



2 April 2012

KIRKALOCKA GOLD PROJECT FEASIBILITY STUDY

Highlights

- The feasibility study into the re-commencement of operations at the Kirkalocka Gold Project (“KGP”), involving extensions to the north and south of the existing pit, demonstrates a project capable of generating significant cash flow
- Plant design is based on complementing existing equipment thereby minimising capital expenditure and development timing
- Key feasibility study parameter results include:

Probable Ore Reserve	8.2Mt @ 1.0g/tAu for 250,000 ounces
Total recovered gold production	230,000 ounces
Operation life	4.75 years
Plant throughput	1.6 – 2.1 Mtpa
Initial capital expenditure (capex)	A\$21.5 million
Operating cash cost (life of mine)	A\$1,073 per ounce

- Key financial results include:

Gold price	A\$1,500 (base case)	A\$1,650 (base case +10%)	A\$1,350 (base case -10%)	A\$1,600 (spot price)
Net cash flow (before tax)	\$66 million	\$100 million	\$31 million	\$88 million
NPV	\$48 million	\$75 million	\$19 million	\$66 million
IRR	55%	81%	28%	72%

- Continuing exploration program planned to provide resource growth and extend mine life. Mineralisation remains open at depth and along strike to the south (a further 2kms) and the north of the existing resource
- Drill program of 3,000m planned for May 2012 to target a zone of high grade near surface supergene mineralisation along strike from proposed development

KIRKALOCKA GOLD PROJECT – FEASIBILITY STUDY

Mount Magnet South NL (ASX: MUM) (“MMS” or the “Company”) is pleased to announce details of its Feasibility Study (“FS”) into the re-commencement of operations at the Company’s 100% owned Kirkalocka Gold Project (“KGP”) in Western Australia.



Figure 1: Existing Kirkalocka Processing Plant

Outline of FS Results

The FS is based on the development of a 1.6 – 2.1 Mtpa open cut mining operation, the existing conventional CIL/CIP gold processing plant (with an upgraded crushing circuit) and related infrastructure to mine and process ore from defined Ore Reserves at the KGP.

A summary of the key FS parameters and financial results is provided in Table 1.

Table 1: FS Parameters and Financial Results

Parameter	FS Result
Ore processed - tonnes @ g/t Au ¹	7M tonnes @ 1.1 g/t Au
Strip Ratio	3.5 :1 Waste:Ore ratio
Average Annual throughput – oxide / primary	2.1 Mtpa / 1.6 Mtpa
Process Recovery – oxide / primary	95% / 89%
Initial capital expenditure	\$21.5 million
Mining Costs	\$19.43/t ore
Processing Costs	\$12.36/t ore
Administration Costs	\$2.29/t ore
Life of Mine (LOM)	4.75 years
Average LOM Cash Operating Cost/Oz Au (C1) ²	\$1,073/Oz Au

A summary of the key financial results (including sensitivity analysis for 10% movement in base case gold price) is provided in Table 2.

Table 2: FS Financial Results including sensitivity analysis for 10% movement in base gold price and Spot price.

Gold price / oz	A\$1,500 (base case)	A\$1,650 (base case +10%)	A\$1,350 (base case -10%)	A\$1,600 (spot price)
Net cash flow ³	\$66 million	\$100 million	\$31 million	\$88 million
NPV ⁴	\$48 million	\$75 million	\$19 million	\$66 million
IRR ⁵	55%	81%	28%	72%

¹ The difference between the Ore Reserve and estimated processed tonnes and grade is that it is anticipated as part of the Life of Mine (LOM) plan that low grade material will be stockpiled. The low grade material may be processed towards the end of the LOM.

² C1 definition includes operating and administration costs, and excludes royalties.

³ Net cash flow is calculated prior to interest and tax but includes capital expenditure and royalties.

⁴ NPV is calculated prior to interest and tax but includes capital expenditure and royalties.

⁵ IRR is calculated at the commencement of production.

Outline of FS Results

Mining operations will be by open cut method using conventional excavator/truck mining techniques. Contractor, dry hire and owner operator mining options were evaluated. The FS results are based upon using equipment supplied by dry hire service providers for hydraulic excavators and fleet of haul trucks, supported by ancillary equipment including graders, water trucks, loaders and dozers.

The existing plant on site comprises a primary crusher, single SAG mill and gravity and carbon in pulp leach circuits. The optimal process flow sheet design is represented by a staged approach incorporating mechanical and electrical refurbishment of the existing treatment plant as well as installation of a scrubber plant and re-grind mill, stockpile feeder system and establishing an intensive cyanidation leach circuit in the gravity gold circuit. Oxide ore will be processed in year 1 at a nominal 2.1 Mtpa throughput. In addition to the initial modifications, in year 2 the treatment plant will incorporate the existing SAG mill, a new tertiary crushing circuit and upgraded leach agitators, for processing of primary ore at a nominal 1.6 Mtpa throughput.

