TUNKILLIA GOLD PROJECT

Positive Scoping Study establishes that Mungana (ASX: MUX) can become cost-competitive gold producer in South Australia

Highlights
- Technical and economic assessment provides confidence to progress bankable feasibility study (BFS)
- Pre-Tax Operating Surplus of between A$163m*
- Cash Cost of A$983/oz.
- Capital Costs of A$114m (all new equipment)
- IRR of 28.3%*
- 2Mtpa throughput
- Production of 492,900 ounces over 6 years
- Production commencing Q2 2015
- MUX production forecast to 180,000 oz. pa by 2016.
- Free cash flow will substantially offset capital requirements at the Mungana Gold Project
- Based on current exploration expenditure MUX will increase its ‘earn in’ position to 65% by December 2012,

*based on A$1,600 Gold Price

Overview
A Scoping Study by Mungana Goldmines has found its 55% majority interest Tunkillia Gold Project in South Australia’s Gawler Craton will be a robust medium-scale project producing strong financial returns.

Mungana undertook the Scoping Study to determine the preferred mining and processing options for the Project in order to rapidly and efficiently monetise the asset.

The Tunkillia Gold Project, located approximately 600km North West of Adelaide, has a large JORC compliant resource of 15.6Mt @ 1.6g/t of Gold for 803,000 ounces of gold to a depth of 300m.

Headline numbers from the Study produced a pre-tax operating surplus of between $115 and $210 million and an Pre Tax IRR of between 20.9% and 35.4% at gold prices between A$1,500-A$1,700 an ounce of gold. This coupled with average cash costs of A$983/oz. highlights a robust gold project at current gold prices.
Mungana Managing Director Pat Scott said the Scoping Study had justified the Company’s confidence to progress a bankable feasibility study (BFS).

“The study provided a strong result based on mining the current JORC compliant resource and there is potential to improve project economics by increasing the size of the resource via a $3 million regional drilling program scheduled to commence in May.

“Based on current exploration campaign, Mungana will increase its ‘earn in’ position at Tunkillia to 65% by December 2012, taking the Company’s attributable resources to 3.2Moz.

Mr Scott said the Company was proposing to commence construction in early 2014 to enable the production and processing of ore to commence by early 2015, subject to the timing of relevant project approvals.

He said the free cash flow generated from the Tunkillia Project would substantially off-set capital costs at the Company’s flagship Mungana Gold Project in North Queensland and increases the Company’s total production forecast to 180,000 oz pa by 2015-16.

Mr Scott said the completion of the Tunkillia Gold Project Scoping Study represented a further milestone in Mungana’s strategy to position the Company as a mid-tier gold producer over the next three years.

Background

Mungana Goldmines Ltd Scoping Study (+/- 35%) has been completed on the Company’s 55% majority interest Tunkillia Gold Project.

Figure 1. Tunkillia Location
Financial Results
The Scoping study demonstrates a robust medium scale operation can likely be developed at Tunkillia given the current gold price environment. All cash flows are modelled in Australian dollars and on a pre-tax basis.

Table 1. Financial Outputs of Scoping Study

<table>
<thead>
<tr>
<th>Gold Price AUD/oz.</th>
<th>NPV (0% discount rate)</th>
<th>NPV (5% discount rate)</th>
<th>NPV (10% discount rate)</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1500/oz.</td>
<td>A$115m</td>
<td>A$68m</td>
<td>A$37m</td>
<td>20.9%</td>
</tr>
<tr>
<td>1600/oz.</td>
<td>A$163m</td>
<td>A$104m</td>
<td>A$65m</td>
<td>28.3%</td>
</tr>
<tr>
<td>1700/oz.</td>
<td>A$210m</td>
<td>A$140m</td>
<td>A$92m</td>
<td>35.4%</td>
</tr>
</tbody>
</table>

Physicals
These financial outputs are based on the following physical assumptions

