

11 May 2015

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

ASX code: MUX

## **The Board of Mungana Goldmines Recommends Shareholders REJECT the Takeover Offer from Auctus Chillagoe**

The Board of Mungana Goldmines Ltd (ASX: MUX) recommends that shareholders **REJECT** the highly conditional, unsolicited off-market takeover offer announced on 24 April 2015 by Auctus Chillagoe Pty Ltd (**Auctus**). Accordingly, the Board advises shareholders to **TAKE NO ACTION** in relation to Auctus' offer.

The Board believes that the offer, of 13.5c-a-share, is opportunistic and materially undervalues the Company, its North Queensland mineral assets and their outstanding potential to generate strong growth for Mungana shareholders.

In providing this recommendation, the Board of Mungana has considered the following:

- The significant progress made by the Board and new management team in advancing the Company's exciting portfolio of assets;
- The very high grade and quality of the Company's flagship asset, the King Vol zinc deposit (zinc grade of 11.9% Zn<sup>1</sup>) at its Chillagoe Project in North Queensland;
- The project's anticipated capital expenditure of less than A\$40 million<sup>2</sup> and Mungana's targeted date for first production of late 2016; and
- The recent strong rise in the zinc price and the view among a number of commodity analysts that the price will continue to increase over the coming two years amid a supply shortage.

[Details in relation to Mungana's work plan for its Chillagoe Project for the next 12 months are set out in the Investor Update released on ASX on 11 May 2015.]

Mungana is in the process of preparing its formal response to Auctus' offer, and full details and reasons for Mungana's recommendation will be set out in its Target's Statement, which will be provided within approximately 3 weeks. Until then, Mungana shareholders should not accept Auctus' offer. Auctus' offer is highly conditional and will remain open until at least 15 June 2015. Should you wish to dispose of your Mungana shares, you may be able to do so on-market at a higher price than that offered by Auctus.

Mungana has engaged Ashurst as Legal Counsel and Torridon Partners as Financial Advisor.

1 – King Vol Resource (ASX: 28 Jan 2015)

2 – Key drilling program to start at high-grade King Vol zinc project, Queensland (ASX: 7 May 2015)

**Forward looking statements**

*This announcement contains forward looking statements. These statements are based on, among other things, Mungana's assumptions, expectations, estimates, objectives, plans and intentions as at the date of this announcement. Such statements are not statements of fact, and there can be no certainty of outcome in relation to the matters to which the statements relate.*

*Although Mungana believes that the expectations reflected in any forward looking statements in this announcement are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual outcomes may differ materially from the outcomes, events or results expressed or implied in any forward looking statement.*

*Except as required by applicable law or the ASX Listing Rules, Mungana does not undertake to update or revise any forward looking statements after the date of this announcement to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.*

**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.*

**ENDS**

For further information, please contact:

**Investors**

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

**Media**

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