



QUARTERLY ACTIVITY STATEMENT

DECEMBER 2012 QUARTER HIGHLIGHTS

Deflector Project Highlights

- Deflector DFS confirms net profit increase of 30%
- Project Development Funding Agreement
- Significant Deflector Reserve Upgrade
- Agreement signed with GR Engineering for immediate start-up of design and construction
- Key Permitting Milestone Achieved

Corporate Highlights

- US\$2m Convertible Loan placement with Sandstorm Gold Ltd
- Directors exercise unlisted options
- Annual General Meeting

INTRODUCTION

Mutiny Gold Ltd ("Mutiny" or "the Company") (ASX:MYG) is pleased to provide its Quarterly Activity Report for the quarter ended 31 December 2012 which further demonstrates that Mutiny is well on target to achieve its objective of becoming a significant and profitable gold producer at the Deflector Project, the lead project at Gullewa in Western Australia.

DEFLECTOR PROJECT

Deflector DFS confirms net profit increase of 30%

Highlights:

- Results of Definitive Feasibility Study (DFS) further confirms Deflector as a highly profitable, low cost, premium Gold-Copper Project
- Net profit increases by 30% to A\$223 million, compared to Bankable Feasibility Study (BFS)
- Forecast initial gold production increases by 20%
- Capital costs largely unchanged
- C1 cash costs remain remarkably low at A\$618



The main financial outcome of the DFS is a sizeable increase in forecast profit (up 30%), as a result of a major increase in production - with no material increase in capital or operating costs - substantially improving the economics at the Deflector Project and lowering project risk considerably.

Forecast profits in the DFS have increased by 30% to A\$223 million as compared to the figures contained in the BFS released in early July 2012 (see ASX announcement dated 3 July 2012).

The main driver for the increase in the project metrics was the successful November 2011 to March 2012 Deflector drill program, the results of which culminated in a substantial (25%) increase in both resources (Table 2) and reserves (Table 3).

Mutiny targets 100,000oz per annum at Deflector

The DFS has highlighted the opportunity to increase production above what was foreshadowed in the BFS.

"By spending as little as an additional \$25 million to \$35 million in capital to expand the project processing plant with a second line milling circuit, production can be lifted from a forecast average of 65,000 oz Au Eq to 105,000 oz Au Eq," Mutiny Gold Managing Director, Mr John Greeve, said.

"Whilst this option is not shown in the current DFS finance model, there is a very strong possibility it will be actuated by the Company."

Key Financial Outcomes of DFS

The financial outcomes shown in Table 1 confirm the technical and economic viability of the Deflector Project, paving the way for the development of the project at a forecast production rate of 65,000 oz Au Eq (annual range 48,000 (1st year) to 71,000 oz Au Eq), with a forecast low average operating cash cost of \$618 per oz Au Eq and an initial mine life of seven and a half (7½) years.

In financial terms, the DFS shows Deflector to be a highly profitable, low cost, high gold grade project with significant gold recoveries, robust mine inventory and a vast scope to increase resources, profit and mine life.

The project generates an initial net operating Cash Flow of A\$425 million, from which Mutiny can readily service the Company's Project Finance Facility (debt plus interest), government charges and taxes. The feasibility study forecasts EBITDA of A\$425 million (up from A\$323 million) (with an annual average A\$58 million) and a net profit (after interest, taxes and depreciation) of A\$223 million.

"Using the upgraded Mining Inventory, the DFS is a significant improvement on our previous BFS. It shows the team has delivered a substantial gain in project value and forecast returns, with a low budget A\$3 million drill program generating an increase of approximately 100,000 production ounces and an increase to forecast bottom line profits by A\$55 million," Mr Greeve said.

"We really look forward to further significant drilling results when we undertake a major exploration program at Gullewa in 2013."

The initial mine plan allows for a seven and a half (7½) year Mine Life commencing with a two (2) year open pit followed by five and a half (5½) years underground

Production will commence at 480,000 tonnes per annum in the open pit, followed by 380,000 tonnes per annum in years three (3) to seven (7) in the underground mining operation, resulting in total metal production of 479,000 oz Au Eq (including 391,000 oz Au, 18,000 t of Cu and 396,000 oz of Ag).



The DFS was compiled in-house using input provided by external, expert consultants, including studies from Widenbar (Resource), Entech (mining), and GR Engineering Services (process design and plant costing).

