

24 July 2015

Market Announcements Office
ASX Ltd
4th Floor, 20 Bridge Street, Sydney NSW

ASX code: MUX

Major shareholders do not intend to accept Auctus' revised conditional offer

Mungana Goldmines Limited (ASX: MUX) advises that the liquidators of the Company's major shareholders, Kagara Limited (in liquidation) (**Kagara**) and Mungana Pty Ltd (in liquidation) (**MPL**), have today notified Mungana that they do not intend to accept the revised conditional takeover offer by Auctus Chillagoe Pty Ltd (**Auctus**).

As at the date of this announcement, Kagara and MPL together hold approximately 72.16% of the total Mungana shares on issue.

In the letter, the liquidators note that, after careful consideration of the overall circumstances and alternatives, they do not believe it represents a fair market value for their investment in Mungana and do not intend to accept that offer.

Accordingly, Mungana advises that:

- the condition to Auctus increasing the offer price from 13.5 cents to 17 cents per share will not be satisfied; and
- absent any competing takeover proposal for Mungana being announced or lodged with ASIC or otherwise being commenced, or one of the events set out in section 650C(2) of the Corporations Act occurring, Auctus' offer will lapse at 5:00 pm (Perth time) today.

A copy of the letter from the liquidators of Kagara and MPL is attached to this announcement.

ENDS

For further information:

Investors

Tony James– Mungana Goldmines
+61 (8) 9226 5550

Media

Read Corporate
Paul Armstrong / Nicholas Read
+61 8 9388 1474

Attachment



24 July 2015

Tony James
Managing Director
Mungana Goldmines Limited
Unit 5, Level 3 St James Place
TOWNSVILLE QLD 4810

Dear Mr James

Re: Takeover offer by Auctus Chillagoe Pty Ltd

Set out below is an update on the response of Kagara Limited (in liquidation) and Mungana Pty Ltd (in liquidation) (together "**Kagara**") to the unsolicited conditional takeover of Mungana Goldmines Ltd ("**MUX**" or "the **Company**") by Auctus Chillagoe Pty Ltd ("**Auctus**" or "the **Bidder**").

MUX is substantially held by Kagara, which holds approximately 72.16 per cent of the Company as at the date of this letter.

Auctus conditionally increased its cash consideration for MUX from \$0.135 cash per share ("**Original Offer**") to \$0.17 cash per share ("**Conditionally Revised Offer**") on 17 July 2015 subject to Auctus achieving at least a 70% interest in MUX. As liquidators of Kagara, we have considered whether the Conditionally Revised Offer represents a fair market value of Kagara's investment in MUX and whether it is in the best interests of creditors to accept.

After carefully considering the Conditionally Revised Offer in the context of the overall circumstances and alternatives, as liquidators of Kagara we do not believe the Conditionally Revised Offer represents a fair market value of Kagara's investment in MUX. As such, we not intend to accept it.

In forming this view, we have had regard to and have considered a number of matters, including:

- the unanimous recommendation of MUX's Board to reject the Conditionally Revised Offer because it does not attribute sufficient value to MUX's existing portfolio of assets, is opportunistic, and highly conditional;

FTI Consulting (Australia) Pty Limited
ABN 49 160 397 811 | ACN 160 397 811
Level 6, 30 The Esplanade | Perth WA 6000 | Australia
Postal Address | PO Box Z5486, St George's Terrace | Perth WA 6831 | Australia
+61 8 9321 8533 telephone | +61 8 9321 8544 fax | fticonsulting.com

Liability limited by a scheme approved under Professional Standards Legislation.

- the assessment by the independent expert, Grant Thornton Corporate Finance, who valued MUX on a control basis at between \$67 million to \$87.8 million (24.19 to 31.69 cents per share), whereas Auctus's Conditionally Revised Offer is valued at \$41 million (17 cents per share);
- the potential for a competing bidder to emerge which may result in a more attractive offer;
- the independent financial advice we have taken;
- our discussions with the Bidder;
- our understanding of the status of MUX's assets; and
- the alternative avenues which MUX is pursuing to demonstrate the value of its assets to the market in the near term.

Since the Original Offer, MUX has made encouraging progress on its strategy to deliver greater value from its assets. This includes a positive scoping study on the King Vol zinc project in North Queensland, which demonstrates the project is economically robust and carries low technical risk, and high grade assay results at the Red Cap project, which could complement the King Vol zinc project. In addition, Newcrest Mining has commenced an exploration program at MUX's Chillagoe Project in North Queensland, pursuant to an agreement focused on exploring for large gold-copper porphyry deposits.

We remain open to, and will continue to explore, all options for realising the fair market value of Kagara's investment in MUX in the best interests of creditors.

Regards



Michael Ryan
Joint and Several Liquidator