

7 May, 2015

Company Announcement Office
Australian Stock Exchange Ltd
4th Floor, 20 Bridge Street, Sydney NSW

ASX code: MUX

Key drilling program to start at high-grade King Vol zinc project, Queensland

Results will underpin Feasibility Study with first production targeted for end of 2016

Highlights

- Resource upgrade drilling program to commence at King Vol
- New Resource will underpin Feasibility Study, which will be completed by March next year
- Strategy aimed at bringing high-grade (12% zinc), high-margin project into production by end of 2016
- Estimated capex less than \$40M due to key plant components and major infrastructure already in place
- Forecast annual production rate of 40,000t of zinc-in-concentrate
- Extensive exploration potential beyond current Resources
- Extremely attractive combination of high grades, low capex, short construction time and extensive exploration potential highlights immense upside for Mungana shareholders
- Mining Lease Application submitted, permitting well advanced and landholder compensation agreement in place

Mungana Goldmines Limited (ASX: MUX) is pleased to advise that a key drilling program is set to start at the Company's flagship King Vol zinc project in North Queensland as part of its strategy to commence production by the end of 2016.

The drilling program is aimed at upgrading the King Vol Resource and providing increased confidence in the continuity of the high-grade mineralisation known to extend beyond the current parameters of the existing Indicated Resource.

The work marks the next key step in Mungana's accelerated strategy to develop a high-grade, high-margin zinc project, with the Feasibility Study scheduled for completion in March 2016.

King Vol is an exceptionally high-grade zinc project, with a combined Resource standing at three million tonnes grading 11.9% zinc, 0.8% copper, 0.6% lead and 30g/t silver (ASX: 28 Jan 2015). This Resource comprises 1.05Mt in the Indicated category and a further 1.95Mt in the Inferred category (see Table 1).

The impending drilling program is designed to extend the current Indicated Resource boundary to a vertical depth of 400m for inclusion in the Feasibility Study while also improving the confidence in the thick, high-grade core below 400m deep (see Figure 1).

The Feasibility Study is scheduled to start in August and will be conducted in parallel with the project approvals process, paving the way for an accelerated construction timetable.

Preliminary studies by Mungana show King Vol will cost less than \$40 million to build. This is based on targeted annual production of 40,000t of zinc-in-concentrate.

The low-cost nature of the development is due in part to the fact that the key components of the processing plant have already been acquired and have either been installed or are in storage.

The plant, which was designed, purchased and partially constructed by King Vol's previous owners, base metals miner Kagara, has a nameplate capacity of 600,000tpa.

However, under the revised development strategy developed by Mungana's new management team, led by highly experienced mining executive Tony James, this will be reduced to an initial rate of 350,000tpa.

King's Vol's low capex also reflects the extensive infrastructure already in place, including access to water and grid power, tailings dam, access roads, site offices, workshops, exploration yards and accommodation in the nearby town of Chillagoe.

Mr James said the strategy to accelerate development of a 350,000tpa project at King Vol would ensure costs were kept to a minimum and the lead-time to production and cashflow was as short as possible.

"We have the perfect recipe for a high-grade, high-margin project which can be brought into production quickly and at a relatively small development cost," Mr James said.

"There are also extensive opportunities to grow the inventory quickly through exploration at King Vol, the nearby Red Cap area, the Mungana area and Griffiths Hill adjacent to the historic Red Dome Mine.

"Success on this front will underpin a logical expansion of the plant to its nameplate capacity of 600,000tpa and beyond, providing further opportunities to create growth for shareholders."

Red Cap has Inferred Resources of 3.8Mt at 4.8% zinc, 0.7% copper, 0.2% lead, 0.1g/t gold and 19g/t silver (ASX: 16 April 2015). Future drilling programs being planned at Red Cap will target extensions to known mineralisation and additional exploration targets identified from the recently completed induced polarisation (IP) ground geophysical survey (ASX: 20 April 2015, Quarterly activities report).

Table 1:

	King Vol Mineral Resource – January 2015								
	Tonnes (Mt)	Grade				Contained Metal			
		Zn%	Cu%	Pb%	Ag g/t	Zn (kt)	Cu (kt)	Pb (kt)	Ag (Moz)
Indicated	1.05	14.7	0.9	0.7	36.5	154	9	7	1.23
Inferred	1.94	10.4	0.7	0.5	26.4	202	13	10	1.65
Total	2.99	11.9	0.8	0.6	29.9	356	22	17	2.88

Table 1 – King Vol Mineral Resource (Geologically constrained, not reported to cut-off).
(ASX: 28 Jan 2015)

