



MUNGANA
GOLDMINES

5 June 2015

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

ASX code: MUX

Clarification regarding production targets for the Chilligoe Zinc Project

Mungana Goldmines Limited (ASX: MUX) (**Mungana**) refers to its ASX announcement of 26 May 2015 (**Announcement**) in respect of the Chillagoe Zinc Project.

The Announcement includes reference to two separate production targets. Statements about future matters, such as production targets, are required to be based on reasonable grounds. Reasonable grounds must extend to the mineralisation the subject of the production target and the technical and economic modifying factors outlined in the JORC Code.

Where Mungana referred to an aim of consolidating production base to increase production throughput to achieve nominated plant capacity of ~600ktpa, and later to a production target of ~600ktpa in the context of achieving ore feed for the nominated plant capacity, Mungana was not intending to present this as a production target in that Announcement and retracts it accordingly. Mungana considers this to be an aspirational statement on the basis that the resources considered for this consolidation at King Vol, Red Cap and Mungana areas are inferred mineral resources. Mungana does not yet have reasonable grounds to believe that these aspirational statements can be achieved.

In relation to the King Vol production target, Mungana said in the Announcement that it was “Aiming for first production by end of 2016 at an annualised rate of 350,000tpa for 35,000-40,000tpa zinc in concentrate and additional bi-product credits”. Mungana advises that in the calculation of this annualised rate it has used its detailed knowledge of its latest resource model and focussed on the upper domain (which extends from a depth of 50 metres to 350 metres) due to the superior level of confidence associated with this part of the resource estimation, where the total combination of indicated (936,000 tonnes) and inferred (585,000 tonnes) resources are 1,521,000 tonnes at 14.3% zinc.

As noted in the Announcement, Mungana made assumptions about the King Vol production target in the absence of a detailed scoping, pre-feasibility or feasibility study and noted that for the King Vol project to be developed, more work needed to be done and substantial capital expenditure was required and that there were a number of uncertainties inherent in the feasibility stage and subsequent development stages of the project, including the availability of adequate funding. The development of the King Vol Zinc Project and the exploration associated with the Chillagoe Zinc Project is the key focus of the company. The projected annualised zinc production was determined in the absence of

Mungana Goldmines Ltd

ABN 15 136 606 338

Unit 5 Level 3 St James Place | 155 Denham Street | Townsville | 4810

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sufficient certainty in respect of specific JORC modifying factors relevant to its achievement. Accordingly, Mungana retracts the King Vol production target as it did not intend it to be considered a production target, as it is not based on reasonable grounds, and therefore should be treated as an aspirational statement.

Mungana is currently implementing a work plan to complete a feasibility study by the end of March 2016. Although Mungana is confident that such further work will provide further certainty as to specific factors that could affect Mungana's ability to achieve the projected zinc production such that it could be re-characterised as a production target, at the present time Mungana cautions investors against using the relevant statements as a basis for an investment decision about shares in the company.

Competent Person's reference

The information in this announcement relating to Mineral Resources is based on information prepared by Mr Brian Wolfe in compliance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) details of which were released on ASX by the Mungana on 28 January 2015.

Mr Wolfe is a member of the Australian Institute of Geoscientists and has sufficient experience 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 JORC Code.

Mungana confirms that it is not aware of any new information or data that materially affects the information relating to Mineral Resources included in the 28 January 2015 announcement referred to above. Mungana confirms that all material assumptions and technical parameters underpinning the Mineral Resource estimates in that previous ASX release continue to apply and have not materially changed.

For further information, please contact:

Investors

Tony James, Managing Director
Mungana Goldmines Limited
Phone: +61 8 9322 7645

Media

Paul Armstrong / Nicholas Read
Read Corporate
Tel: +61-8 9388 1474
Mobile: +61 419 929 046