

MINING GROUP LIMITED

ACN 149 230 811

SUPPLEMENTARY PROSPECTUS

Important Information

This Supplementary Prospectus is dated 23 December 2011 and is supplementary to the Prospectus dated 21 December 2011 issued by Mining Group Limited (ACN 149 230 811) (**Company**) (**Prospectus**).

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on 23 December 2011. The ASIC does not take any responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus and may be accessed on the Company's website at www.mininggroup.net.au. The Company will send a copy of this Supplementary Prospectus to all Applicants who have subscribed for Securities pursuant to the Prospectus prior to the date of this Supplementary Prospectus.

This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

1. EXECUTION OF SHAREHOLDERS AGREEMENT

Section 12.3 of the Prospectus summarises the Heads of Agreement between the Company, Cadan, Philco and PHI (**Parties**) dated 4 November 2011 (as amended on 20 December 2011) under which the Company would acquire an 80% interest in Philco. Pursuant to the Heads of Agreement, the Parties agreed to enter into a formal agreement to more fully document the terms of the Acquisition as well as provide for the management of Philco.

Pursuant to the Heads of Agreement:

- (a) on or about 22 December 2011, the Parties, as well as MNE Holdings Pty Ltd (a wholly owned subsidiary of the Company) (**MPL**) entered into a formal share purchase agreement to more fully set out the terms of the Acquisition (**Share Purchase Agreement**);
- (b) on or about 22 December 2011, supplementary to the Share Purchase Agreement, the Company, MPL and Cadan also entered into a facilitation agreement (**Facilitation Agreement**); and
- (c) the Share Purchase Agreements contemplates that, at settlement, the Parties and MPL will enter into a shareholders agreement which provides for the management of Philco and the Project (**Shareholders Agreement**).

The Board considers that the execution of the above agreements are a new circumstance that should be disclosed and, pursuant to Section 719(1)(c) of the Corporations Act, a summary of the Share Purchase Agreement, Facilitation Agreement and Shareholders Agreement are included in this Supplementary Prospectus.

1.1 Share Purchase Agreement

Under the Share Purchase Agreement, PHI agrees to sell 50,000 shares in the capital of Philco (**Philco Shares**) and transfer and assign 150,000 options to acquire Philco Shares (**Philco Options**) to MPL on the terms of the Share Purchase Agreement. Upon transfer of the Philco Shares and exercise of the Philco Options by MPL, MPL will hold 80% of the Philco Shares.

The consideration to be paid (or procured to be paid) by MPL to PHI for the Acquisition is 500,000 Philippine Pesos (**PhP**) for the purchase of the Philco Shares and PhP1,000 for the purchase of the Philco Options to be paid at settlement of the Share Purchase Agreement.

The Acquisition is conditional upon satisfaction (or waiver by MPL) of the following conditions precedent by 5pm (WST) on 6 January 2012:

- (a) Philco restructuring its balance sheet in a manner acceptable to MPL, acting reasonably, such that it reflects the balance sheet agreed between the parties;
- (b) the Company increasing the paid up capital of Philco to US\$200,000; and
- (c) all necessary shareholder, regulatory, stock exchange and other approvals being received.

The condition in paragraph (c) above may not be waived.

If the conditions precedent are not satisfied (or waived) by the time specified, or any of the conditions become incapable of satisfaction, any party may terminate the Share Purchase Agreement.

Settlement of the Share Purchase Agreement is expected to occur on or before 17 January 2012, unless otherwise agreed by the parties (**Settlement**). At Settlement, in addition to the consideration provided for above MPL must deliver to PHI, the Shareholders Agreement executed by the Company and MPL.

The Share Purchase Agreement provides that PHI may appoint 2 directors to the Board whilst it holds at least 10% of the fully paid capital of the Company, which will decrease to 1 director if at any time, PHI's interest decreases below 10%.