The First Stage of a Much Larger Operation

“We continue to upgrade both the resource and economics at Deflector, which is really confirming our belief that this is a premium, highly profitable, gold-copper mine – and we will continue to work hard to improve on these already impressive figures.

The DFS forecasts that the high grade Mining Inventory and low operating costs are expected to generate strong cash flows and economic outcomes. As we have previously stated, this gives the Company a strong base from which to grow and the DFS is another example of Mutiny being well on target to achieve a much larger growth picture,” Mr Greeve said.

Project Expansion foreshadowed in near term

It is important to remember that the current design of the plant was upgraded to enable the plant to be readily expandable as required at the end of year two (2) of production.

Supplementing studies associated with the DFS show that the proposed underground infrastructure and ore body is such that it will allow for a mining rate of 480,000 tonnes underground (as against the modeled 380,000 tonnes). The analysis suggests the processing plant can be readily upgraded to process at this rate and increase the average production rate to 105,000oz Au Eq. The forecast capital cost for this expansion, including adding additional mill and float circuits, would be approximately A\$30 million.

“The expansion program is a preferred option in the near term, Mr Greeve said. The metrics show that an additional A\$30 million in capital will slightly increase the risk profile for not sufficient gain at this project start-up phase. However, the culmination of the success of Mutiny’s targeted expansion drill program, along with an expectation of increasing gold prices, should see this option come into favour in the short term.

It is important to note that an approximately \$3 million outlay on drilling in 2011/12 produced a 25% increase in reserves and 30% increase in project profit forecasts.

With the significant prospectivity available to us at Deflector, we can see that further drilling success along strike and down dip will be the catalyst to activate this plan. Mutiny has a proven exploration success record at Deflector and we are confident in our target range of 9 to 14 million tonnes at 4 to 8 g/t gold for 1.65 to 3 million ounces of gold and 40,000 to 80,000 tonnes of copper from future drilling (Note 1).“

Table 1 – Key Parameters and Economics

Average Ore Production rate	380,000 tpa
Mining Inventory	552,000 oz Au Eq
Average Head Grade over Life of Mine	4.8g/t Au, 0.8 % Cu, 5.3 g/t Ag
Recovered Gold Equivalent Ounces	479,685 oz Au Eq
Recovered Metals	397,019 oz Au, 395,864 oz Ag, 18,145 t Cu
Cash costs per ounce	\$618 oz Au Eq
Capital Expenditure – Plant	\$71 million
Minesite Construction Costs including pre-strip	\$20 million
Assumed Gold Price	A\$1750 / oz Au
IRR	66%



NPV 8%	\$137 million
EBITDA	\$425 million
EBIT	\$305 million
Net Operating Cash Flow	\$425 million
Life of Mine	7½ years
Net profit after capital costs, interest and tax	\$223 million

Note 1**Exploration Target**

Mutiny is targeting 9 to 14 million tonnes at 4 to 8 g/t gold for 1.65 to 3 million ounces of gold and 40,000 to 80,000 tonnes of copper from future drilling programs. It is stressed that the targets are conceptual in nature and have yet to be fully drill tested. There has not been sufficient exploration to date to define a JORC compliant resource greater than that shown in Table 2 below and it is uncertain if future exploration will result in further resources being defined.

Project Development Funding Agreement with Sandstorm Gold Ltd**Highlights**

- US\$43 (A\$41) million funding agreement with Canadian Institution Sandstorm Gold Ltd, via a Metals Purchase Agreement ('MPA').
- The Metals Purchase Agreement with Sandstorm Gold Ltd will fund a significant portion of the Deflector capital costs.
- Mutiny's existing principal lender Credit Suisse, with an existing A\$11m loan facility, supports the Sandstorm arrangements and is currently working collaboratively with Mutiny on concluding the full project finance arrangements for the Deflector project.
- Specifically, a project finance facility is being negotiated with Credit Suisse for approximately A\$50m, whereby it would provide debt finance of A\$25m, with the remainder to be provided by a leading Australian Bank.
- Mutiny's planned finance platform for funding Deflector into production will consist of a total of A\$102m of funding including:
 - A\$50m project finance facility with Credit Suisse and second lender;
 - MPA with Sandstorm totalling A\$41m; and
 - A\$11m in plant leasing.

Sandstorm Metals Purchase Agreement

The US\$43 Metals Purchase Agreement ("MPA") with Sandstorm Gold Ltd. ("Sandstorm") (NYSE MKT: SAND, TSX: SSL) comprises US\$38m in upfront payments, US\$5m in equity and a possible additional US\$4m in performance based payments. The latter is intended as supplemental finance for plant expansion in year 3 of mining at Deflector.

