



Mount Magnet South NL
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30 October 2015

September 2015 Quarterly Activities Report

Highlights:

- **Execution of Tenement Sale Agreement, Kirkalocka Plant Sale Agreement and Mineral Rights Agreement.**
- **Preparation and execution of third party deeds required under the Tenement Sale Agreement.**
- **Shareholder approval obtained for the sale of the Kirkalocka Gold Project to Minjar Gold Pty Ltd.**
- **Lodgement of research and development (R&D) tax incentive submission for the minimisation of dust generation from the Kirkalocka Tailings Storage Facility.**
- **On-going maintenance of Kirkalocka Gold Project and ensuring compliance with all licence and regulatory requirements.**
- **Continued focus on identification of new project opportunities.**
- **Continued focus on cost reduction activities.**

The Directors of Mount Magnet South NL (“MMS” or “the Company”) are pleased to provide the Company’s September 2015 Quarterly Activities Report.

Kirkalocka Gold Project (KGP)

Activities at the KGP during the September 2015 quarter focussed on:

- Maintaining the KGP asset and ensuring compliance with all licence and regulatory requirements whilst minimising expenditure where appropriate.
- Continuation of site monitoring through agreement with the Kirkalocka Station owners with support for the MMS office staff. No significant security issues occurred during the quarter. Data gathered in security monitoring activities is assisting the station owner in feral pest management in the area.

Corporate Activities

On 25 March 2015, the Company entered into a conditional binding offer (“Offer”) with Ozchina Enterprises Pty Ltd (“Ozchina”), whereby Ozchina agreed to acquire the assets which collectively comprised the KGP and included the following:

- i. the mining tenements comprising the KGP;
- ii. all mining information in the possession of MMS relating in any way to the KGP and tenements being acquired;
- iii. all moveable and immovable assets owned by MMS located at the Kirkalocka operation on mining leases M59/233 and M59/234, including the processing plant, buildings and other infrastructure (including the camp and airstrip) ("Kirkalocka Plant"); and
- iv. other assets owned by MMS associated with and required for the Kirkalocka Plant and the KGP.

The purchase price for the acquisition of the KGP comprised a cash payment of A\$1,700,000 (exclusive of GST) and the assumption of a liability to pay a Contingent Amount arising under the Equigold Pty Ltd Asset Sale Agreement ("Equigold Agreement") as a result of the disposal of the Kirkalocka Plant being deemed a Contingent Event under the Equigold Agreement.

On 12 June 2015 the Company announced that Ozchina had completed its technical, legal and financial due diligence queries to its satisfaction. Ozchina further agreed to waive a condition precedent requiring MMS to negotiate a deferral of the Contingent Amount due under the Equigold Agreement, thus satisfying two conditions precedent under the Offer.

The Company agreed to a request by Ozchina to assign its rights and obligations under the Offer to Minjar Gold Pty Ltd ("Minjar"). Minjar owns and operates the Minjar Gold Mine, 550kms north east from Perth. Shandong Tianye Home Co. Ltd created Minjar (100% owned) as an investment platform into the mining sector and successfully delivered the Minjar Gold Mine in Western Australia in June 2013.

MMS retains ownership of tenements E59/1778, E59/1962, E59/1361 and E59/2129 which are known to host significant iron mineralisation. The Company intends to undertake a review of all historical data and formulate an exploration program over these tenements. All gold rights associated with these tenements have been granted to Minjar.

On 14 July 2015 the Company advised the formal sale and purchase agreements comprising of a Plant Sale Agreement and Tenement Sale Agreement for the sale of the KGP had been executed. There were a number of additional third party deeds prepared and executed during the quarter required under the Tenement Sale Agreement to facilitate the transfer of tenements to Minjar.

On 25 September 2015 the Company obtained shareholder approval for the sale of the KGP to Minjar thus satisfying the final condition precedent to the transaction.

The Company is currently finalising arrangements with Minjar on the treatment of costs (including any penalties that may apply, agent and legal fees) associated with keeping the tenements encompassed by the Tenement Sale Agreement in good standing. The Company expects to conclude these arrangements shortly and proceed with completion.

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 lodged of a research and development (R&D) tax incentive submission for the 2014/15 income year relating to activities to minimise generation of dust from the Kirkalocka Tailings Storage Facility. The submission was accepted by the Department of Industry and Finance and a refund was received during October 2015.

The Company continued 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.