Additionally, the Company has been granted an option to acquire an 80% interest in the Batoto Gold/Silver project (comprised of one exploration licence EP-109-XI and one application for mineral sharing agreement APSA-246-XI) held by one of Cadan's subsidiaries (**Batoto Option**) on the following terms:

- (a) the Company must exercise the option within 9 months of Settlement;
- (b) if the Company exercises the option to acquire an 80% interest in the Batoto Gold/ Silver project, it must, at settlement of that acquisition:
 - (i) pay \$3,000,000 to Cadan; and
 - (ii) issue a further 5,200,000 Shares to Cadan; and
- (c) the Company will free carry Cadan's 20% interest in the project until the Company has spent \$30,000,000 on exploration activities on the project as follows:
 - (i) Year 1 - \$3 million in expenditure;
 - (ii) Year 2 - \$5 million in expenditure;
 - (iii) Year 3 - \$6 million in expenditure;
 - (iv) Year 4 - \$8 million in expenditure; and
 - (v) Year 5 - \$8 million in expenditure.

The Share Purchase Agreement provides that a further formal agreement in relation to the Batoto Option be entered into between the parties.

The Company guarantees the obligations of MPL and indemnifies PHI and its related bodies corporate in relation to any breach by MPL. Likewise, Cadan guarantees the obligations of PHI and indemnifies MPL and its related bodies corporate in relation to any breach by PHI.

The Share Purchase Agreement is governed by the law in place in Western Australia, provided that the parties to the Share Purchase Agreement agree that Philippine law will apply in respect of the assignment of the legal and beneficial ownership of the Philco Shares and Philco Options.

The Share Purchase Agreement otherwise contains provisions, representations and warranties typical of an agreement of its kind.

1.2 Facilitation Agreement

The Facilitation Agreement provides that, in consideration for the Acquisition, MPL must do or procure that the following is done:

- (a) at Settlement, make a cash payment to Cadan of \$3,000,000:
 - (i) less the amount of PhP501,000 paid under the Share Purchase Agreement;
 - (ii) less \$1,000,000 which is satisfied by applying a loan provided to Cadan under a loan agreement between the Company and Cadan; and
 - (iii) if so elected by MGL, less \$120,000 being the consideration for the issue of the Shares referred to in paragraph (e);
- (b) at Settlement, issue 2,600,000 Shares to Cadan;
- (c) when (and if) the Company's share price trades at or above \$1 for 30 consecutive days, issue to Cadan 2,600,000 Shares;
- (d) if, within 24 months of Settlement (which period may be extended by up to a further 24 months), Cadan is successful in resolving the dispute (summarised in Section 3.5(d) of the Prospectus), the Company must make a further \$1,000,000 payment to Cadan (within 6 months of the dispute being settled); and
- (e) at Settlement, procure that the Company issue to Cadan 500,000 Shares and 2,000,000 Options (exercisable at \$0.20 before 1 July 2014) in return for the payment by Cadan (or reduction in the cash payment required under paragraph (a)(iii) if elected by MGL) of \$120,000.

Cadan agrees to enter into a voluntary restriction agreement for a period of 24 months from Settlement in relation to the Shares referred to in paragraphs (b) and (c) above.

The Company guarantees to Cadan and its related bodies corporate on demand, the performance of MPL's obligations under the Facilitation Agreement and indemnifies Cadan and its related bodies corporate against any loss occasioned by the failure of MPL to comply with its obligations under the Facilitation Agreement.

If the Share Purchase Agreement is terminated for any reason, the Facilitation Agreement is also terminated.

The Facilitation Agreement is governed by the laws in place in Western Australia.

The Facilitation Agreement otherwise contains provisions, representations and warranties typical of an agreement of its kind.

1.3 Shareholders Agreement

On the date of execution of the Shareholders Agreement, Philco will have an authorised capital stock of PhP10 million divided into 1 million Philco Shares which will be held by MPL and PHI (**Philco Shareholders**) (including shares held by the Philco Shareholders' respective nominee directors) as follows:

Philco Shareholder	Class of Shares	No. of Shares	Total Par Value Amount (PhP)	Percentage of number of Shares (%)
MPL	Common	200,000	2,000,000	80%
PHI	Common	50,000	500,000	20%
Total		250,000	2,500,000	100%

Each Philco Shareholder is entitled at all times, in proportion to their respective shareholdings, to pre-emptive rights in respect of all issues of capital stock of Philco and any decrease in capital stock shall be pro-rated between the Philco Shareholders.