Recovery for each ore type was calculated using both testwork and evaluation of the previous operations calculated recovery data, results are presented in Table 3. This work indicates that oxide ores will yield Gravity Recoverable Gold (GRG) of up to 45% which offers the potential to improve recoveries and reduce reagent use and costs. Testwork indicated up to 22% for GRG recoveries in primary ore types.

Table 3: Gold Recovery by Ore Type at 212 micron Grind Size

Ore Type	Calculated Plant Recovery %
Oxide	95
Laterite	86.3
Basalt (primary ore)	89.4
Tonalite (primary ore)	89.4

The FS estimates (Table 4) the following capital costs to complete the refurbishment of the existing plant and construct the required additional crushing circuit equipment:

Table 4: FS estimate of Treatment Plant Capital Cost

Item	Initial A\$' million	Year 2 A\$' million
Pre-production mining	\$8.6	-
Treatment plant refurbishment costs	\$2.6	-
Scrubber and regrind mill	\$1.4	-
Communications & IT	\$1.1	-
Environmental bonds	\$1.0	-
Fine ore stockpile system	\$0.8	-
Leach agitators	\$0.6	-
Intensive leach reactor	\$0.5	-
Lift 1 tailings storage facility	\$0.5	-
Secondary and tertiary crushing	-	\$6.8
Other	\$4.4	\$1.1
Total	\$21.5	\$7.9

Project Financing and Development Timetable

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 seek to progress these discussions to firm offers. The Company expects any debt funding offers to include hedging requirements.

The development schedule forecasts a four to six month period from securing finance to complete the plant refurbishment, construct required additional plant and associated infrastructure and satisfy permitting requirements. A three month re-commissioning period is then envisaged to achieve expected operating capacity.

Licensing and Permitting

The proposed development at the KGP is located on granted mining leases, in relation to which native title has been extinguished.

The KGP site is currently approved by the Department of Mines and Petroleum (DMP) for operation in accordance with the Equigold Kirkalocka Notice of Intent (NOI) dated December 2001 and the Equigold Supplementary NOI for the Tailing Storage Facility and Borefields dated April 2002. This approval is supported by the Department of Environment and Conservation ("DEC"), *Environmental Protection Act 1986* Prescribed Premise Licence.

Any activity that is not described in the abovementioned approval documentation requires an additional approval from the relevant government departments. The following approvals are required to implement the proposed mine expansion:

- A supplementary Mining Proposal (replaces original NOI) and Project Management Plan will need to be submitted to the Department of Mines and Petroleum ("DMP").
- A works approval is required to be submitted to the DEC to increase the TSF capacity.
- A vegetation clearing permit is required to be submitted to the DMP to gain approval to clear undisturbed areas for an additional waste landform, pit expansion, and associated topsoil stockpiles and access tracks.
- Approval from DEC to take protected fauna in accordance with Regulation 15 of the *Environmental protection Regulations 1987*.

The Company does not anticipate any issues in relation to obtaining these additional approvals.

Ore Reserve

The Feasibility Study identified an open pit mining operation based on the use of conventional bulk mining methods to expand the existing Curara Well open pit.

The open pits were initially optimised using Whittle pit optimisation software using an input gold price of A\$1500/oz.

The Ore Reserve was based on cut-off grades using a profit algorithm approach. The profit algorithm is a calculation of revenue less fixed, mining, processing and realisation costs.

The orebody has gradational contacts and as such lower gold grade mineralisation has been incorporated as dilution envelope.

The Feasibility Study is based upon the total Probable Ore Reserve within the design pit limits. The April 2012 Ore Reserve is provided in Table 5.

The March 2012 Mineral Resource has been depleted based upon surveyed pit volumes from the previous operation as well as validation survey work completed as part of the study.

Table 5: Kirkalocka Gold Project April 2012 Ore Reserve

Reserve Category	Dry Tonnes (million)	Gold Grade (g/t Au)	Gold In Situ (koz)
Probable Reserve	8.2	1.0	250

Note: Rounding conforming to JORC Code may cause some computational discrepancies.