The MPA with Sandstorm is designed to complement the more traditional bank provided project finance which will collectively meet the majority of the Company's requirements for the development of the Deflector Mine and associated infrastructure. The Bank Project Finance with Credit Suisse and other banks is being finalised in conjunction with A\$11m finance leasing of the project's accommodation village.



Under the terms of the MPA, its first related to an Australian project, Sandstorm has agreed to purchase an amount equal to 15% of the gold produced from Deflector (the "Gold Stream"). Pursuant to this agreement, Sandstorm will make an initial upfront cash payment to Mutiny of US\$9 million (the "Initial Deposit") and will make a future cash remittance of US\$29 million (the "Second Deposit") once Mutiny has received final mine permits for Deflector as well as completed certain funding conditions. In addition, Sandstorm will make ongoing per ounce payments equal to the lesser of US\$500 per ounce of gold and the prevailing market price of gold (the "Per Ounce Payments"). If Deflector produces more than 85,000 ounces of gold in a given year, Sandstorm will make a one-time US\$4 million payment to Mutiny (the "Conditional Deposit").

A very important feature of the MPA is Mutiny's right, but not obligation - for a period of 36 months from the date of the Second Deposit - to repurchase in whole or in part, up to 50% of the Gold Stream by making a payment equal to the greater of US\$24.7 million or the value of 14,742 gold ounces, whereupon the percentage of gold that Sandstorm is entitled to purchase shall be decreased from 15% to 7.5%. The earnings per share modelling conducted by the Company shows the Sandstorm funding via the MPA boosts the Mutiny earnings per share.

"As the first Australian company to negotiate a transaction of this type with Sandstorm, which we believe in itself is a strong endorsement of Deflector and our broader strategy, Mutiny has broken new ground in this innovative form of project funding. Working in conjunction with our advisors Noah's Rule we have been able to negotiate the Metals Purchase Agreement in a way that has made it highly complementary to traditional project finance, rather than as an alternative, as it is often seen," said Mr Greeve.

"With a number of significant projects in our portfolio, entering into an agreement limited to a portion of the contemplated Deflector project production, rather than significantly diluting the equity of the entire company, and thus the entire portfolio, makes sense for shareholders. Theoretically, the worth achieved for the 15% of the Deflector gold production values the Deflector Project at between A\$240m and A\$280m compared with the Company's current market capitalisation of approximately A\$45m.

"We have also discussed ongoing collaborative development funding arrangements with Sandstorm which could cover our future expansion plans. There is the potential for a high degree of mutual interest between Sandstorm and Mutiny in supporting our strategy of bringing online a pipeline of gold and copper mines. This is not limited to Deflector and may include future asset acquisitions," Mr Greeve added.

Significant Deflector Reserve Upgrade

Highlights:

- **Deflector JORC Reserve increases by a further 63,000oz Au Eq**
- **'Probable' Ore Reserves increased by 196,000 tonnes at 9.0 g/t gold, 2.8 g/t silver and 0.6% Copper for 57,000 ounces gold, 18,000 ounces silver and 1,000 tonnes of copper**
- **Additional Reserves add high-grade ore (+9g/t Au) to the underground mining schedule for years 2 and 3**
- **Outcome highlights the value of the high-grade Splay Lodes, with potential to significantly boost resources and reserves**

The upgrade is the result of a resource classification review of Deflector carried out by John Doepel of Continental Resource Management (CRM) and Lynn Widenbar of Widenbar and Associates (Widenbar). Particular focus was on the West Lode splay zones which contain some of the highest grade mineralisation discovered to date at Deflector.



The result is a reclassification of four complete or partial West Splay Lodes from Inferred to Indicated resource category (Table 2). This has been peer reviewed by Mutiny and SRK Consulting geologists. The increase to the Indicated resource category totals 184,000 tonnes at 13.2 g/t gold for 79,000 ounces gold or 87,000 ounces gold equivalent.

Entech Mining Consultants (Entech) has reviewed the revised classification, leading to an important material reclassification from the Inferred Life of Mine (LOM) into the Probable Reserve Category (Table 3) without changes to the current Mine Design. The revised classification has increased 'Probable' Ore Reserves by 196,000 tonnes at 9.0 g/t gold for 57,000 ounces gold.

Mutiny Gold's Managing Director, John Greeve, said the reclassified Indicated Resources demonstrate Deflector's high-grade tenor, as delivered by the Company's successful drilling campaigns.