The Philco Shareholders must procure the board of Philco (**Philco Board**) to declare the amount of funds available for distribution to the Philco Shareholders. The funds must be distributed in the following order of priority:

- (a) first, to repay amounts owing to the Philco Shareholders under any loan provided by them on a proportional basis; and
- (b) second, as dividends or a distribution of capital to the Philco Shareholders.

The composition of the Philco Board will initially be made up of two nominees of PHI and three nominees of MPL.

This will revert to four nominees of MPL and one nominee of PHI within 6 months (provided that MPL's shareholding remains at 80%).

Moving forward, each shareholder has the right to appoint one director for each 20% of the total number of shares held by that shareholder and during any period in which a Shareholder holds a number of shares less than or equal to 49% of the total number of shares, if a shareholder holds:

- (a) at least 15% of the total number of shares, but less than 40% of the total number of shares, that shareholder shall be permitted to appoint one (1) director; and
- (b) at least 40% of the total number of shares, but less than 49% of the total number of shares, that shareholder shall be permitted to appoint two (2) directors.

The following actions may only be undertaken with the prior approval of all Philco Shareholders:

- (a) a decision to mine, subject to the deadlock procedure outlined below;

- (b) the allotment, issue, redemption or repurchase of, or grant of option or right of subscription for, share capital or any other security of Philco (excluding any equity capital raising from Philco Shareholders in accordance with the Shareholders Agreement);
- (c) an expansion or change in the business of Philco (which will not, for the avoidance of doubt, include an expansion of activities or development of the Project);
- (d) an amendment to the By-laws of Philco;
- (e) the subscription or purchase by Philco of shares, debentures or any other equity in any body corporate or business, or the entering into of any partnership or joint venture by Philco;
- (f) any merger, amalgamation or consolidation of Philco;
- (g) the making of any recommendation with respect to, or commencement of any proceedings regarding, the winding-up of Philco;
- (h) the surrender or relinquishment of any of the tenements the subject of the Project, disposal of a substantial part of the assets of Philco, or disposal of any assets of Philco with a value exceeding A\$1,000,000;
- (i) during the sole funding period, borrowing, incurring or entering into an agreement in respect of any financial indebtedness in excess of A\$5,000,000;
- (j) the granting of any royalty or similar interest in the Project to any person;
- (k) the granting of a security interest or voluntarily permitting a charge or encumbrance to be placed on or over any of the Philco Shares;
- (l) the delegation of any power or authority of the Philco Board to any person permitted under the Shareholders Agreement or a committee of directors on which the Philco Shareholders are represented in proportion to the percentage of Philco Shares they own at such time;
- (m) entering into, amending or terminating an agreement with a Philco Shareholder, an affiliate of a Philco Shareholder or a significant shareholder of a Philco Shareholder (being a person who has the power, directly or indirectly, to vote or control voting of 20% or more of the issued shares of a Philco Shareholder);
- (n) a requirement for Philco Shareholders to provide a guarantee or indemnity; or
- (o) any other matter or thing requiring a unanimous shareholders' resolution under the laws of the Philippines (if any).

If a deadlock between the Philco Shareholders cannot be resolved, it will be deemed that the vote was against the resolution. However, if a deadlock arises in relation to a decision to mine and the parties are unable to resolve the deadlock, the party that does not want to contribute to the decision to mine will

have an option to sell its interest in PMC to the other shareholder at a price determined by an independent valuer.

