

QUARTERLY ACTIVITIES REPORT

December Quarter 2014



ASX RELEASE – 30 January 2015

HIGHLIGHTS

- **Successfully raised A\$1.1M in December to provide funding for expansion of activities in the current quarter.**
- **Arrangement of non-dilutive revolving line of credit for the purpose of buying high grade third party gold ore.**
- **More stable and secure gold ore supply agreements negotiated and in effect resulting in consistent ore delivery subsequent to quarter end.**
- **Additional owner-operator production sources being prioritised - including commencement of a third revenue stream - the copper oxide circuit.**
- **Enhanced operational outlook for 2015 post integration of the San Santiago processing plant in the December quarter.**

Australian gold producer and copper developer, Minera Gold Limited (ASX: MIZ, Minera, the Company) is pleased to present shareholders its activities report for the quarter ending 31 December 2014 – a period in which the Company made significant progress in its transition to a miner and metals processor in its own right.

The period provided an opportunity to consolidate and integrate the Company's copper and gold operations in Peru, following the acquisition of the San Santiago processing plant and surrounding concessions in September of 2014. Part of that integration involved the performance of crucial maintenance work on the processing plant post acquisition.

In addition, technical work commenced on the assets to prioritise exploration targets and additional production sources for 2015.

Mr Ashley Pattison, the Company's Managing Director and CEO, commented that "the Company has been working extremely hard on the integration of the San Santiago processing plant acquisition during the quarter.

"I would like to again thank the management team, our suppliers and our financiers for their hard work and on-going support during the quarter and we look forward to working with our partners during the new 2015 financial year" he added.

1. San Santiago Processing Plant

Perth-based Minera Gold has operations in three locations within the well-established Nazca Ocona region of southern Peru. The centre of operations is at San Santiago, 400kms south east of the capital Lima. There, Minera owns and operates the San Santiago processing plant as well as undertaking copper mining and exploration on the surrounding concessions it controls. Minera's gold mining operations at Torrecillas and Tumi are connected via a 40km service road and located 180kms south east of San Santiago.

Gold Circuit

As foreshadowed in the previous quarterly (announced 03 November 2014), the Company experienced issues with the existing toll treatment ore supply contracts in place at the time of the acquisition. The contracts previously signed with local mine operators were terminated due to sporadic or non-delivery of ore feed to the processing plant. As a result, gold production and processing was constrained during the quarter and was therefore limited to gold in circuit at the September Quarter end, being 104oz. This was sold in October 2014.

Despite low production, AISC for the quarter was US\$882 per ounce.

As a result of these issues the working capital required to restart the gold circuit was significantly higher and only resolved at the end of the quarter via the successful capital raising of \$1.1 million referred to earlier.

As at 31st December 2014, the Company had total ore stockpiles of 240 tonnes of high grade material (>25 grams per tonne gold (g/t Au)) on the run-of-mine (ROM) pad at Torrecillas and at the plant. Deliveries of high grade ore subsequent to quarter end saw the recommencement of the gold processing circuit in January 2015.

With the additional funding available, Minera have been able to sign two new ore supply agreements. These contracts contain minimum tonnage delivery requirements for high grade material. Deliveries under the first of these contracts have been very encouraging to date and delivery under the second contract will also result in significant tonnage ore deliveries commencing February 2015. These contracts were referenced in the announcement of January 13, 2015.

Additional sources of quality gold ore continue to be assessed to ensure full compliance with local laws in relation to the processing of third party material.

Copper Flotation Operations

The mill's copper flotation operations continue today as 100% toll treatment of third party ore that is primarily sourced from within concessions controlled by the Company. Twenty-six groups are permitted to mine within these concessions on the basis that all ore is processed through the San Santiago processing plant at fixed fees and parties pay a participation fee on the concentrate produced.

Minera treated more than 11,200 tonnes of copper sulphide ore for third parties during the December quarter and marketed the premium concentrate for some of those parties. EBITDA for the quarter was US\$242,000.

