



Mount Magnet South NL
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21 January 2015

December 2014 Quarterly Activities Report

Highlights:

- Completion of a share placement and an underwritten pro rata non-renounceable entitlement offer to raise \$828,021 before costs.
- On-going review and rationalisation of tenements.
- Implementation of cost reduction programs.

The Directors of Mount Magnet South NL ("the Company") are pleased to provide the Company's December 2014 Quarterly Activities Report.

Kirkalocka Gold Project (KGP)

Activities at the KGP during the December 2014 quarter focussed on:

- Continuing focus on maintaining the KGP asset and ensuring compliance with all licence and regulatory requirements whilst minimising expenditure where appropriate.
- Care and maintenance activities were reduced in December, with regular daily site inspections being carried out by the local station owner.
- Receipt of the R&D tax incentive return for the program for the minimisation of dust generation from the Kirkalocka TSF was made during the quarter.
- The site clean-up of scrap steel and miscellaneous items continues subject to the availability of scrap merchants and contractors within the area. This work will progress in line as and when possible.

Jumbulyer Joint Venture [Australian Mines Limited (ASX: AUZ)]

Australian Mines Limited completed the review and report of the Sub-Audio Magnetics (SAM) survey that was conducted over a prospective 4km² area of the Jumbulyer project in late September 2014.

The SAM work identified two potential Quasar / Bartus style gold targets for additional investigation along identified major fault lines.¹

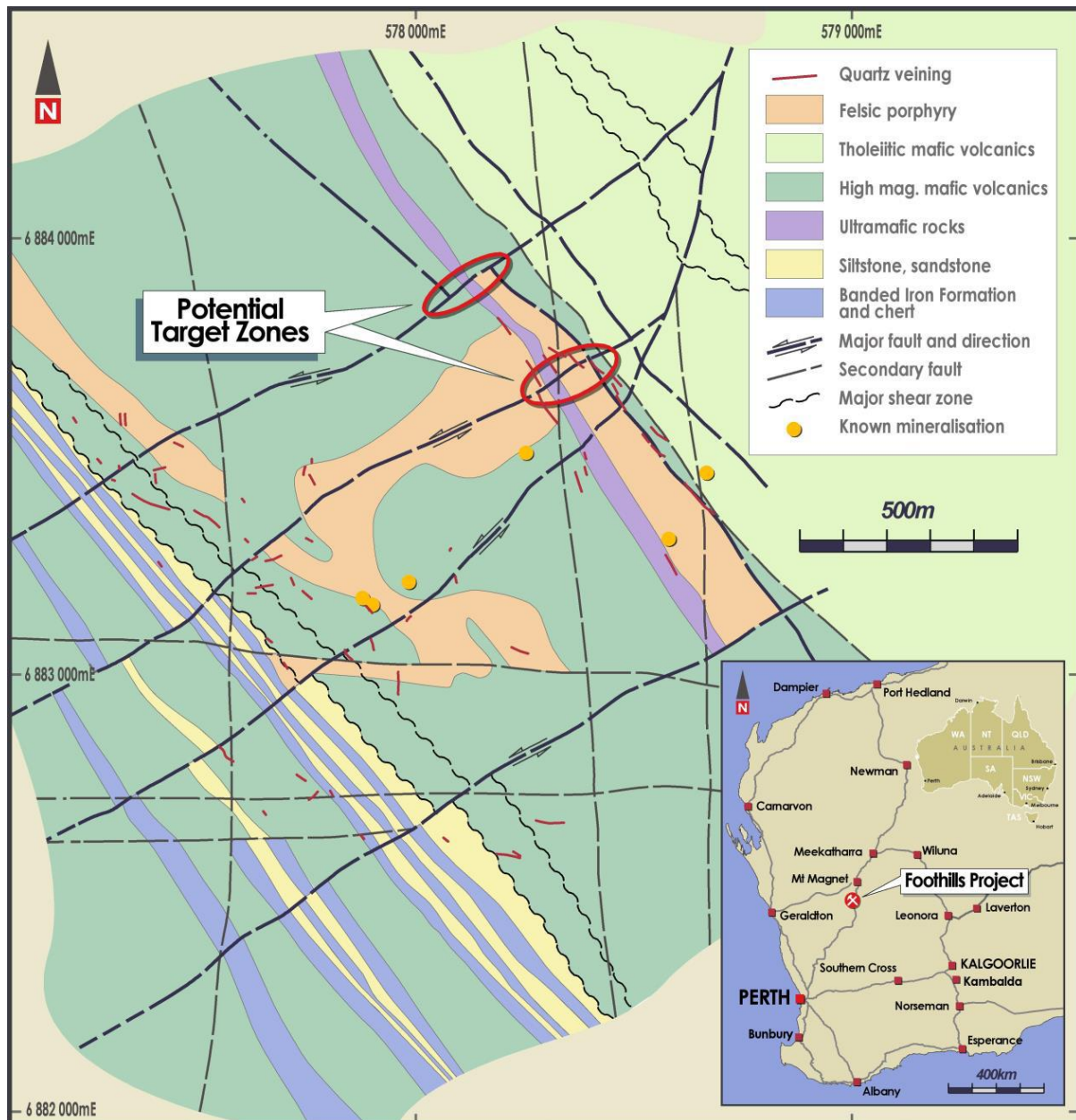


Figure 1. Foothills geology with target areas defined by 2014 AUZ Sub-audio magnetic (SAM) survey data.