PHI's 20% interest in Philco, will be free carried until MPL has spent a minimum of \$48 million on the Project (**Minimum Expenditure Condition**). The Minimum Expenditure Condition will be satisfied by MPL over a period of 5 years (which period may be extended for up to a further 18 months in the event of the occurrence of a force majeure event or under-expenditure due to permitting delays in year 5) (**Sole Funding Period**) as follows:

- (a) Year 1: By funding and completing 10,000 metres of drilling on the Project, the production of an initial JORC resource statement, a scoping study, re-logging of existing data and reconfiguration of existing sampling. If this work programme is not completed, MPL is entitled to satisfy the Year 1 obligations by contributing AU\$5 million to Philco for approved Project expenditure. If MPL fails to satisfy the work programme and does not make the AU\$5 million cash contribution to Philco in lieu, the Company's interest in Philco will be diluted (by being transferred to PHI) at the rate of 1.1% for every AU\$1 million of under-expenditure (or pro-rata reduction for part thereof) (**Dilution Rate**);
- (b) Year 2: By funding a further 12,500 metres of drilling on the Project and commencing a definitive feasibility study on the Project. If this work programme is not completed, MPL is entitled to satisfy the Year 2 obligations by contributing AU\$5 million to Philco for approved Project expenditure. If the Company fails to satisfy the work programme and does not make the AU\$5 million cash contribution to Philco in lieu, the Company's interest in Philco will be diluted at the Dilution Rate;
- (c) Year 3: By contributing a further AU\$5 million in Project finance so that the total amount of Project financing by MPL in Year 3 when aggregated with cash contributed by MPL in Years 1 and 2, is at least AU\$15 million. If it fails to meet the shortfall, then its interest in Philco will be diluted at the Dilution Rate, except to the extent that the failure has already resulted in adjustment in Years 1 and 2;
- (d) Year 4: By contributing further Project finance of AU\$15 million for approved Project expenditure or so that the total amount of Project financing by MPL in Year 4 when aggregated with Years 1, 2 and 3 is at least AU\$30 million. If it fails to meet the shortfall, then its interest in Philco will be diluted at the Dilution Rate except to the extent that the failure has already resulted in adjustment in Years 1, 2 and 3; and
- (e) Year 5: By contributing further Project finance of AU\$18 million for approved Project expenditure or so that the total amount of Project financing by MPL in Year 4 when aggregated with Years 1, 2 and 3 is at least AU\$20 million.

If MPL contributes at least 50% of the Project finance in Year 5, but, as a result of permitting delays, Project expenditure (and therefore Project funding by MPL) does not reach AU\$18 million in Year 5, then MPL is entitled to meet the shortfall in the next 12 months, up to a maximum of AU\$9 million. If it fails to meet the shortfall, then its interest in Philco will be diluted at the Dilution Rate.

Following satisfaction of the Minimum Expenditure Condition, PHI will be required to contribute to ongoing funding for the Project on a pro-rata basis.

The initial work programme for the Project will be supplied to Philco by MNL within 60 days of the Shareholders Agreement. Subsequent work programmes in the Sole Funding Period will be provided to the Philco Board by the Company. Subsequent to the Sole Funding Period, work programmes will be prepared by the Philco Shareholder holding greater than 50% of the issued Philco Shares. Approval of a work programme by the Philco Board is to be provided in accordance with Philco's By-laws.

In the event that the Philco Shareholders are required to fund activities of Philco after the Sole Funding Period, the Philco Shareholders will provide such funds by a loan or a provision of additional equity to Philco in proportion to their respective shareholdings. If a Philco Shareholder does not provide the funds as required, their shareholding in Philco shall be diluted.

A Philco Shareholder holding more than 50% of the Philco Shares may require that Philco commence a pre-feasibility study (followed by a feasibility study if the pre-feasibility study is successful) and subsequently provide a proposal for a decision to mine.

The Shareholders Agreement shall terminate if:

- (a) the Parties agree in writing to terminate the Shareholders Agreement;
- (b) Philco is wound up; or
- (c) one Party acquires all of the issued Philco Shares.

If an insolvency event occurs in relation to a Party or a Party breaches a material provision of the Shareholders Agreement (**Defaulting Party**), the other Party (**Non-Defaulting Party**) may require that the Defaulting Party sell to it (or its nominee), all of the Philco Shares held by the Defaulting Party at the fair market value determined by an independent appraiser.

