



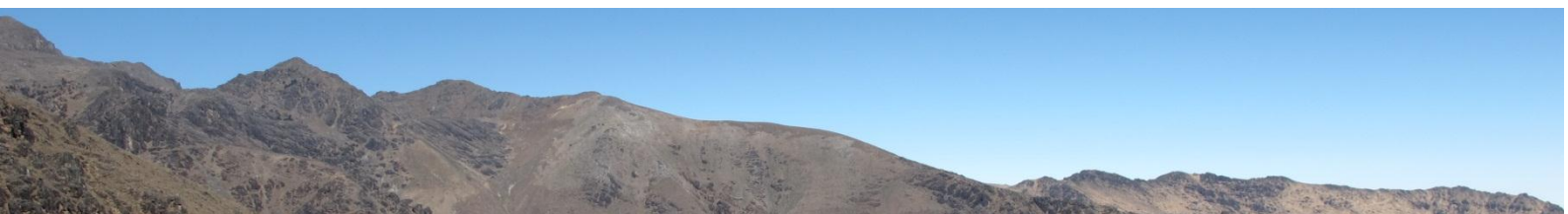
# **COMMISSIONERS GOLD LIMITED** **QUARTERLY ACTIVITIES REPORT** **Q3 JULY – SEPTEMBER 2012**

## **KEY RESULTS**

- Joint Venture in Peru delivers projects
- Acquisition of interest in Peruvian CIL plant and tailings reprocessing project
- 15% Share Placement closes oversubscribed
- Share Purchase Plan (SPP) launched

## **SUMMARY**

With the Company's sights firmly set on developing a producing asset in Peru, Commissioners is pleased to announce the acquisition of part interest in an existing CIL treatment plant and a tailings reprocessing project.



## **ASX AND MEDIA RELEASE**

**COMMISSIONERS GOLD LIMITED (ASX: CGU)**

# JV in Peru delivers projects

## Commissioners Gold 50%

The project acquisition joint venture between Commissioners Gold and Australia Gold Corporation Limited (based in Lima, Peru) has been operating since 2 July 2012 and has produced a pool of projects which meet the JV objectives of early cash flow, scalability and modest entry cost. A number of those projects have been settled in principle pending project financing or are at an advanced stage of negotiation.

Initial focus is on getting an existing small gold processing plant into full operation to reprocess a nearby old mine tailings field which contains significant recoverable gold.

The JV is currently progressing a number of other advanced projects into final investment decision stage.

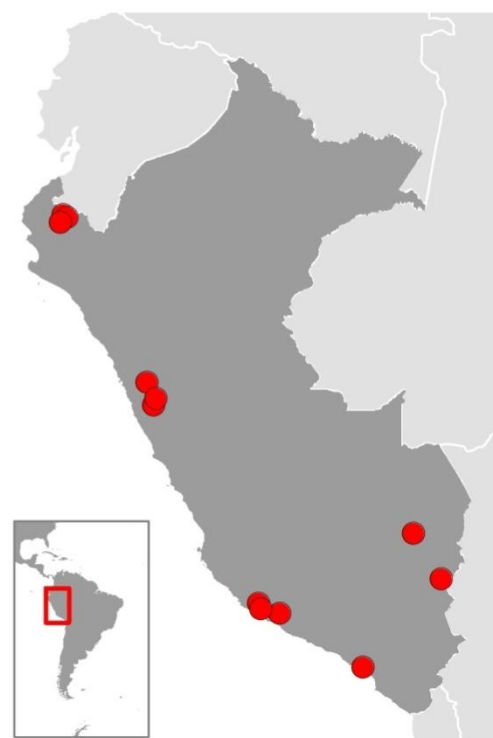


Figure 1: project pool in Peru

## Mollehuaca - Santa Rosa Project

### Commissioners Gold 25%

The Mollehuaca–Santa Rosa Project combines two separate but symbiotic sub-projects. The Mollehuaca (pronounced “Maywaca”) Plant is an existing carbon-in-leach (CIL) processing plant located in southern Peru. At Santa Rosa, tailings produced during gold mining activities more than 50 years ago contain significant recoverable gold. These fine grained tailings will be trucked to nearby Mollehuaca for processing and underpin upgrades to the plant.

This is a relatively small project, however will deliver gold production and positive cash flow in a short period of time.

The Mollehuaca Plant is an existing small cyanide CIL gold processing plant which presently processes third-party ore on a toll treatment basis, but will be upgraded to a capacity of about 80 tonnes per day of virgin ore and about 160 tonnes per day capacity for reprocessed tailings.

Between 1925 and 1968, mining operations targeted high grade gold mineralisation hosted by quartz-sulphide veins. Waste from the processing of high grade ore was deposited in a valley-fill tailings field, the Santa Rosa tailings. Total tailings deposited

during the life of mining operations is estimated to be in excess of 800,000 tonnes with an average residual gold grade of between 4.0 and 7.8 g/t gold.

Due to the fact that the tailings occupy a steep ravine, estimates for the total volume of tailings at Santa Rosa vary considerably. More reliable estimates range from a minimum of 400,000 tonnes to a maximum of 824,249 tonnes, the latter by an independent surveying company based in Lima (Seers, 2003). A conservative volume of 300,000 tonnes has been assumed by the Peru JV for production forecasting and economic modelling.

