

Mount Magnet South NL

22 July 2011

Mount Magnet South NL (“Mount Magnet” or the “Company”) is completing an advanced technical report at its Kirkalocka Gold Project (“Kirkalocka”) to restart operations within 6 months, at a rate of 40,000oz per annum (“Recommissioning Study”).

With all required infrastructure on site, including a refurbished 1.2Mtpa CIL gold processing plant, Mount Magnet estimates only A\$6 - 9M in working capital is required to restart operations.

Mount Magnet represents a rare, low risk, low-capex opportunity to benefit from the current gold price. CIP expects Kirkalocka operations to generate an annual pre-tax operating cash flow¹ of approximately A\$23.2M. This equates to an average PE ratio¹ (assuming full corporate tax rate) of 1.2.

Figure 1 : 1.2Mtpa CIL Kirkalocka Gold Processing Plant



Company Highlights

The current gold price of US\$1,585 per oz is 3.8 times the gold price when Kirkalocka’s previous owner, Equigold NL, ceased mining (US\$420 per oz) at Kirkalocka in October 2005.

Kirkalocka has a total JORC Resource of 360,000oz grading 1.1g/t Au, including 270,000oz at 1.2g/t Au in the Indicated Resource category.

The Recommissioning Study, scheduled for completion in the December quarter, will finalise metallurgical test work, infrastructure engineering options and Ore Reserve. CIP expects a Resource upgrade and a high Resource-to-Reserve conversion of at least 200,000oz to be reported, to support a mine life of 3 to 5 years.

The Company is targeting completion of the recommissioning of the 1.2Mtpa Kirkalocka Plant (“Recommissioning Project”) by December 2011, making it available for production in early 2012.

Key appointments of Reg Gillard and Patrick Flint to the board attest to Kirkalocka’s quality and add substantial gold development experience to the board.

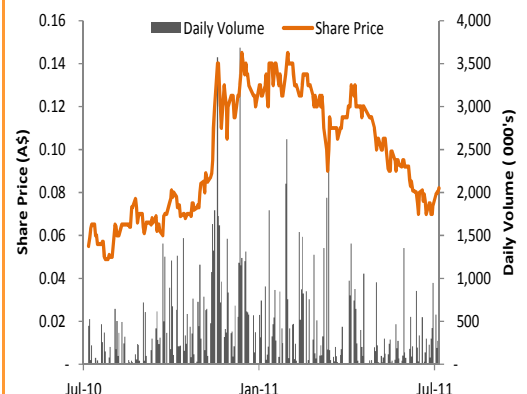
ASX Code	MUM
Industry	Metals & Mining
Principal Activity	Gold Development
Country of Operation	Australia
Price	A\$0.082
Market Capitalisation	A\$19.6M
Estimated Cash (as at 30 June 2011)	A\$750k
Capital Structure	
Shares on Issue	238.8M
Options (various)	9.8M
Convertible Notes	10.0M
Director/Broker Performance Shares	13.5M
Fully Diluted Shares on Issue	272.1M

Board	
Reg Gillard	Non Exec Chairman
Matthew Shackleton	Managing Director
Mark Pitt	Non Exec Director
Colin Chenu	Non Exec Director
Patrick Flint	Non Exec Director

LOM average cash flow assumptions ¹	
Production rate	40,000oz pa
Average cash cost	A\$900 / oz
Gold price	US\$1,585 / oz
Exchange Rate (AUD/USD)	1.07
Debt-free	

Annual Pre-tax operating cash	A\$23.2M
Average PE ratio (assuming full corporate tax rate)	1.2

¹ CIP forecast



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Kirkalocka Gold Project

Kirkalocka is located 600km north of Perth and 70km south of the town of Mount Magnet, in the heart of the Murchison, historically Australia’s second richest gold producing region. Equigold NL (“Equigold”) campaign mined the Curara Well deposit at Kirkalocka until October 2005, and made the decision to cease mining when gold prices were approximately US\$420 per oz. In August 2008, Equigold ceased stockpile processing operations at Kirkalocka and placed the processing plant on care and maintenance. Equigold’s average grade was 1.46g/t Au and LOM cash costs were A\$380 per oz. Mount Magnet acquired the Kirkalocka tenements from Equigold in April 2008. In May 2009, amidst the depths of the financial crisis, Mount Magnet acquired the accompanying 1.2Mtpa CIL gold processing plant. Other infrastructure at Kirkalocka includes a fully functional 80 man camp, an airstrip and all required utilities.