Table 2. Physical Outputs of Scoping Study

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Base Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ore Milled</td>
<td>Mt</td>
<td>10.5</td>
</tr>
<tr>
<td>Gold Head Grade</td>
<td>g/t</td>
<td>1.61</td>
</tr>
<tr>
<td>Silver Head Grade</td>
<td>g/t</td>
<td>3.32</td>
</tr>
<tr>
<td>Production Rate</td>
<td>Mtpa</td>
<td>2.0</td>
</tr>
<tr>
<td>Gold Produced</td>
<td>Ounces</td>
<td>492,900</td>
</tr>
<tr>
<td>Silver Produced</td>
<td>Ounces</td>
<td>669,500</td>
</tr>
<tr>
<td>Royalty</td>
<td>%</td>
<td>3.5</td>
</tr>
<tr>
<td>Capital</td>
<td>$M</td>
<td>114</td>
</tr>
<tr>
<td>Cash Cost</td>
<td>A$/oz.</td>
<td>983</td>
</tr>
</tbody>
</table>

Work Undertaken
The Study completed by Mungana Goldmines referenced significant work previously undertaken on the Project, which was updated to reflect the current cost environment, including:

- Minotaur’s resource database and model, on which the current resource statement and scoping study mining evaluations have been based.
- An initial external geotechnical review commissioned by Minotaur and undertaken by Parsons Brinkerhoff.
- Open pit optimisation runs incorporating relevant mining assumptions overseen by MUX and undertaken by AMDAD.
- Results of the limited metallurgical test-work undertaken by Minotaur, and MUX estimation of likely metallurgical performance.
- Capital cost estimation by GR Engineering based on similar scale gold projects.
Discussion

Mining
Whittle/LG open pit optimisations, which were run on gold prices of US$1,500 and US$1,600 per ounce, indicate the pit would be long and narrow, up to around 225m deep, over 2km long and around 430m at its widest point. The pit could be developed in stages to produce earlier access to mill feed. The mineable resource is overlain by approximately 50m of largely unconsolidated cover which would be required to be pre-stripped. Figure 2 shows the US$1,500/oz. pit in cross section through the approximate centre of the resource.

Figure 2. Indicative pit cross section (US$1500/oz) showing drill holes and grade interpolation

Metallurgy
Available information to date indicates that metallurgical processing would be relatively straightforward, and follow a standard gold flow sheet, consisting of crushing, grinding and carbon-in-leach gold and silver extraction. Metallurgical recoveries for gold in primary material of 90% and 92% in oxide material have been assumed for scoping study project evaluations.

Infrastructure
Key infrastructure required for the project would include a reliable water source, which is yet to be located, an on-site power plant, an access road, airstrip, camp and waste and tailing storage facilities.
Capital
The capital cost estimate for the project is $114m broken down as follows:

Table 3 - Process Plant Capital Cost Estimate (A$, Millions)

<table>
<thead>
<tr>
<th>Area</th>
<th>2.0Mtpa Process Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crusher and mills</td>
<td>21</td>
</tr>
<tr>
<td>CIL / Detox</td>
<td>12</td>
</tr>
<tr>
<td>Tailings</td>
<td>14</td>
</tr>
<tr>
<td>Water</td>
<td>2</td>
</tr>
<tr>
<td>Other infrastructure*</td>
<td>24</td>
</tr>
<tr>
<td>Indirect costs**</td>
<td>21</td>
</tr>
<tr>
<td>Power Station</td>
<td>12</td>
</tr>
<tr>
<td>Camp</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>114</td>
</tr>
</tbody>
</table>

* Includes earthworks, power reticulation, laboratory, offices, workshop and plant piping
** Includes engineering, commissioning and temporary facilities

There is scope to bring down these capital costs with possible sourcing of second-hand plant and equipment.