The residual gold grade of the tailings has been the subject of multiple campaigns. Since the late 1990s, 722 samples totalling 3.46 tonnes of material have been analysed for a bulk average grade of 6.65 g/t gold (Seers, 2003). A more conservative average grade of 5.4 g/t gold has been used by the Peru JV for modelling purposes.

Studies conducted by previous operators since the late 1990s have identified significant recoverable residual gold in these tailings.

Metallogenic studies completed in 2003 by CH Plenge, a reputable Peruvian laboratory, on a 200 tonne bulk sample returned very good results in agitated cyanide leach tests. Results show increasing gold recoveries of 81.45% in 15 minutes, 91.82% in 2 hours and 93.5% in 6 hours of leach time (Seers, 2003).

Analysis of particle size distribution of Santa Rosa tailings shows that more than 48% of the material is in the minus 325 mesh size (<45 microns or <0.045 mm). Importantly, the highest grade of gold is contained within this particle size fraction. The fine grained nature of these tailings make them well suited to agitated cyanide leach recovery of gold with very short leach times (<6 hours).

Commissioners Gold has negotiated the acquisition of a 25% equity in Goldsmith Resources SAC (Goldsmith), operator of the Mollehuaca-Santa Rosa Project, by paying US\$400,000 for shares in two separate tranches. Additional capital required for the project will come from third-party investors in Goldsmith introduced by our joint venturer Australia Gold Corporation Limited.

Economic modelling shows that the project has great potential to be a modest cash earner, with CGU's portion forecast to generate around US\$700,000 per annum over the next 10 years (post Peruvian tax).

The project is forecast to produce 9,723 ounces of gold in the first year of production at an initial operating cost of approximately \$401 per ounce.

	<b>Equity</b>	<b>CAPEX or Investment</b>	<b>Internal Rate of Return (IRR)</b>	<b>Net Present Value (NPV)</b>
Total Project	100%	\$1,700,000	164%	\$16,860,927
CGU Investment	<b>25%</b>	<b>\$400,000</b>	<b>175%</b>	<b>\$4,237,959</b>

Table 1: Mollehuaca-Santa Rosa investment assessment



**Notes to Table 1:** The term of the project is 10 years. NPV is calculated at a 10% discount rate. Production forecasting includes a 6 year life of Santa Rosa tailings reprocessing. Plant feed is augmented after 2.25 years with virgin ore from nearby operations at Kazan mine (a separate Peru JV mining project 5km from the Mollehuaca plant) and other projects currently being negotiated. Unless quoted otherwise, all currencies are in US dollars.

Modest cash flow generated by these operations will support some of the Company's activities moving forward.

It should be noted that much of assessment of the viability of the Santa Rosa tailings field is based on previous work undertaken on behalf of the current owner. Commissioners Gold has relied upon its own due diligence of this data and field visits in Peru.

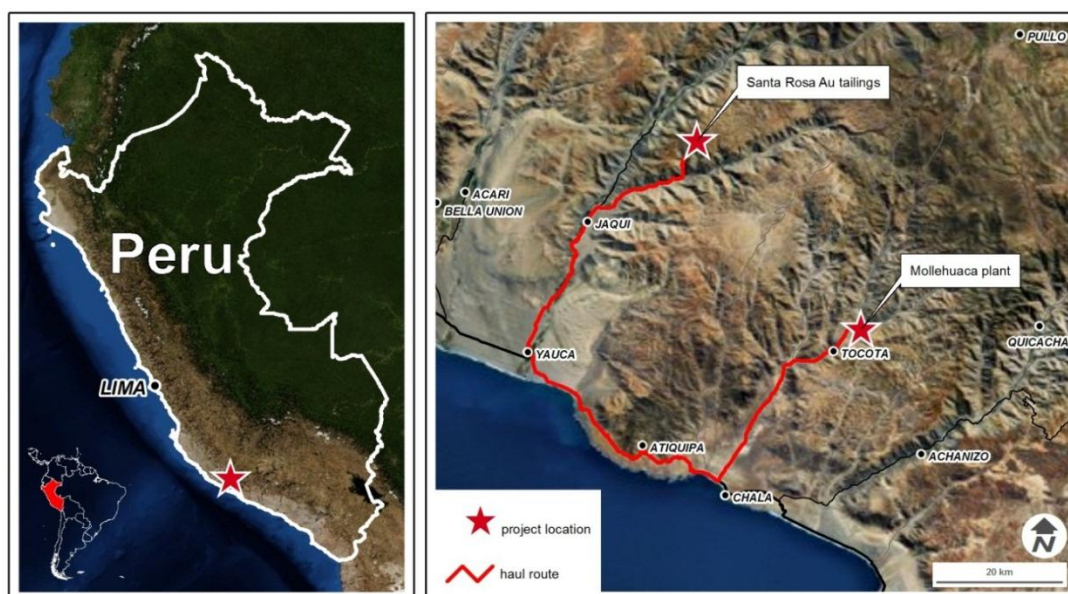


Figure 2: location of the Mollehuaca-Santa Rosa Project



Figure 3: Mollehuaca CIL plant

## References

Seers S.M., 2003, Report on the San Luis Mine Tailings Project, Department of Ayacucho Peru. (unpublished)



## **Corporate**

Commissioners Gold announced on 18 October 2012 that its recent Share Placement had been enthusiastically received by eligible investors and oversubscribed. The Board has allotted 4,706,111 new CGU shares to rank equally with existing shares. New shares were issued at \$0.045, and an amount of \$211,775 was raised.