Subsequent to quarter end, the copper flotation circuit was fully committed to third party ore treatment for January (with significant tonnages being processed so far).

As detailed in the September quarterly, the primary focus for the Company was to embark on a six month program to gain a solid geological understanding of the three mines acquired and to assess both the sulphide and oxide mineralisation potential in each as the Company strives to achieve its stated target of achieving the optimal mix of toll treatment and owner-operator ore.

The focus of owner operator efforts will continue to be on the Brasil and Decimo Quinto mines. These prospects have high grade copper sulphide and oxide potential with large ore shoots that have been identified and intersected at depth by previous mining activities. Technical planning for the purpose of large scale mining at these mines continued. That planning process is ongoing by the Company's team in conjunction with potential mining contractors for the re-commencement of mining of those two mines in 1H calendar 2015.

Small-scale production is being undertaken at these mines by contracted artisanal groups while the Company assesses the mine plans and equipment requirements to increase mining on a larger scale. Ore deliveries processed from the two mines in November and December had an average feed grade of more than 5% Cu based on processing results and produced a very clean premium concentrate for sale to Minera's interim offtake partner.

The under-explored concessions acquired through the San Santiago transaction are in a highly prospective area for gold, copper and silver. There are a number of drill ready targets for testing over the next 12 months that the Company is currently reviewing to assess exploration priorities. This work will include the use of ground based geophysics and Reverse Circulation (RC) drilling utilising Minera's dedicated rig, which is now on site, to target the priority zones for mining in 2015.

Preliminary exploration activities at the Brasil target have continued subsequent to the end of the quarter and the Company will release the results of this program in due course.

Copper Oxide Operations

An internal study has been completed by the Company on re-opening the mill's third business stream – its copper oxide circuit. The results are encouraging, given the supply of high grade ore available from within Minera's concession packages and the competitive pricing of key consumables secured for this processing route. The study is finalising the CAPEX required to re-commence processing. This is not expected to be substantial. The circuit was last active in October 2014 under the control of a third party. Reopening of the copper oxide circuit would see a third revenue stream come on line for the Company.

As at 31 December 2014, a stockpile of ~900 tonnes of copper oxide material at an average grade of 3.2% Cu is on the ROM pad owned by Minera. In addition to this ore, Minera has received strong enquiries from local miners to recommence copper oxide purchasing and processing, given that there is limited availability to process oxides in the region.

Tailings Projects

Consultants were engaged during the quarter to design and implement the transition from wet tails storage to dry stacking of tails at the San Santiago processing plant. Initial designs have been received and this work will be finalised shortly. Quality second hand equipment has been identified and the Company's engineers are working on the procurement of this for commissioning by the end of the current March quarter.

A tender process has also commenced for engineers and consultants to work with the Company on the processing plant expansion and long-term tailings management permitting. This project is expected to take a majority of 2015 to complete, given the various studies and work required.

2. Torrecillas and Other Assets

Gold Production – Torrecillas

During the December quarter, mining activities at the Torrecillas Gold Project were scaled back due to working capital constraints.

Ongoing geological assessment of the Torrecillas vein structure continued and identified a number of remnant stopes within Level 0 of the mine that are easily accessible by Minera's owner operator workforce. Ongoing assessment of the upper levels of the Torrecillas mine, continues. Rehabilitation works continued in lower levels of the mine to maintain the workings for future mining.

At the Rebeca deposit, the Company continues to work with small contracting teams on the exploitation of those veins. The veins at Rebeca are narrower than Torrecillas but exhibit an almost vertical dip and a superior grade to the other veins. The mining is low cost and provides valuable high-grade feed to supplement other gold ore sources for the plant. Contractors are paid on a per tonne basis, subject to the diluted grade recovered.

Mining at Tessie and Tumi was limited during the quarter as contractors utilised their manpower on mining at Rebeca.

Tumi - Large Tonnage Exploration Target

Limited exploration and resource definition work was undertaken during the quarter on Tumi, with Minera's technical team devoting efforts to ongoing technical assessment of the copper concessions and mining rights being acquired.

