



QUARTERLY ACTIVITIES REPORT Q2 OCTOBER – DECEMBER 2013

KEY POINTS

- Commencement of mining and ore stockpiling at Eladium mine for first feedstock
- Final modification of Mollehuaca plant and site works in preparation for first production
- Maiden gold processing on track for late in March 2014 quarter
- Capital raising in progress via rights issue and negotiations are continuing with brokers and sophisticated investors take up issue shortfall in the March quarter

SUMMARY

It was pleasing during the quarter to substantially advance and sign-off on much of the final permitting, site and plant works to further progress towards our long-awaited target of first Peruvian gold production late in the March 2014 quarter. Progress included commencement of first ore mining and stockpiling of feedstock for initial plant runs at Mollehuaca. At the corporate level, a Rights Issue capital raising is in progress with the Company in advanced negotiations with external parties expressing interest in taking up the shortfall in the first quarter of calendar 2014. Equity markets closed the 2013 year out with little change in the lack of interest in small cap junior explorers, resources developers and miners.

ASX AND MEDIA RELEASE

COMMISSIONERS GOLD LIMITED (ASX: CGU)

Peruvian gold project

Goldsmith Resources SAC (Commissioners Gold 18%)

The Mollehuaca gold plant in southern Peru is in final stages of preparation for first production, scheduled for March of this year. Expansion of the tailings field, geared to the first phase of production, was completed during the quarter along with spill containment and water drainage diversion infrastructure. At the satellite Eladium gold mine, mining and stockpiling of higher grade ores has commenced. Eladium, to the east of the plant, is the first of three sources targeted for plant feedstock, the others being the satellite projects of Saulito to the southeast and the historic gold tailings at Santa Rosa to the northwest. Permitting for Saulito's mine start-up is being progressed. Mollehuaca's secondary ball mill is now fully installed and has passed all its pre-commissioning test programmes. Eladium ore will begin being moved to the Mollehuaca plant in February for trial production runs.

Two key operating permits for Mollehuaca were secured during the quarter. The first is a two year groundwater extraction and utilisation permit for a water well located in front of the Mollehuaca plant. A two year chemical permit was also secured, allowing the company to buy, store, and use mineral plant chemicals, including cyanide.

Field staff have in January collected additional metallurgical samples for testing at a laboratory in Chala to finalise Mollehuaca's processing circuit setup to maximise gold recovery from Eladium ore.

Negotiations continue with third parties on possible toll treatment of their ore through the Mollehuaca plant to maintain a high plant utilisation during the first months of operation.



Figure 1: 3D render of the Mollehuaca plant

Social engagement

As part of its social engagement with local Peruvian mining communities, Goldsmith gave Christmas hampers to residents around the plant, as well as gifts to the children in the nearby towns of Mollehuaca and Pozo.



Figure 2: Christmas in Pozo town

Planned Peruvian start-up schedule

While the delay in getting into production has been frustrating for the Company and our shareholders, nonetheless the transition from developer to gold mine is now firmly in sight. Some \$2 million has been spent by the Joint Venture upgrading the 82,800 tpa Mollehuaca plant into a modern day processing facility. The plant, which has a replacement cost of around \$4 million, has three separate treatment circuits to provide flexibility processing multi-source ore. Initially, 2,400 tonnes of ore per month are scheduled to be treated at the plant, increasing to 4,500 tonnes per month by year end, largely sourced from Eladium.

The Company expects to deliver low cash costs per ounce, at around US\$650-800/oz once production settles and depending on gold grades after mining dilution.

Further upside exploration opportunities in and around target satellite ore bodies. In addition to ore from Saulito, the historic Santa Rosa tailings offer between 300,000 and 500,000 tonnes of recoverable gold tailings grading on average 3-5.4 g/t Au.

Achieving the transition to production will complete Commissioner Gold's first objective of developing a profitable small scale gold mining venture in Peru with the upside of rapidly broadening its operating base through accessing or acquiring gold ore from nearby satellite operations.

NSW gold tenements

No significant activity was undertaken on the Company's NSW gold exploration tenements during the quarter.



Corporate

During the quarter, Commissioners Gold diluted its holding in Goldsmith Resources by 7% from 25% to 18% in lieu of not having to meet a total of \$147,000 in capital calls issued by Goldsmith. This was a strategic cash preservation decision by the CGU Board pending the anticipated finalisation early in calendar 2014 of further substantial new capital injections.

A Non-Renounceable Rights Issue in November, priced at A\$0.02 cents per share (with one attaching option for every two shares subscribed), raised \$129,436 and saw the issue of an additional 6.47 million ordinary shares in Commissioners Gold. Directors are currently closing negotiations to place the Shortfall 45.9 million shares. An amount of \$156,000 has been received at the date of this report as part of the first tranche placement of the Shortfall of approximately \$310,000, which is expected to be allotted in the coming week. Directors are confident that the balance of approximately \$610,000 will be placed in February 2014.