Opportunities

There are a number of areas where the results projected in the FS can be improved. These include:

- Resource development drilling in Q1 2012 identified additional resources south of the existing open pit which are not included in the current pit design. This includes a parcel of >100 kt @ 3 g/ t Au near surface supergene gold mineralisation which was classified Inferred in the March 2012 Mineral Resource estimate. A resource development drilling program to target this zone as well as other potential mineralisation up to 2500m south of the existing open pit is planned for May 2012.
- Reconciliation in the supergene zone in the area mined by the previous operation demonstrated that gold metal produced during grade control and subsequent treatment of that ore exceeded expected gold metal based on resource drilling estimates. This outcome has not been incorporated within the FS and as such may represent potential future upside during mining of this material type.
- The FS identified additional gold mineralisation in a series of shoot positions which extend beneath the April 2012 Ore Reserve pit design. These higher gold grade shoots will be targeted by resource development drilling later in 2012.
- There is potential for the identification of significant additional gold mineralisation within the KGP tenements, which cover an area in excess of 730 km².

Background

Gold mineralisation was originally identified at the KGP in 1993 by CRAE. The existing plant at the KGP was constructed in 2002 and was operated by Equigold until 2008, when Equigold closed the operation and placed the treatment plant on

care and maintenance. A total of approximately 265,000 ounces of gold were produced between 2002 and 2008. The Company acquired the KGP tenements in 2008 and the KGP plant and associated infrastructure in 2009. In the period since gold production activities were ceased at the KGP, there has been a substantial appreciation in the price of gold, and in recent years the Company has completed additional drilling, resulting in a significant increase in existing resources at the KGP. The KGP plant and associated infrastructure (which includes a crushing, milling and Carbon in Pulp/Leach circuit, a 106 room camp, 1800m air strip and associated offices, warehouses and workshops) were in good condition when acquired by the Company, and certain key items were the subject of a refurbishment program in 2011.

The KGP tenements cover an area in excess of 730 km², are considered to be highly prospective for gold mineralisation, and are relatively unexplored. The FS was undertaken to investigate the viability of re-commencing mining and processing operations at the KGP with the objective of generating cash flow to fund exploration of the extensive tenement portfolio and provide resource growth and extend mine life.

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Competent Persons Statement

The optimisation, mine design and Ore Reserve reporting was completed by Anthony Keers (CP) MAusIMM and Roselt Croeser MAusIMM, who are directors of Auralia Mining Consultants. Anthony Keers and Roselt Croeser have sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2004 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC, 2004). Anthony Keers and Roselt Croeser consent to the inclusion in this report of the matters based on the information in the form and context that the information appears.

The information including Ore Reserve database compilation, project parameters and costs were completed under the overall supervision and direction of Graham Howard MAusIMM, who is a full time employee of Mount Magnet South NL. Graham Howard has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC, 2004). Graham Howard consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Rounding, conforming to the JORC Code, may cause some computation discrepancies.

Appendix 1 – Estimation and Reporting of Ore Reserves

<i>Criteria</i>	<i>Explanation</i>
<i>Mineral Resource Estimate for conversion to Ore Reserve</i>	<i>March 2012 Mineral Resource estimate was used as the basis for the reporting of the April 2012 Ore Reserve. The March 2012 Mineral Resource is inclusive of the Ore Reserve</i>
<i>Study Status</i>	<i>Feasibility Study (FS) completed for the Kirkalocka Gold Project basis for inputs for the Ore Reserve</i>
<i>Cut-off Parameters</i>	<i>The profit algorithm is a calculation of revenue less fixed, mining, processing and realisation costs</i>
<i>Mining factors or assumptions</i>	<p><i>Detailed pit design has been completed based on optimisation outputs</i></p> <p><i>Open pit Mining method using hydraulic excavators, haul trucks and ancillary fleet</i></p> <p><i>Geotechnical inputs based on historical mining information of the Curara Well open pit as well as FS geotechnical evaluations. Pit slopes are variable depending on rock type. Overall pit slope approximates 43 deg</i></p> <p><i>Hydrology and hydrogeology based on historical mining and FS evaluation</i></p> <p><i>Gradational boundary type in mineralisation</i></p> <p><i>March 2012 Mineral Resource is a recoverable resource estimate and includes mining factors for dilution and ore loss</i></p>
<i>Metallurgical factors or assumptions</i>	<p><i>Oxide ore types – Primary crushing, scrubber & re-grind mill CIP/CIL plus gravity circuit</i></p> <p><i>Primary ore types - Primary, secondary, tertiary crushing, SAG Mill CIP/CIL plus gravity circuit</i></p> <p><i>Historical and FS data confirm metallurgical process</i></p>
<i>Cost and revenue factors</i>	<p><i>FS level capital estimates for capital and operating costs</i></p> <p><i>Gold price assumption A\$1500</i></p> <p><i>Government and other royalty payment A\$60/Oz</i></p>
<i>Market Assessment</i>	<i>Gold price \$1500, sensitivity +/- 10% (\$1350 to \$1650)</i>
<i>Other</i>	<i>Ore Reserve on granted mining lease</i>
<i>Classification</i>	<i>Probable Ore Reserve all from Indicated Mineral Resource</i>
<i>Audits and Review</i>	<i>Internal review consistent with original findings</i>
<i>Discussion of relative accuracy confidence</i>	<i>Reconciliations completed for mined area of the Curara Well open pit which represents a 6Mt parcel. Findings indicate that tonnage and grade estimates within the same volume occur with +/- 5% of reported production from the historical operation</i>