3. Corporate

3.1. Board Change

Mr Brett Heath was appointed as a Non-Executive Director of the Company as a nominee for SilverStream SEZC. Mr Heath is the President and Director of SilverStream SECZ.

3.2. Financial

Equity and Convertible Note Raise

A\$1.1M fundraising was completed prior to the Christmas period (as announced 19th December 2014) and those funds have been deployed within the business units. This funding allowed Minera to ramp up gold production subsequent to quarter end.

Gold Purchasing Revolving Credit Line

Minera Gold finalised a gold purchase working capital debt facility subsequent to quarter end specifically for the purchase of third party gold ore. Importantly, this debt is non-converting and non-diluting.

-ENDS-

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About Minera Gold Limited

Minera is the owner and operator of a profitable gold and copper business in a well-established mining region of southern Peru. A centralised processing plant with three separate circuits produces very clean copper concentrate and copper cement in addition to loaded carbon from the CIP circuit, with feed sourced from third party operators as well as from Minera's 100% owned mines.

The copper assets of Minera are contained within 7,600Ha of under explored concessions that surround the San Santiago processing plant currently being mined for copper, with an attractive gold and silver credit.

Minera's gold assets include its producing mines at the Torrecillas Project and the exciting exploration targets at its Tumi Project. At Torrecillas, a number of high-grade narrow gold veins are in production. These two projects, just 180kms from the processing plant, are part of 16,000Ha of highly prospective concessions including two large tonnage, low-grade disseminated targets containing known gold and copper with silver and molybdenum mineralization also identified at the Tumi target.

Forward Looking Statements

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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, 17/12/10



Name of entity : **Minera Gold Limited**

Quarter ended ("current quarter")

ABN : 97 117 790 897

31 December 2014

Consolidated statement of cash flows

Cash flows related to continuing operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 a	Receipts from product sales and related debtors (see note)	1,088	4,200
1.2 a	Payments for (a) exploration & evaluation & development	(50)	(425)
	(b) production	(930)	(2,708)
	(c) administration	(469)	(1,791)
1.3 a	Dividends received	-	-
1.4 a	Interest and other items of a similar nature received	2	5
1.5 a	Interest and other costs of finance paid	-	(89)
1.6 a	Taxes paid	(221)	(221)
1.7 a	Other (provide details if material)		
Net Operating Cash Flows from Operations		(580)	(1,029)
Net Cash Flows from Investing			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(656)	(1,180)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	-	-
1.10	Loans to other entities (advances for ore purchases)	(221)	(221)
1.11	Loans repaid by other entities	-	-
1.12	Other – Cash outflow on acquisition of subsidiary	-	(6,114)
Total Cash Flows from Investing		(877)	(7,515)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	775	775
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	523	5,696
1.17	Repayment of borrowings	(388)	(2,600)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	(a) Payment for debt issue costs	-	(571)
	(b) San Santiago financing	-	4,861
Net financing cash flows from Operations		910	8,161
Net increase (decrease) in cash held		(547)	(383)
1.20	Cash at beginning of quarter/year to date	455	315
1.21	Exchange rate adjustments during period to cash	540	516
1.22	Cash at end of quarter	448	448

Payments to directors of the entity and associates of the directors

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	152
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
NOTES	1.23 These payments to directors and director-related entities are for director fees, salaries and payments for consulting services to entities associated with directors.	

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	Convertible Note - Interest accrued on outstanding convertible notes of +\$183,277 - Conversion of convertible notes (Principal & Interest) of -\$69,742 - Revaluation of USD denominated convertible notes to AUD \$191,325 - Repayment on APG Loan in shares - AUD\$100,000
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	Not applicable

Financing facilities available

Add note as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Anglo Pacific Group Loan facility	1,666	1,666
3.2 Convertible Note – Various Subscribers	1,558	1,558
3.3 Loan – Ore Purchasing Facility	568	186
3.4 Convertible Note – USD Denominated	2,079	2,079

Estimated cash outflows for next quarter – 1 January 2015 to 31 March 2015

	\$A'000
4.1 Exploration and evaluation	120
4.2 Development	0
4.3 Production / Ore Purchasing	1,800
4.4 Capital expenditure	50
4.5 Administration	350
Total	2,220

- The above amounts exclude income generated from the sale of gold, copper and silver in the quarter.