Restructure of Convertible Note

The Company reached agreement with the holder of 66,666,667 unsecured convertible notes with an aggregate face value of \$1.0 million ("Convertible Notes") to vary certain terms of the Convertible Notes whereby it was agreed to redeem 40,000,000 of the existing Convertible Notes (with the aggregate face value of \$600,000) upon completion of the disposal of the Kirkalocka Tenement Interest and the Kirkalocka Plant. The terms of the remaining 26,666,667 Convertible Notes would be varied as follows:

- **Extension of the maturity date:** The maturity date to be extended by two years to 31 July 2017 which means that the date by which the Company must redeem any Convertible Notes that have not been redeemed or converted by 31 July 2017 and the Noteholder would have until that date to elect to convert the Convertible Notes.
- **Resetting of the conversion price:** The conversion price to be varied to \$0.006 per Share. This variation was intended to ensure that the price for the extended conversion period would be broadly consistent with the commercial principles on which the current conversion price was set.
- **Conversion:** The Convertible Notes will be convertible (in whole or in part) into 66,666,667 Shares at any time on or before the redemption date at the election of the noteholder or the Company into Shares at the new conversion price of \$0.006 per Share by delivering a conversion notice to the Company or the Noteholder (as applicable). One Convertible Note is therefore convertible into approximately 2.5 shares.

The remaining key terms of the Convertible Notes remain unchanged.

General Meeting of Shareholders

The Company held a general meeting of shareholders on 25 September 2015 at which shareholder approval was obtained for the following:

- the sale of the Kirkalocka Tenement Interest to Minjar in accordance with the Tenements Sale Agreement;
- the sale of the Kirkalocka Plant to Minjar in accordance with the Plant Sale Agreement;
- the issue of securities pursuant to a prior placement and to a director in lieu of accrued fees;
- variation to the terms of the existing Convertible Notes;
- change of Company Type;
- change of Company Name; and
- adoption of a New Constitution.

Change of Address

The Company changed its registered office and principal place of business to the Ground Floor, 10 Outram Street, West Perth.

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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 Mineral Resources is based on and fairly represents, information and supporting documentation compiled by Lynn Olssen who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Lynn Olssen has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Lynn Olssen consents to the inclusion in the annual report of the matters based on the information in the form and context in which it appears.

Mining Tenements held at 30th September 2015

All tenements are in the Mt Magnet region of Western Australia

Location	Tenement ID	Location	Tenement ID
Jumbulyer	P58/1608	Jumbulyer	M58/359
Jumbulyer	P58/1607	Kirkalocka	M59/0261
Jumbulyer	P58/1606	Kirkalocka	M59/0234
Jumbulyer	P58/1605	Kirkalocka	M59/0233
Jumbulyer West	P58/1604	Kirkalocka	M59/0232
Jumbulyer West	P58/1603	Jumbulyer	M58/0336
Jumbulyer West	P58/1602	Jumbulyer	M58/0214
Jumbulyer West	P58/1601	Jumbulyer	M58/0183
Jumbulyer West	P58/1600	Jumbulyer	M58/0061
Jumbulyer West	P58/1599	Kirkalocka	L59/0127
Jumbulyer	P58/1598	Kirkalocka	E59/1962
Jumbulyer	P58/1597	Kirkalocka	E59/1960
Jumbulyer	P58/1596	Kirkalocka	P59/1960
Jumbulyer	P58/1595	Kirkalocka	E59/1881
Jumbulyer	P58/1594	Kirkalocka	E59/1778
Jumbulyer	P58/1593	Kirkalocka	E59/1776
Jumbulyer	P58/1592	Kirkalocka	E59/1775
Jumbulyer	P58/1591	Jumbulyer	E58/0441
Jumbulyer	P58/1590	Kirkalocka	E59/1361
Jumbulyer	P58/1503	Kirkalocka	E59/1250
Mount Magnet	P58/1351	Kirkalocka	E59/2009
Mount Magnet	P58/1346	Kirkalocka	E59/2145*
Mount Magnet	P58/1621	Kirkalocka	E59/2146*
Mount Magnet	E58/0285	Kirkalocka	E59/2147*
Jumbulyer	P58/1651	Mount Magnet	P58/1679*
Jumbulyer	P58/1623		

Notes

* Tenements in application stage

Changes during the Quarter

P58/1281 - Expired upon conversion to M58/359

E59/2145 – Application

E59/2146 - Application

E59/2147 - Application

P58/1679 - Application

M58/359 - Granted