Figure 2 : Kirkalocka location and overview

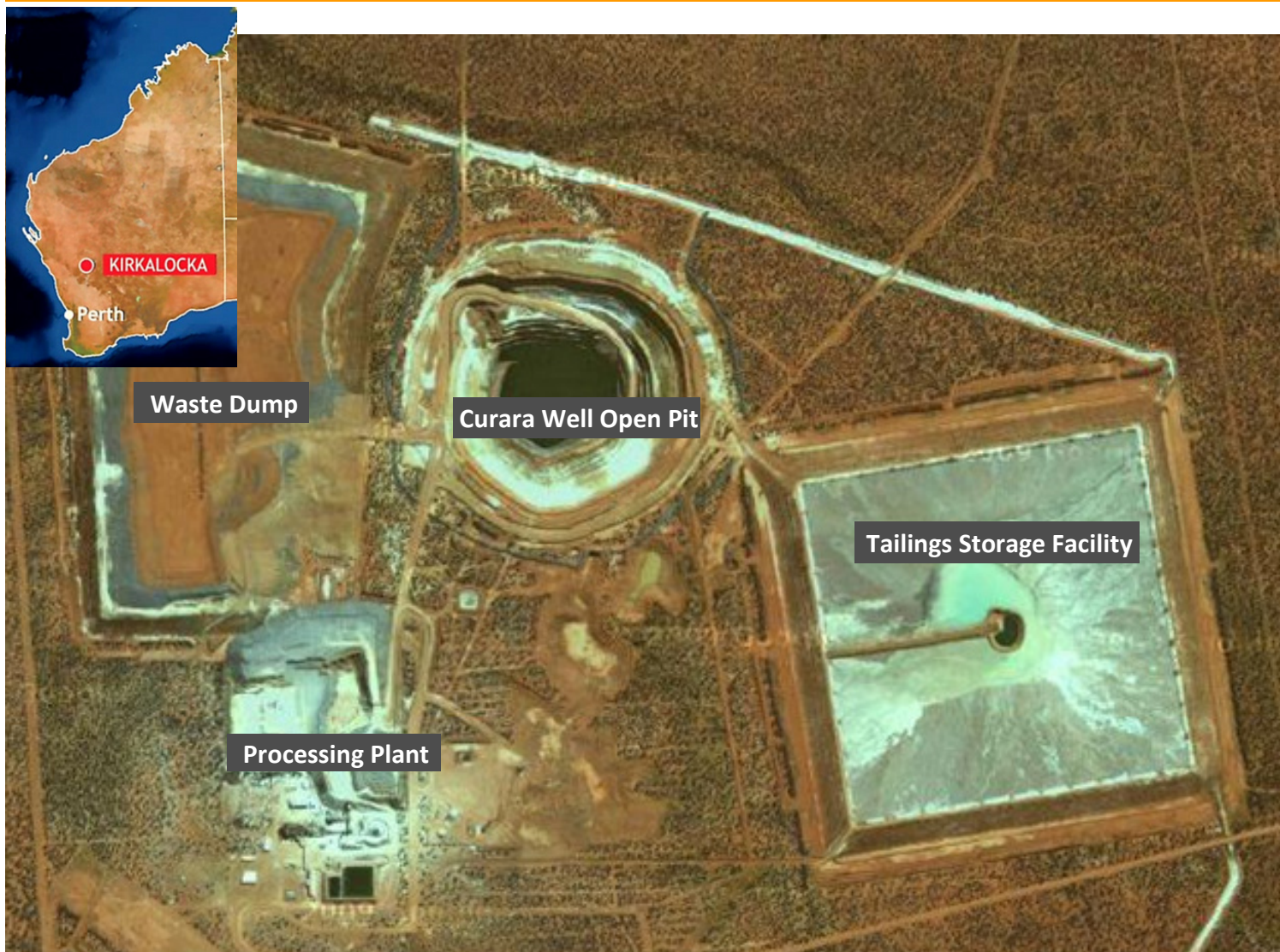


Table 1 : Kirkalocka Processing Plant

Plant highlights

- ◆ 1.2Mtpa nameplate capacity
- ◆ Primary Crusher
- ◆ 6 x Leach Tanks
- ◆ Concentrator and gravity circuits
- ◆ 1.4MW SAG Mill
- ◆ Fully functional power house
- ◆ Equipped maintenance workshop
- ◆ 80-man camp and all associated infrastructure