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	448	455
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		448	455

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	Nil	-	-
6.2	Interests in mining tenements acquired or increased	Nil	-	-

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.

		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 (description)	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	*Ordinary securities	2,772,585,979	2,772,585,979	n/a	n/a
7.4	Changes during quarter (a) Increases through conversion of Convertible Loan Principal	3,191,490	3,191,490	\$0.0047	\$0.0047
	(b) Increases through conversion of Convertible Loan Interest	347,580	347,580	\$0.0037	\$0.0037
	(c) Increases through Anglo Loan repayment in shares	28,571,429	28,571,429	\$0.0035	\$0.0035
	(d) Increases through shares issued in lieu of cash (invoice)	7,214,300	7,214,300	\$0.005	\$0.005
	(e) Increases through Finance fee paid in shares	14,285,714	14,285,714	\$0.0035	\$0.0035
	(f) Increases through Placement	221,428,571	221,428,571	\$0.0035	\$0.0035
	(g) Increases through shares issued in lieu of cash (invoice)	19,428,572	19,428,572	\$0.0035	\$0.0035
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues	300,000			
	(b) Decreases through securities matured or converted	-\$69,942			

7.7	Options	<u>Total on Issue</u>		<u>Exercise price</u>	<u>Expiry date</u>
	<i>Options -Employee Option Scheme</i>	2,500,000		\$0.09	30 June 2015
		2,500,000		\$0.15	30 June 2015
	<i>(UNLISTED)</i>	1,000,000		\$0.09	30 June 2015
		6,000,000			
	<i>Options – Directors (UNLISTED)</i>	4,500,000		\$0.09	13 Sept 2017
		4,500,000		\$0.15	13 Sept 2017
		22,500,000		\$0.02	4 December 2016
		31,500,000			
		920,000		\$0.09	31 March 2015
		15,000,000		\$0.09	1 March 2015
		2,000,000		\$0.10	30 June 2015
		1,000,000		\$0.15	30 June 2015
		1,000,000		\$0.20	30 June 2015
		20,000,000		\$0.10	13 Dec 2015
	<i>Options – Financiers & Other (UNLISTED)</i>	4,000,000		\$0.10	15 Feb 2016
		15,000,000		\$0.03	30 June 2016
		32,500,000		\$0.012	15 October 2016
	Options – UNLISTED - TOTAL	91,420,000		\$0.01	4 December 2016
		128,920,000			
	Options – LISTED (MIZOA)	280,250,000		\$0.012	4 December 2016
	TOTAL	280,250,000			

7.8	Issued during quarter	<u>Total number</u>	<u>Type</u>	<u>Exercise Price</u>	<u>Expiry date</u>
	Options issued	35,000,000	MIZOA	\$0.012	4/12/2016
7.9	Exercised during quarter	-	-	-	-
7.10	Expired / Cancelled during quarter	1,000,000	Unlisted	\$0.09	30 June 2015
7.11	Admitted for quotation	-	=	=	=
7.12	Debentures (totals only)				
7.14	Unsecured notes (totals only)				

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 31.01.2015
 Print name: Ashley Pattison.....
 Position: CEO and Managing Director

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* apply 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 == == == ==

Appendix

Beneficial percentage interests held in farm-out arrangements at the end of the quarter:

Farm-in Agreements

Nil.

Farm-out Agreements

MIZ has an agreement with Mineralis Ltd who are earning a 60% interest in Mundo Mineração Ltda via expenditure of AUD \$4.5 million. As at the date of this report, AUD \$1.3 million has been spent earning them a 25% interest.

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter:

Nil.