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Chinese Government Approves \$23.8M Cornerstone Investment in Mungana Goldmines IPO

Strong Project Economics Outweigh Potential Impact of Resource Tax

Kagara is pleased to advise that the Chinese Government has approved a \$23.8 million cornerstone investment by Guangdong Foreign Trade Group (GFTG) in the Mungana Goldmines IPO, highlighting the potential of the Mungana and Red Dome gold deposits despite the impact of the proposed Federal Government's Resources "Super Profits" Tax.

GFTG has committed to taking a 16% interest in the new Company, which is currently raising \$76 million in a float that will give Mungana Goldmines a market capitalisation of \$150 million.

Kagara Executive Chairman Kim Robinson said the Company was grateful for the continued support of GFTG given the uncertainty generated by the Federal Government's resources tax proposal.

"The resources tax threatens to make a huge dent in the financial returns generated by Australian resource projects, and therefore only those with quality assets and strong growth prospects will secure investor support," said Mr Robinson.

"Kagara is delighted that GFTG believes that Mungana Goldmines will be one of those companies," he said.

GFTG, which also holds a 19.8% stake in Kagara Ltd, has nominated Mark McConnell as its representative on the Mungana Goldmines Board.

Mungana Goldmines, which was formed last year to house and develop the gold interests of the Kagara Group in the richly endowed Chillagoe region of North Queensland, has lodged a Prospectus with the Australian Securities and Investments Commission to raise up to \$76 million through an issue of 80 million shares at a price of \$0.95 per share.

The IPO is open to the public together with a priority allocation of just over 50% of shares offered to existing Kagara shareholders on the basis of **1 Mungana Goldmines share for every 16 Kagara shares** held at the record date of 27 April 2010.

Assuming full subscription, Kagara will retain a 49.0% stake in Mungana Goldmines.

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