Each Philco Shareholder is granted a right of first refusal in relation to the Philco Shares (**Right of First Refusal**). If a Philco Shareholder who holds more than 20% of the Philco Shares is presented with an offer to purchase all of its Philco Shares (**Seller**), that Philco Shareholder shall not sell its Philco Shares unless the proposed purchaser has agreed to purchase all of the Philco Shares of the other Philco Shareholder (**Non-Seller**) on the same terms as offered to the Seller and the Seller notifies the Non-Seller in this regard. The Non-Seller can then:

- (a) elect to sell its Philco Shares to the third party;
- (b) elect to purchase the Seller's Philco Shares on the same terms as the third party's offer; or
- (c) allow the Seller to sell its Philco Shares,

(Piggy Back Rights).

The Right of First Refusal and Piggy Back Rights shall equally apply to a change in control of a Philco Shareholder (subject to specified takeover provisions).

The Philco Shareholders may not mortgage, charge, pledge or otherwise encumber their Philco Shares, except in relation to funding for the Project.

For a period of 24 months after the execution of the Shareholders Agreement:

- (a) MPL must not transfer or agree to transfer any of its Philco Shares without the prior written consent of PHI (to be provided reasonably provided the proposed transferee can demonstrate that it can or will have the ability to meet the financial obligations of MPL under the Shareholders Agreement); and
- (b) any agreement to encumber any Philco Shares shall require the prior written consent of MPL and PHI (which must not be unreasonably withheld).

The Shareholders Agreement is governed by the laws in place in Western Australia

The Shareholders Agreement otherwise contains provisions, representations and warranties typical of an agreement of its kind.

2. AGREEMENT TO TERMS OF ROYALTY AGREEMENT

Clause 7A of the Heads of Agreement (as amended), provides for the Company to enter into a royalty agreement with Cygnet or its nominees (as outlined in Section 12.5 of the Prospectus) (**Royalty Agreement**).

The terms of the Royalty Agreement have now been agreed and are summarised below.

The Royalty Agreement is conditional upon completion of the Share Purchase Agreement prior to 31 January 2012. If the condition is not satisfied by the specified date, any party may terminate the Royalty Agreement.

The Company will pay nominees of Cygnet (**Receiving Parties**) a royalty equal to 3% of the Company's economic interest in the net profits after tax of Philco for each royalty period (**Royalty**) (being a 6 month period, the first of which commences on 30 June or 31 December in the year production from the Project commences, and each subsequent 6 months after that date for a period of 8 years from the commencement of production).

The Company's liability to pay the Royalty will cease and terminate when:

- (a) the tenements the subject of the Project are surrendered or otherwise terminated under Philippine mining legislation;
- (b) the Project is sold by Philco to an arm's-length purchaser; or
- (c) the Company has disposed of its right, title and interest in Philco to an arms-length purchaser.

Upon termination of the Company's liability to pay the Royalty, the Company must pay to the Receiving Parties the lower of:

- (a) \$10 million; and
- (b) 3% of the profit derived by the Company on the sale or other transaction, as a result of disposing of the Company's interest in the Project.

The Royalty Agreement is governed by the laws in place in Western Australia.

The Royalty Agreement otherwise contains provisions, warranties and representations typical of an agreement of its kind.

3. EXTENSION TO ALLOTMENT DATE

As a result of the release of this Supplementary Prospectus, the Company has extended the Allotment Date.

Accordingly, references to the Allotment Date in the Prospectus are amended and the Indicative Timetable set out in the Investment Overview section of the Prospectus is deleted and replaced with the following indicative timetable:

Indicative timetable*

Event	Date
Lodgement of Prospectus with ASIC	21 December 2011
Opening Date	21 December 2011
Closing Date	22 December 2011
Allotment and Dispatch of holding statements	17 January 2012
Expected date for listing on ASX	17 January 2012

Important Notes:

* These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and other applicable laws, to vary the dates of the Offer, including bringing forward or extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you.

4. APPLICATIONS

The matters referenced in this Supplementary Prospectus are not considered by the Company to be materially adverse to investors. Accordingly, no action needs to be taken if you have already submitted an application for Shares.

5. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.

Andrew Maurice
Director
Mining Group Limited

Note: All other details in relation to the terms of the Offer and other matters under the Prospectus remain unchanged.