | -                                     |
| 1.11  | Loans repaid by other entities                             | -                          | -                                     |
| 1.12  | Other (provide details if material)                        | -                          | -                                     |
|   | <b>Net investing cash flows</b>                            | <b>54</b>                  | <b>54</b>                             |
| 1.13  | Total operating and investing cash flows (carried forward) | (871)                      | (871)                                 |

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |  |       |       |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (871) | (871) |
|      | <b>Cash flows related to financing activities</b>          |       |       |
| 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)                        | -     | -     |
|      | <b>Net financing cash flows</b>                            | -     | -     |
|      | <b>Net increase (decrease) in cash held</b>                | (871) | (871) |
| 1.20 | Cash at beginning of quarter/year to date                  | 5,347 | 5,347 |
| 1.21 | Exchange rate adjustments to item 1.20                     | -     | -     |
| 1.22 | <b>Cash at end of quarter</b>                              | 4,476 | 4,476 |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 73                         |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | -                          |

1.25 Explanation necessary for an understanding of the transactions

|  |
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|  |
|--|

**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

|  |
|--|
| Acquisition of the Chillagoe assets from Kagara Ltd (in Liquidation) was completed with the issue of \$15m of Secured Convertible Notes. The assets include exploration tenements, mining leases, real property and plant and equipment as reported to the market. |
|--|

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

|  |
|--|
|  |
|--|

+ See chapter 19 for defined terms.



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

### Estimated cash outflows for next quarter

|   | \$A'000      |
|---|--------------|
| 4.1 Exploration and evaluation                  | 1,445        |
| 4.2 Development                                 | -            |
| 4.3 Production                                  | -            |
| 4.4 Administration                              | 209          |
| 4.5 Other (Stamp duty on Chillagoe acquisition) | 600          |
| <b>Total</b>                                    | <b>2,254</b> |

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 2,156                      | 697                         |
| 5.2 Deposits at call                             | 2,150                      | 4,650                       |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)-security bonds       | 170                        | 170                         |
| <b>Total: cash at end of quarter</b> (item 1.22) | <b>4,476</b>               | <b>5,347</b>                |

### Changes in interests in mining tenements

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

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

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

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

See attachments B and C.

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

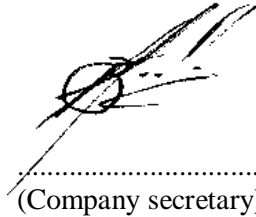
Note: 7.10 refers to shares cancelled.

+ See chapter 19 for defined terms.

## Compliance statement

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

Sign here:



.....  
(Company secretary)

Date: 30/10/2014

Print name:

Ben-Louis Ludik

## Notes

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

# Tenement Schedule



**Mungana Goldmines Ltd; ABN 15 136 606 338; Quarter ended 30 September 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           | * KZL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM14104           | * KZL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM14108           | * KZL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM15458           | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM15459           | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM18530           | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM19064           | MUX       | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM19196           | MUX       | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | EPM7672            | * KZL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML20640            | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML4798             | * KZL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML4910             | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML4911             | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML4921             | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML4928             | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML4977             | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML5176             | * MPL     | 100                                | 100                          |             |                  |
| QLD            | Chillagoe | ML5319             | * MPL     | 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                          |             |                  |

\* Subject to Sale Agreement dated and announced to the market 17 Feb 2014.

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

\* Subject to Sale Agreement dated and announced to the market 17 Feb 2014.

| Relinquished Tenements |        |                    |                    |                                    |                              |             |                  |
|------------------------|--------|--------------------|--------------------|------------------------------------|------------------------------|-------------|------------------|
| State                  | Region | Tenement Reference | Owned by:          | % interest at beginning of quarter | % interest at end of quarter | Farm-in/out | Original stake % |
| NSW                    | Nyngan | EL7751             | Nyngan Pty Ltd/MUX | 100                                | 0                            | Farm-Out    | 100              |
| NSW                    | Nyngan | EL8053             | Nyngan Pty Ltd/MUX | 100                                | 0                            | Farm-Out    | 100              |