Figure 3 : 1.2Mtpa CIL Kirkalocka Gold Processing Plant



Recommissioning Study

Mount Magnet engaged Snowden Group, an international mining consultant, and Auralia Mining Consulting to commence the Recommissioning Study in April 2011. The Recommissioning Study aims to increase the JORC Resource through the analysis of further infill drilling at Kirkalocka and exploration of near mine targets (<2 kms from the Plant), targeting high grade, near-surface mineralisation. Mount Magnet has planned an intensive drilling program consisting of a mix of diamond and RC holes to provide additional data for the Recommissioning Study.

Concurrently, Mount Magnet is conducting metallurgical testing at Kirkalocka. The metallurgical test work includes gold beneficiation via CIL and gravity concentration of drilled samples. Gold beneficiation of lower grade ore using heap leaching will also be investigated. The metallurgical test results will be released in September.

In addition, Mount Magnet acquired 6 years of historical mining and production data for Kirkalocka when it purchased Kirkalocka in 2008. This historical data significantly reduces the technical risk of the Recommissioning Study and greatly improves the confidence level of the results. Based on previous production numbers, the Kirkalocka gold plant is capable of processing ore with a gold recovery of at least 92%.

Mount Magnet is preparing a mining proposal for Kirkalocka and will submit the proposal in November 2011. The mining and environmental approvals are projected to be granted by early 2012. CIP is assuming minimal permitting risk given that Kirkalocka was producing gold only 3 years ago.

JORC Resource / Ore Reserve

On 27 June 2011, Mount Magnet announced a 30% increase in the JORC Resource at Kirkalocka to 360,000oz at a grade of 1.1g/t Au, including an increase of 121% in Indicated Resource to 270,000oz at 1.2g/t Au. As part of the Recommissioning study, the Company is currently estimating a JORC Ore Reserve for release this quarter.

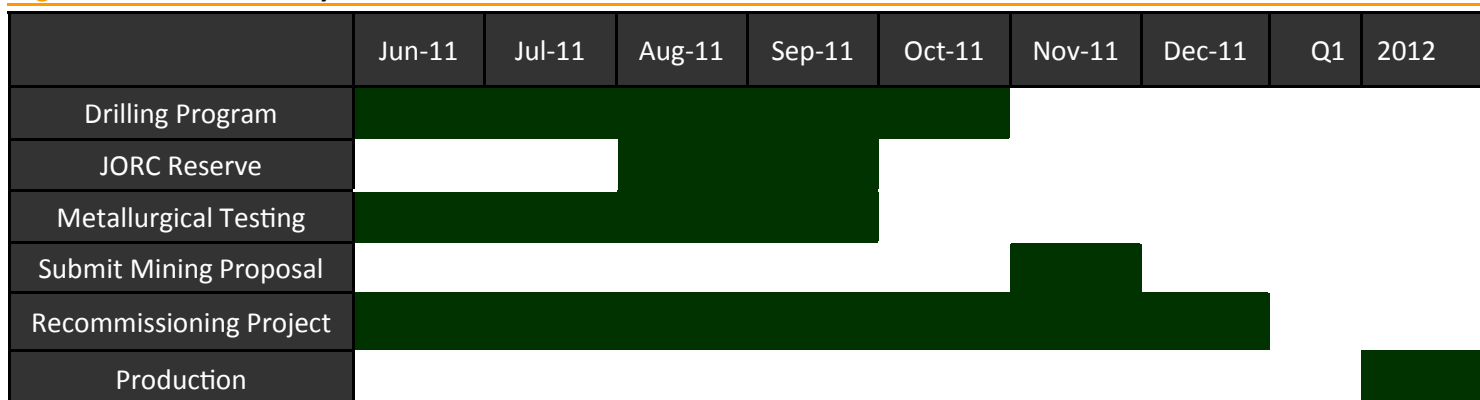
Table 2 : Kirkalocka JORC Resource table

