

Mount Magnet South NL Emerging 50,000oz pa Gold Producer

Summary

Mount Magnet South NL ("Mount Magnet") has completed a positive Feasibility Study into the re-commencement of gold production at the Kirkalocka Gold Project ("Kirkalocka") within the next 12 months at 50,000oz per annum.

With the spot price of gold at A\$1600 per oz, Kirkalocka will generate a cash margin of A\$535 per oz resulting in a pre-tax cash flow (net of capex) of approximately A\$110m, giving the project an NPV of A\$66m and IRR of 72%. Every A\$50 increase in the price of gold will increase the NPV by \$9m and the IRR by 9%.

Mount Magnet's current market cap of \$26.2m is below the company's projected annual pre-tax operating cash flow.

1.6/2.1Mtpa CIL Kirkalocka Gold Processing Plant



Company Highlights

- Production** - Feasibility Study proves Kirkalocka operations are economic with an IRR of 72%.
- Low capex** - With all infrastructure in place including CIL processing plant, 80 man camp, air strip and power plant; initial capex is expected to be A\$21.5m and is expected to be largely financed by debt.
- Low risk** - Historical permits and licences only need to be amended prior to re-commencement operations.
- Exploration upside** - Drill results point to a previously unidentified geological trend that should increase the project's head grade, resource, life of mine, gold output and operating cash flow. At a market cap of under A\$25 million and NPV of \$66m, Mount Magnet South's exploration upside is free.
- Expansion options** - Numerous strategically located tenements across the Murchison region create numerous possibilities for acquisitions to capitalise on the Company's existing infrastructure and near-term production.
- Resource to Reserve conversion** - Potential to convert high grade Resources not yet included in the mine model to lower cash costs.

16 April 2012

ASX Code	MUM
Industry	Metals & Mining
Activity	Gold Development
Country	Australia
Share Price	A\$0.071
Market Cap	A\$26.2m
Estimated Cash	A\$1.7m
Enterprise Value	A\$24.5m

Capital Structure

Current Shares on Issue	369.3m
Unlisted Options @ A\$0.06-	7.7m
Listed Options @ A\$0.07	42.5m
Convertible Notes @ A\$0.10	10.0m
Director/Broker Performance	17.0m

Board / Senior Management

Reg Gillard	Non Exec Chairman
Mark Pitt	Non Exec Director
Colin Chenu	Non Exec Director
Patrick Flint	Exec Director
Graham Howard	General Manager

LOM average cash flow assump-

Total recovered gold	234,000oz
Average Cash Margin	A\$535oz
Gold Price	A\$1,600oz
Exchange Rate (AUD/USD)	1.03

Annual Pre-tax Operating Cash Flow' **A\$31.4m**



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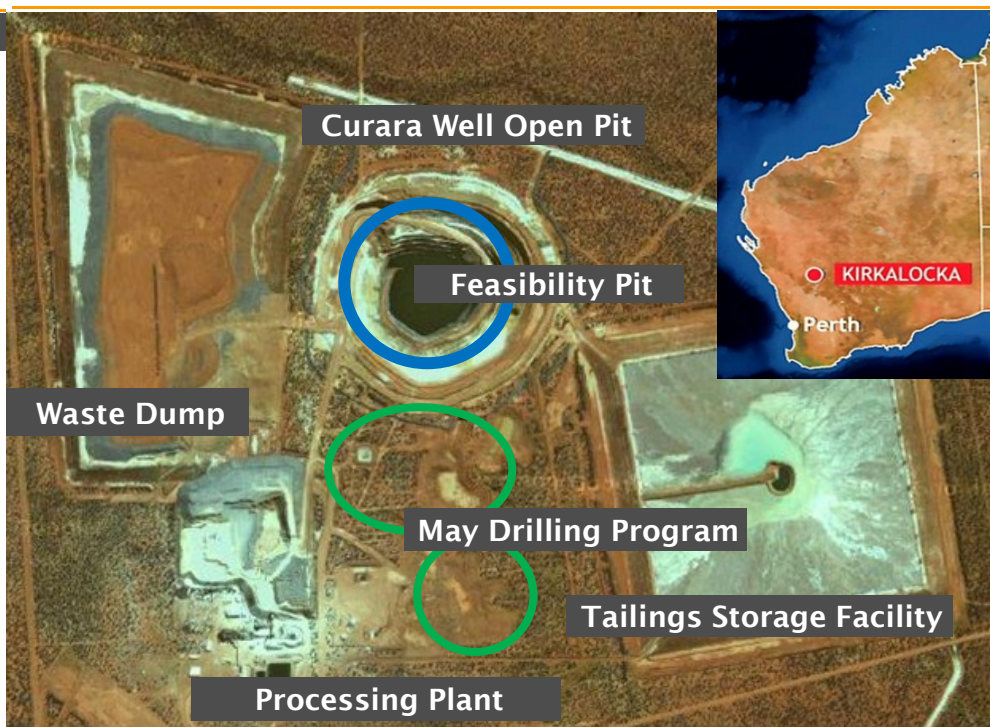
Kirkalocka Infrastructure

Infrastructure highlights

- 1.6/2.1Mtpa processing plant
- Primary crusher and 6 leach tanks
- Concentrator and gravity circuits
- 1.4MW SAG mill
- Fully functional power station
- Equipped maintenance workshop
- Waste dump
- Tailings storage facility
- 1800 meter airstrip
- 106 room camp

The Feasibility Study includes a Probable Ore Reserve of 8.2Mt @ 1.0 g/t Au for 250,000 ounces

Kirkalocka location and overview



Mine Development Plan and Project Economics

Assuming total recovered gold production at an average LOM operating cash cost of A\$1073/oz, A\$21.5m capital cost, gold price of A\$1,600/oz and an exchange rate of AUD/USD of 1.03, the Feasibility Study estimates that Kirkalocka could generate pre-tax cash flow (net of capex) of approximately A\$110m. Assuming a discount rate of 8% this equates to an NPV of A\$66m and IRR of 72%.

Following the Feasibility Study, the Company’s objective is to secure debt funding for a significant portion of capital expenditure and development working capital requirements. The Company has received expressions of interest from a number of debt financiers and will now progress these discussions to firm offers.

The next stage of exploration drilling will focus on a parcel of near surface high grade >200kt @ 3 g/t

Kirkalocka JORC Resource table

Category	Tonnes	Grade (g/t Au)	Au (oz)
Indicated	9,400,000	1.2	348,000
Inferred	4,100,000	1.0	137,000
Total	13,500,000	1.1	485,000

1.6/2.1Mtpa CIL Kirkalocka Gold Processing Plant



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