Approvals
Project approvals through the South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) are likely to take 18-24 months; key issues for the project are likely to include flora and fauna, groundwater, Aboriginal cultural heritage and mine waste geochemistry. The DMITRE system involves preparation and submission of a Mining Lease Proposal, and following approval, the development of a plan of operations.

There are strong synergies between work associated with project infrastructure and that required for environmental approvals.

Mungana proposes to commence construction in early 2014, subject to the probable timing of project approvals. The construction of the plant and other infrastructure would take approximately 12 months. It is possible that pre-stripping for mine production could also commence at about this time. Based on this timeframe, it is proposed that production and processing of ore could commence by early 2015.

Work to be undertaken
Now that the Scoping Study had indicated positive results resources will be deployed to move towards completion of BFS and production with immediate work-streams to include;

- Undertake re-interpretation and update the geological model following the availability of the results of in-fill and extension drilling planned from May 2012.
- Progress to stage one of a feasibility study, and undertake appropriate evaluations in all major technical and commercial areas, including geology, geotechnical engineering, mining, infrastructure, supply and product logistics and product sales.
- Commence an appropriate metallurgical test work program as soon as possible.
- Initiate work, including baseline studies, to enable the submission of a Mining Lease Proposal as soon as possible.
• Initiate work associated with potentially ‘long lead’ infrastructure items, including water supply, site access and power supply.

• Through stage one of a feasibility study, give adequate consideration to all project development options, so that a single preferred configuration can be nominated on which to base a stage two evaluation; estimate capital and operating costs through stage one to +/-25%.

• Investigate options to acquire suitable second hand process plant items, to reduce project capital costs.

For further information please contact:
Pat Scott
Managing Director
+61 (07) 3835 0800
About Mungana Goldmines

Mungana Goldmines is an ASX listed gold company focussed on becoming a mid-tier gold producer. Mungana has an attributable resource of 3.2 million ounces of gold, 273,000 tonnes of copper and 35 million ounces of silver. Mungana has a production target of over 180,000 ounce per annum in the medium term. This resource and production target is split between its two main projects; the Mungana Gold Project and the Tunkillia Gold Project.

The Mungana Gold Project contains the Mungana and Red Dome gold deposits, located in the Chillagoe region of North Queensland, which have combined Measured, Indicated and Inferred Resources totalling 2.7 million ounces of gold, 273,000 tonnes of copper and 34 million ounces of silver.

Mungana is currently undertaking a BFS and targeting production of 100,000 ounces of gold, 10,000 tonnes of copper and 1.5 million ounces of silver annually.

The Tunkillia Gold Project located approximately 600km North West of Adelaide in South Australia contains a large JORC compliant resource of 15.6Mt @ 1.6g/t of Gold for 803,000 ounce of gold.

Mungana’s initial review has indicated that mining of the resource via a conventional open pit and processing via a conventional CIP Gold plant targeting throughput up to 2Mtpa and production around 80,000 ounces per year is possible.

Table 3 - Mungana Goldmines Ltd Resource Table - 100% Mungana Gold Project and 55% Tunkillia Gold Project

<table>
<thead>
<tr>
<th>Category</th>
<th>M Tonnes</th>
<th>Gold g/t</th>
<th>Silver g/t</th>
<th>Copper%</th>
<th>Gold kozs</th>
<th>Silver kozs</th>
<th>Copper kT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>42.3</td>
<td>0.82</td>
<td>11.3</td>
<td>0.29</td>
<td>1,114</td>
<td>15,438</td>
<td>121</td>
</tr>
<tr>
<td>Indicated</td>
<td>53.4</td>
<td>0.65</td>
<td>6.5</td>
<td>0.17</td>
<td>1,120</td>
<td>11,174</td>
<td>91</td>
</tr>
<tr>
<td>Infereed</td>
<td>43.9</td>
<td>0.65</td>
<td>5.9</td>
<td>0.14</td>
<td>917</td>
<td>8,365</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>139.5</td>
<td>0.70</td>
<td>7.8</td>
<td>0.20</td>
<td>3,150</td>
<td>34,969</td>
<td>273</td>
</tr>
</tbody>
</table>
### Table 4 - Mungana Gold Project Resource Table (100%)