Category	Tonnes	Au grade (g/t)	Au (oz)
Indicated	7,100,000	1.2	270,000
Inferred	3,000,000	0.9	90,000
Total	10,100,000	1.1	360,000

Recommissioning Project

Following government approval of the project management plan in January 2011, the Company commenced the Recommissioning Project in April 2011. The Kirkalocka gold processing facilities include a primary crusher, screening circuits, a 1.4MW Allis Chalmers primary SAG Mill, a fractional fed Knelson concentrator/gravity circuit, six CIL tanks and a gold storage facility. The mill inspection carried out in 2009 indicates the plant facilities are fully operational and in good condition, requiring only minimal CAPEX to complete refurbishment.

The Recommissioning Project indicates that only a short ramp-up period is required to bring the plant up to full processing capacity and CIP expects the plant to be fully commissioned by the end of 2011.

Figure 4: Kirkalocka catalysts

Mine Development Plan and Project Economics

The development plan for Kirkalocka is to commence production by blending oxide and laterite ore. As Kirkalocka's JORC Resources include low-strip ratio oxide and laterite deposits that are expected to form part of the Ore Reserve, CIP expects operations to recommence with lower risk and lower operating cash costs.

For the life of mine, the Company estimates an average operating cash cost to be between A\$850 to A\$950 per oz. Assuming a production rate of 40,000oz pa at an average LOM operating cash cost of A\$900/oz, no debt, current gold price of US\$1,585/oz and an exchange rate of AUD/USD of 1.07, Kirkalocka could generate an average annual pre-tax operating cash flow of A\$23.2M. This is equivalent to net profit after tax of approximately A\$16.2M (assuming full corporate tax rate), implying an average life-of-mine PE ratio of 1.2. However, CIP expects operating cash costs at project start up to be lower as nearly 20% of the JORC Resources are near surface laterite deposits.

If metallurgical testing in the Recommissioning Study is successful, heap leach processing of lower grade ore will be implemented to further reduce life-of-mine operating costs. In addition, the current drilling program is targeting high grade mineralisation zones in close proximity to Curara Well that, if proven, will increase overall head grade and underpin further operating cost reduction. Current estimated mine life is 3 to 5 years and is expected to increase with further delineation of JORC Resources and proving Ore Reserves from the planned drilling program.

Combining these factors and if successful, the overall project economics improve significantly and provide attractive financial returns. This development plan will form the base case for the Recommissioning Study.

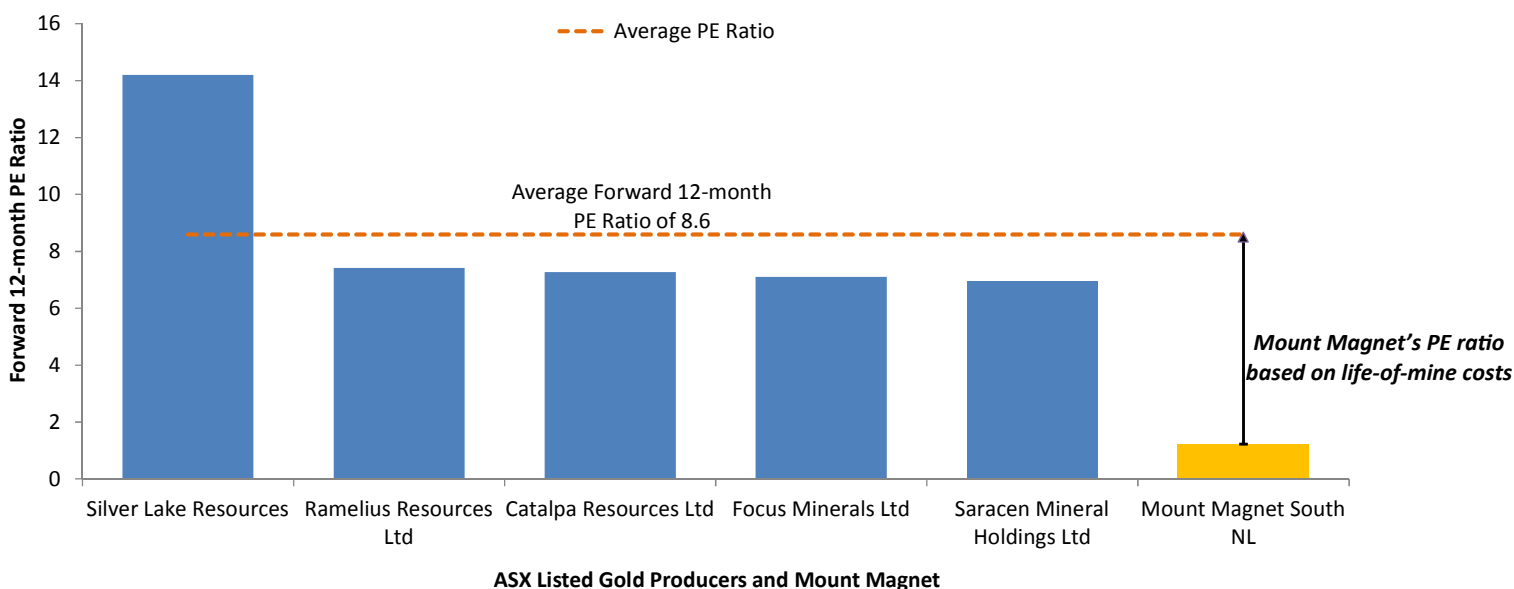
Table 3 : Kirkalocka life-of-mine project economics