During the December Quarter, Australian Mines provided notice that they were withdrawing from the Jumbulyer Farm-in and Joint Venture Agreement to focus on another project. The AUZ joint venture ceased on 5 January 2015.

¹ Australian Mines Limited Quarterly Activities Report for the Period Ending 30 September 2014

Corporate Activities

During the quarter the Company completed a share placement to raise \$210,000 before costs. The placement to sophisticated investors and a director of the Company comprised of the issue of 140,000,000 ordinary shares at an issue price of \$0.0015, with one attaching option exercisable at \$0.006 with a 31 December 2018 expiry issued for no additional consideration for every two new shares subscribed.

The Company raised a further \$618,021 before costs on completion of a fully underwritten non-renounceable rights issue. Under the offer the Company issued 412,013,877 Shares at an issue price of \$0.001 and 206,006,939 attaching options exercisable at \$0.006 with a 31 December 2018 expiry at an issue price of \$0.001.

A comprehensive review of the Company tenements has resulted in the identification of several areas of low prospectivity within the overall tenement package areas which were voluntarily surrendered during the December quarter thereby reducing ongoing tenement holding costs. In addition, cost reduction activities have continued in an effort to reduce the Company's operating, site care and maintenance costs, staffing costs and general overheads.

During the quarter the Company increased its efforts to identify new project opportunities. The Company is focused on potential acquisitions that are drill-ready exploration projects through to advanced projects with existing resources and upside potential. There is no geographical constraint, however projects located in areas of unacceptable political risk will not be considered. All deal structures will be contemplated, from joint venture farm-in through to direct project equity or corporate acquisition.

Several opportunities have been presented to the Company and are currently under review.

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The Kirkalocka Gold Project Mineral Resource was updated to comply with the JORC 2012 reporting guidelines and the Company reported results on 24 September 2013. There was no change to the resource classification, quantities or grade since the Mineral Resource release in December 2012.

Mineral Resource Estimate – September 2013

Category	Tonnes (Mt)	Grade (g/t Au)	Gold (ounces)
Indicated	11.2	1.2	428,000
Inferred	3.8	1.0	119,000
TOTAL	15.0	1.1	548,000

The information in this release that relates to the Kirkalocka Gold Project Mineral Resource was first reported by the Company in compliance with JORC 2012 in a market release dated 24 September 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 24 September 2013 and that all material assumptions and technical parameters underpinning the resource estimate continue to apply and have not materially changed.

Competent Person's Statements – Exploration Results

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr Marcus Hope, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr Hope is an employee of Mount Magnet South. Mr Hope has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Hope consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Mining Tenements held at 31th December 2014

All tenements are in the Mt Magnet region of Western Australia

Location	Tenement ID	Note	Location	Tenement ID	Note
Kirkalocka	P 59/1960		Jumbulyer	P 58/1288 ¹	1
Jumbulyer	P58/1607		Jumbulyer	P 58/1623	1
Jumbulyer	P58/1606		Jumbulyer	P 58/1281	1
Jumbulyer	P58/1605		Kirkalocka	M 59/261	
Jumbulyer West	P 58/1604	1	Kirkalocka	M 59/234	
Jumbulyer West	P 58/1603	1	Kirkalocka	M 59/233	
Jumbulyer West	P 58/1602	1	Kirkalocka	M 59/232	
Jumbulyer West	P 58/1601	1	Jumbulyer	M 58/336	1
Jumbulyer West	P 58/1600	1	Jumbulyer	M 58/214	1
Jumbulyer West	P 58/1599	1	Jumbulyer	M 58/183	1
Jumbulyer	P 58/1598	1	Jumbulyer	M 58/61	1
Jumbulyer	P 58/1597	1	Kirkalocka	L 59/127	
Jumbulyer	P 58/1596	1	Kirkalocka	E 59/1962	
Jumbulyer	P 58/1595	1	Kirkalocka	E 59/1960	
Jumbulyer	P 58/1594	1			
Jumbulyer	P 58/1593	1	Kirkalocka	E 59/1881	
Jumbulyer	P 58/1592	1	Kirkalocka	E 59/1778	
Jumbulyer	P 58/1591	1	Kirkalocka	E 59/1776	
Jumbulyer	P 58/1590	1	Kirkalocka	E 59/1775	
Jumbulyer	P 58/1503	1	Kirkalocka	E 59/1555	
Mount Magnet	P 58/1351	1	Jumbulyer	E 58/441	1
Jumbulyer	P 58/1349	1	Kirkalocka	E 59/1361	
Jumbulyer	P 58/1348	1	Kirkalocka	E 59/1343	
Mount Magnet	P 58/1346	1	Kirkalocka	E 59/1342	
Mount Magnet	P 58/1621	1	Kirkalocka	E 59/1250	
Mount Magnet	E 58/285	1			

Notes

¹. P58/1288 currently being converted to P58/1651

1. These tenements were the subject of the Farm-In & Joint Venture Agreement with Australian Mines Limited (AUZ), which was entered into during the March 2014 quarter.

Changes during the Quarter

Tenement Holdings – Full Voluntary Surrender of E59/1933, voluntary partial surrenders of E59/1775, E59/1881 and compulsory partial surrender of E59/1361 occurred during the Quarter
Prospecting licences P58/1621 and P58/1623 were granted on the 11th November 2014

Farm-in, Farm-out and JV agreements – Australian Mines Limited (AUZ) provided notice of their Withdrawal from the Jumbulyer Farm-in & Joint Venture Agreement on the 5th of December 2014 with their withdrawal occurring on the 4th of January 2015.