Appendix 2 – Feasibility Study Participants

The Company's General Manager - Projects, Mr Graham Howard, was responsible for the management of the KGP Feasibility Study. Internal and independent participants were utilised to complete the FS. Each is considered competent and experienced in its respective discipline. Independent participants to the FS included:

Snowden Mining Industry Consultants – Resource Estimation

Auralia Mining Consulting – Mine Design and Cost Model Evaluation

Wave Solutions and IMO – Metallurgy Evaluation, Process Flow Design, Infrastructure Design and Capital Expenditure

Ground Control Engineering – Geotechnical Engineering

KH Morgan and Associates – Hydrology and Hydrogeology

Coffey Mining - Tailing Storage Design

Appendix 3 Schematic of proposed Ore Reserve Pit Design, view to South East

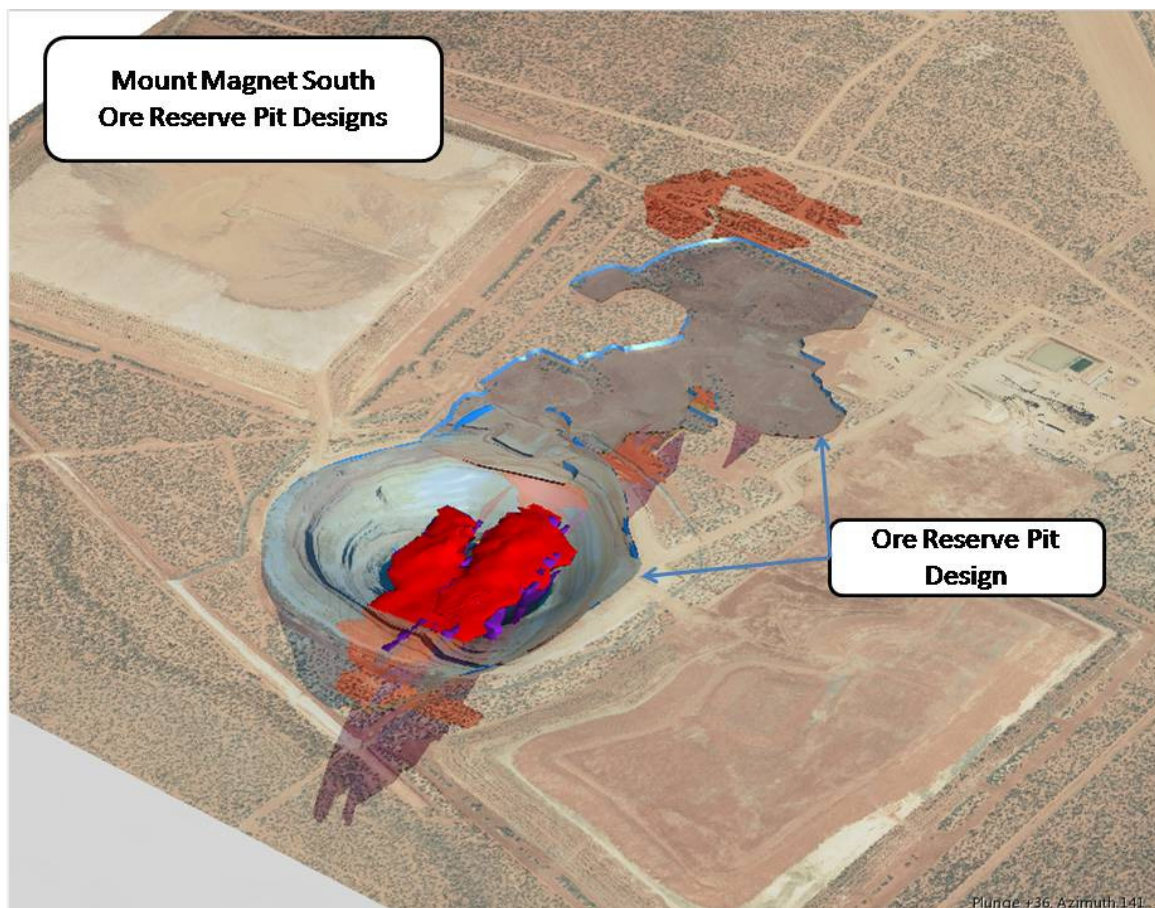


Figure 2: Schematic of proposed Ore Reserve Pit Design, view to South East