<table>
<thead>
<tr>
<th>Category</th>
<th>M Tonnes</th>
<th>Gold g/t</th>
<th>Silver g/t</th>
<th>Copper %</th>
<th>Gold Kozs</th>
<th>Silver kozs</th>
<th>Copper kT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>41.0</td>
<td>0.79</td>
<td>11.63</td>
<td>0.29</td>
<td>1,041</td>
<td>15,328</td>
<td>121</td>
</tr>
<tr>
<td>Indicated</td>
<td>49.8</td>
<td>0.58</td>
<td>6.70</td>
<td>0.18</td>
<td>923</td>
<td>10,733</td>
<td>91</td>
</tr>
<tr>
<td>Inferred</td>
<td>40.2</td>
<td>0.58</td>
<td>6.20</td>
<td>0.15</td>
<td>746</td>
<td>8005</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>131.0</td>
<td>0.64</td>
<td>8.09</td>
<td>0.21</td>
<td>2,708</td>
<td>34,057</td>
<td>273</td>
</tr>
</tbody>
</table>

### Table 5 - Tunkillia Gold Project Resource (55% Mungana Goldmines, 45% Helix Resources)

<table>
<thead>
<tr>
<th>Category</th>
<th>M Tonnes</th>
<th>Gold g/t</th>
<th>Silver g/t</th>
<th>Gold Kozs</th>
<th>Silver kozs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>2.3</td>
<td>1.8</td>
<td>7.4</td>
<td>134</td>
<td>200</td>
</tr>
<tr>
<td>Indicated</td>
<td>6.5</td>
<td>1.7</td>
<td>5.5</td>
<td>359</td>
<td>803</td>
</tr>
<tr>
<td>Inferred</td>
<td>6.7</td>
<td>1.4</td>
<td>5.2</td>
<td>310</td>
<td>655</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15.6</td>
<td>1.6</td>
<td>5.5</td>
<td>803</td>
<td>1,658</td>
</tr>
</tbody>
</table>

**Notes**

1. Data is rounded to one hundred thousand tonnes (resource tonnage), thousands of ounces (gold and silver), and thousands of tonnes (copper). Differences in totals may occur due to rounding.
2. Tunkillia resources have been reported at a cut-off grades of 0.5 g/t in the oxide zone and 1.0 g/t in the primary zone.
3. The Mungana Gold Project comprises:
   a. the Red Dome and Mungana resources, which are reported to a gold equivalent cut-off grade of 0.35g/t (AuEq =Au g/t + (Cu % * 1.96) + (Ag g/t * 0.0158))
   b. the Red Dome Heap Leach Stockpile (no cut-off grade applied)

**Competent Person’s Statement**

The information in the report to which this statement is attached that relates to Mineral Resources is based on information compiled by Dr Adrian McArthur, the General Manager Exploration for Mungana Goldmines Ltd, and who is a member of the Australian Institute of Mining and Metallurgy and is a full time employee of the Company. Dr McArthur 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 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Dr McArthur consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
Appendix 1 - Corporate Information

Board Members
Joe Treacy   Chairman
Pat Scott   Managing Director and CEO
Mark McConnell   Executive Director
Ross Hutton   Non-Executive Director
John Fitzgerald   Non-Executive Director
Bruce Rathie   Non-Executive Director
Jeremy Robinson   Company Secretary

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Telephone: +61 2 8280 7454

Substantial Shareholders
Mungana Pty Ltd     97.5m
Guangdong Guangxin Holdings Group Ltd  25.1m
Prosperity Steel  13.0m
Total Shares    160.6m
Options     15.4m

Stock Exchange Listings
Australian Stock Exchange MUX