Assumptions	
Gold Price	US\$1,585 / oz
Exchange Rate (AUD/USD)	1.07
LOM Average Operating Cash Cost	A\$900 / oz
Production Rate	40,000 oz
Mine Life	3 - 5 years
Average Annual Pre-tax Operating Cash Flow	A\$23.2M
LOM Average Net Profit after Tax (30% tax rate)	A\$16.2M

Peer Comparison

Based on Table 3 above, CIP expects Mount Magnet to have an average life-of-mine PE ratio of 1.2, compared to the average PE ratio* for the peer comparison group of 8.6 shown below in Figure 5. CIP believes Mount Magnet's current share price reflects Kirkalocka's low mine life. However, with further delineation of JORC Resources and Ore Reserves that will lead to an increase in mine life, CIP expects the Company to be re-rated.

Figure 5 : Forward 12-month PE ratios of ASX Listed Gold Producers versus Mount Magnet's average life-of-mine PE ratio



*Average PE ratio based on closing prices as at 15/7/11. Forecast 12-month EPS for ASX-listed gold producers are based on Bloomberg consensus data as at 3/6/11. Mount Magnet's PE ratio is based on assumptions outlined in Table 3 above.

Appointment of Board Members

Mount Magnet recently appointed Reg Gillard as Non-Executive Chairman. Reg is also the Non-Executive Chairman of Perseus Mining Limited, an emergent African gold producer that is undergoing a transition from gold development to production of 200,000oz per annum in 2011. Under Reg's leadership, Perseus Mining Limited's market capitalisation has grown from A\$3.5M in 2004 to its current market capitalisation of A\$1,200M.

In addition, Reg was also the Chairman for Moto Goldmines Limited, a gold explorer in the Democratic Republic of Congo. Reg oversaw the early development of Moto Goldmines Limited, which grew from a market capitalisation of A\$25M until its takeover by Randgold Resources Limited and AngloGold Ashanti for C\$546M.

Furthermore, Reg also served as the Chairman of Mount Edon Gold Mines Pty Ltd prior to its takeover by Camelot Resources NL and Canada's Teck Corporation for approximately A\$200M. His experience will be invaluable to Mount Magnet as the Company transitions into a gold producer.

Mount Magnet also appointed Patrick Flint to join the Company as Non-Executive Director. Patrick has 17 years of experience in project acquisitions, joint venture negotiations and management. Patrick was the former Chief Financial Officer of Moto Goldmines Limited, where he was heavily involved in the acquisition and exploration of the Moto Gold deposits in the DRC.

In addition, Patrick was also the Director of Tiger Resources Limited where he oversaw the development of the Kipoi Project in the DRC to its annual production rate of 35,000tpa of copper. Patrick adds 17 years of experience in project acquisitions, joint venture negotiations and management to the Company.

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