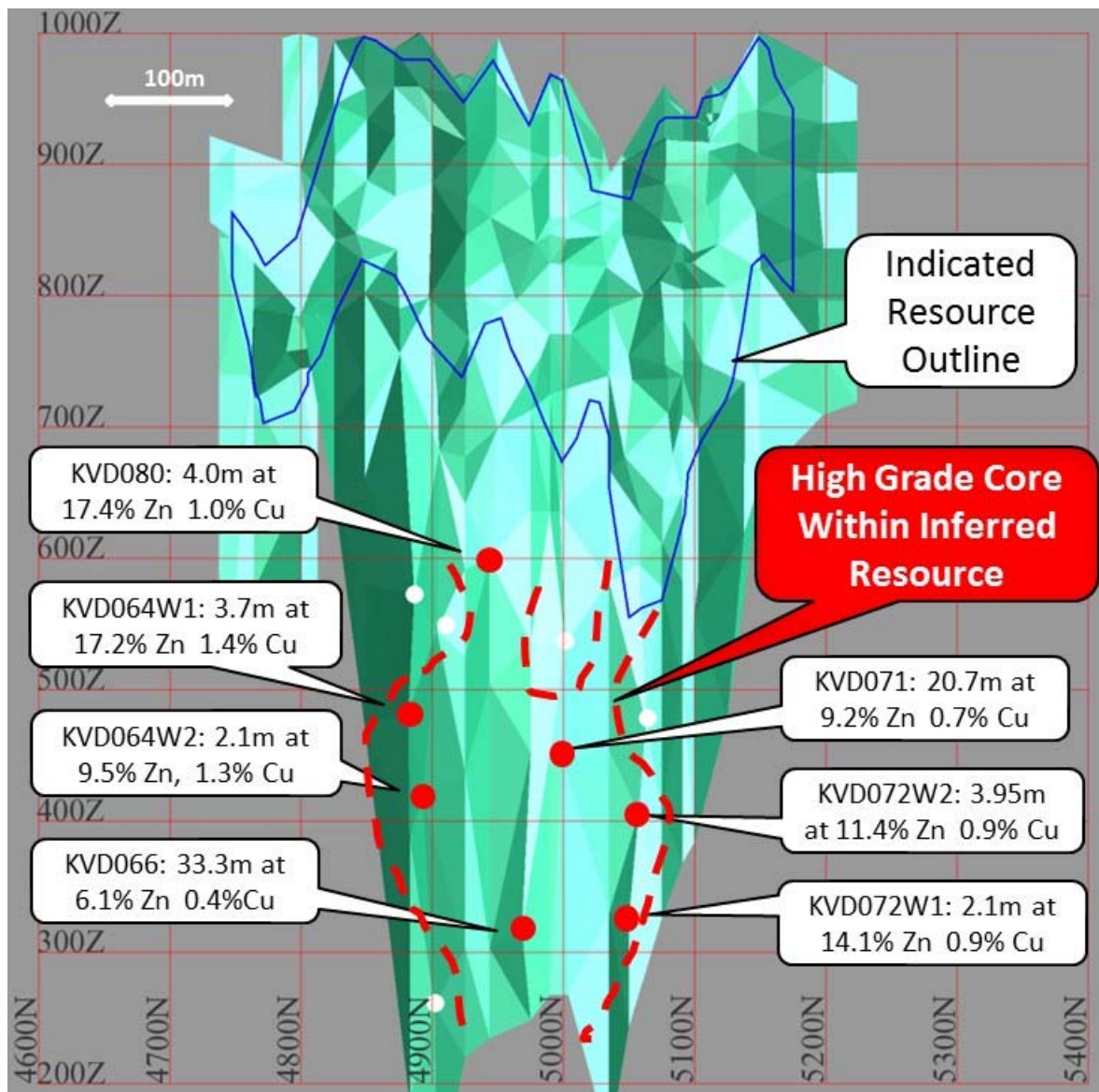


Figure 1 – King Vol long section viewed from the east. Drill hole intersection pierce points within the high grade core of the Inferred Resource below 400 metres vertical depth are highlighted. Mineralised intersections are downhole widths and estimated at 60% of true width. Surface is at approximately 1,000Z

Competent Person's Statement

The information in this announcement that relates to Mineral Resources is based on information compiled by Mr Andrew Beaton, an employee of Mungana Goldmines Ltd, who is a member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Beaton 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Beaton consents to the inclusion in this presentation of the matters based on this information in the form and context in which it appears.

The information in this presentation that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Chris Newman, a full-time employee of Mungana Goldmines Ltd, who is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG) 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Newman consents to the inclusion in this presentation of the matters based on this information in the form and context in which it appears.

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