Appendix 5B

Mining Exploration entity quarterly report

Name of entity

COMMISSIONERS GOLD LIMITED

ABN

79 115 845 942

Quarter ended ("current quarter")

31-December-2013

Consolidated statement of cash flows

Cash flows related to operating activities

	Dec 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 and evaluation	(15)	(77)
(b) development	-	-
(c) production	-	-
(d) administration	(36)	(90)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(53)	(172)

Cash flows related to investing activities

1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other non current assets	-	-
1.9 Proceeds from sale of:	-	-
(a) prospects	-	-
(b) equity investments	-	-
(c) other non current assets	-	-
1.10 Loans to Goldsmith Resources SAC	-	(47)
1.11 Loans repaid by other entities	-	-
1.12 Other - investment realignment	-	38
Net investing cash flows	-	(9)
1.13 Total operating and investing cash flows (carried forward)	(53)	(181)

Appendix 5B

Mining Exploration Entity Quarterly Report

	Dec quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(53)	(181)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	129	129
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	94
1.17 Repayment of borrowings	(48)	(54)
1.18 Dividends paid	-	-
1.19 Other - Share Issue Costs	(9)	(10)
Net financing cash flows	72	159
Net increase (decrease) in cash held	19	(22)
1.20 Cash at beginning of quarter/year	10	51
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter/year (*Note below)	29	29

Note: The Board of Directors anticipate placing the Shortfall 45.9M shares from the 18 November 2013 Rights Issue, which closed on 16 December 2013. An amount of \$156,000 has been received at the date of this report as part of the first tranche placement of the Shortfall of approximately \$310,000, which is expected to be allotted in the coming week. Directors are confident that the balance of approximately \$610,000 will be placed in February 2014.

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	-
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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 cashflows

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

Appendix 5B

Mining Exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

- 3.1 Loan facilities - Convertible Notes
- 3.2 Credit standby arrangements

Amount available \$A'000	Amount used \$A'000
150	150
Nil	Nil

Estimated cash outflows for next quarter

- 4.1 Exploration and evaluation
- 4.2 Development
- 4.3 Production
- 4.4 Administration

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	50
Total	150

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.

- 5.1 Cash on hand and at bank
- 5.2 Deposits at call
- 5.3 Bank overdraft
- 5.4 Other - Bills and Bank Term Deposits

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	29	10
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other - Bills and Bank Term Deposits	-	-
Total: cash at end of quarter (item 1.22)	29	10

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			

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.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid 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	62,873,903	62,873,903	Fully Paid	Fully Paid
7.4	Changes during quarter				
	(a) Increases through issues	3,240,754	3,240,754	4.5 cents	4.5 cents
	(b) Released from escrow	7,166,236	7,166,236	2.0 cents	2.0 cents
	(c) Decreases through returns of capital, buy backs				
7.5	Convertible debt securities Conversion price of \$0.025 per share at an expiry date of 10 June 2015	6	-	\$25,000	\$25,000
7.6	Changes during quarter				
	(a) Increases through issues	6	-	\$25,000	\$25,000
	(b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			Exercise Price	Expiry Date
		500,000	-	18 cents	31-Dec-14
		750,000	-	30 cents	31-Dec-15
		500,000	-	7 cents	31-Dec-16
		3,235,913	-	4 cents	31-May-15
7.8	Issued during quarter - Rights Issue	3,235,913	-	4 cents	31-May-15
7.9	Exercised during quarter				
7.10	Expired during quarter	750,000	-	25 cents	31-Dec-13
7.12	Unsecured notes (totals only)				



Appendix 5B

Mining Exploration entity quarterly report

Pursuant to Listing Rule 5.3.3, a schedule of the Company's leases and interests therein is provided as follows:

Schedule of Tenements as at 31 December 2013

Tenement Name	Number	Holder	Comments
Cowarra, NSW	EL 5939	Capital Mining Limited	CGU registered 50% interest, CGU earning 85% under farm-in.
Oberon, NSW	EL 7702	Central West Gold NL	CGU has 50% interest in the joint venture. The farm-in JV is registered.
Dalton, NSW	EL 6922	Commissioners Gold Limited	CGU 100%

Compliance Statement

1. This statement has been prepared under accounting policies that comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX (see note 4).
2. This statement gives a true and fair view of the matters disclosed.



Chris Battye – Executive Chairman

31 January 2014

Date

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 JV agreement, and there are conditions precedent that 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 be complied with.