## **Share Purchase Plan (SPP)**

Commissioners Gold recently announced that it will undertake a share purchase plan (SPP) on the same terms as the Placement to existing shareholders on the register at the record date of 10 October 2012. Shareholders will be entitled to purchase up to \$15,000 of CGU new shares at \$0.045 per share, subject to the terms of the SPP. The SPP opened on 25 October and closes on the 15 November 2012.

Shareholders will receive by mail documentation on the SPP including an application form.

## **EL 5939 Cowarra**

### **Commissioners Gold 50% (earning 85%)**

The Company is continuing pre-feasibility studies into the recovery of a bulk sample from the Cowarra deposit in southern New South Wales. The proposal is to continue mine development undertaken by Horizon Pacific Limited, the last operator of the Cowarra Gold Mine, whose work was abandoned in 1988 due to lack of capital and poor gold prices.

Studies are continuing into developing a 100m drive to the east from the 240N Winz level to intersect the Ambassador lode, and thereby recover a bulk sample for toll processing at a plant in NSW.

Regional exploration will continue in 2013, initially with a geochemical work program to test northern strike extensions of the Victoria and Ambassador lodes, and to the south at the Firestone Ridge prospect to identify structures that may be controlling mineralisation.

Notwithstanding capital expenditure in Peru, Commissioners remains committed to developing Cowarra's obvious potential.

## Appendix 5B

## Mining Exploration Entity Quarterly Report

Name of entity

**COMMISSIONERS GOLD LIMITED**

ABN

**79 115 845 942**

Quarter ended ("current quarter")

30-September-2012

## Consolidated statement of cash flows

### Cash flows related to operating activities

Cash flows related to operating activities		September quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(231)	(231)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(78)	(78)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	13	13
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - GST Refunds	23	23
	- Tenement Bond Refunds	30	30
	<b>Net Operating Cash Flows</b>	(243)	(243)

### 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 other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	<b>Net investing cash flows</b>	-	-
	<b>Total operating and investing cash flows</b>		
1.13	<b>(carried forward)</b>	(243)	(243)

# Appendix 5B

## Mining Exploration Entity Quarterly Report

	September quarter \$A'000	Year to date (3 months) \$A'000
1.13 <b>Total operating and investing cash flows (brought forward)</b>	(243)	(243)
<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 - Share Issue Costs	-	-
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	(243)	(243)
1.20 Cash at beginning of quarter/year	514	514
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 <b>Cash at end of quarter/year</b>	<b>271</b>	<b>271</b>

<b>Payments to directors of the entity and associates of the directors</b>	<b>Current quarter \$A'000</b>
<b>Payments to related entities of the entity and associates of the related entities</b>	
1.23 Aggregate amount of payments to the parties included in item 1.2	8
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 - Promissory Note
- 3.2 Credit standby arrangements

Amount available \$A'000	Amount used \$A'000
Nil	Nil
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	200
4.2 Development	-
4.3 Production	-
4.4 Administration	75
<b>Total</b>	<b>275</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.

- 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	12	11
5.2 Deposits at call	159	3
5.3 Bank overdraft	-	-
5.4 Other - Bills And Bank Term Deposits	100	500
<b>Total: cash at end of quarter (item 1.22)</b>	<b>271</b>	<b>514</b>

### 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	No change		
6.2	Interests in mining tenements acquired or increased	No change		



# 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 Decreases through returns (b) of capital, buy backs, redemptions				
7.3	Ordinary securities	34,849,692	28,337,300	Fully Paid	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Release from escrow Decreases through returns (c) of capital, buy backs				
7.5	Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues Decreases through securities matured, (b) converted				
7.7	Options (description and conversion factor)	750,000 500,000 750,000	0 0 0	Exercise Price	Expiry Date
				25 cents	31-Dec-13
				18 cents	31-Dec-14
				30 cents	31-Dec-15
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.12	<b>Unsecured notes</b> (totals only)				

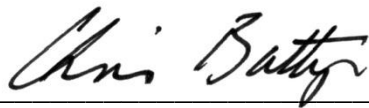


# Appendix 5B

## Mining Exploration Entity Quarterly Report

### Compliance Statement

1. This statement has been prepared under accounting policies which 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 does give a true and fair view of the matters disclosed.



Chris Battye – Executive Chairman

29/10/2012

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 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 be complied with.

### Competent Person's Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Wesley M. Harder BSc; who is a member of the Australasian Institute of Mining and Metallurgy.

Mr Harder is a Non-Executive Director of Commissioners Gold Limited. He has sufficient experience deemed 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Harder consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.