"The flow-through to Ore Reserves adds increased revenue to the project and places even greater confidence in our mining plan."

Table 2: Deflector JORC-compliant Resource

DEFLECTOR Resource – ASX November 2012								
Classification	Tonnes	Au (g/t)	Au (oz)	Cu (%)	Cu (t)	Ag (g/t)	Ag (oz)	Au Eq (oz)
Measured	1,164,000	6.0	223,000	1.5	17,000	10.9	407,000	310,000
Indicated	1,043,000	7.3	246,000	0.6	7,000	4.2	140,000	279,000
Measured & Indicated	2,207,000	6.6	468,000	1.1	24,000	7.7	547,000	589,000
Inferred	658,000	5.8	122,000	0.5	3,000	3.9	82,000	140,000
Totals	2,865,000	6.4	591,000	0.9	27,000	6.8	629,000	729,000

The Gold Equivalence Calculation represents total metal value for each metal assuming 100% recovery, summed and expressed in equivalent gold grade or ounces.

The AUD metal prices used in the calculation were \$1,700/oz Au, \$8,000/t Cu, \$27.0/oz Ag.

Note – Totals may appear incorrect due to appropriate rounding.

Table 3: Deflector JORC-compliant Reserves

DEFLECTOR Ore Reserve Statement – November 2012								
Classification	Tonnes	Au (g/t)	Au (oz)	Cu (%)	Cu (t)	Ag (g/t)	Ag (oz)	Au Eq (oz)
Proven	1,253,000	4.7	187,000	1.2	15,000	8.4	339,000	213,000
Probable	1,091,000	5.1	179,000	0.5	4,000	2.9	102,000	202,000
Total Reserve	2,344,000	4.9	367,000	0.8	19,000	5.9	441,000	415,000

The Gold Equivalence Calculation represents total metal value for each metal assuming 100% recovery, summed and expressed in equivalent gold grade or ounces.

The AUD metal prices used in the calculation were \$1,700/oz Au, \$8,000/t Cu, \$27.0/oz Ag.

Note – Totals may appear incorrect due to appropriate rounding.



Agreement signed with GR Engineering for start-up of design and construction

Highlights:

- **Agreement to award the EPC contract signed with GR Engineering**
- **GR Engineering to begin design and construction phase immediately**
- **Long lead items to be ordered early**

On the 30th of November 2012, Mutiny advised it had signed an agreement with GR Engineering Services Limited (**ASX:GNG**) ("**GR Engineering**") to enter an Engineering, Procurement & Construction (EPC) contract for the Deflector Project ("**Project**") in Western Australia's Mid-West Region.

The agreement also facilitates GR Engineering's commencement of phase 1 of the design and engineering process for the Deflector Project's processing facility. GR Engineering, which started work immediately, has been intimately involved with the project during the course of the Bankable Feasibility Study (BFS) and Definitive Feasibility Study (DFS), completing the initial design and cost estimates.

As part of the agreement, GR Engineering has been engaged to commence early initiation activities including engineering design, office mobilisation of key personnel, procurement of long lead equipment items and the preliminary engagement of sub-contractors and site works planning, enabling the Project to progress while finance is finalised.

The due diligence by Mintrex Engineering on the GR Engineering DFS capital cost estimates and GR Engineering's extensive knowledge of the Project were instrumental in the selection of GR Engineering as the preferred candidate to deliver the Project on an EPC basis.

Another significant permitting milestone achieved

Highlight:

- **Clearing Permit Granted**

The approval of the Clearing Permit by the Department of Mines and Petroleum (DMP) is a key milestone for the Deflector Project as it is typically one of the longest assessment items in terms of permitting approvals, and will allow clearing of the designated project area in preparation for construction activities.

The Clearing Permit allows the clearing of native vegetation for the purposes of constructing the processing plant and associated infrastructure, accommodation village, haul road and mine.

The granting of the Clearing Permit leaves only the Mining Proposal approval outstanding, which has been submitted to the DMP, and is expected to be approved in the near future. The table below outlines the permitting status for the Deflector Project.



Table 4 – Permitting status

Permit / Licence	Regulatory Agency	Submitted	Approved / Current
Works Approval	DEC	Y	Y
Prescribed Premises	DEC	Y	Y
Groundwater Licence	DOW	Y	Y
Clearing Permit	DMP	Y	Y
Mining Proposal	DMP	Y	Pending
Project Management Plan – Plant	DMP	Y	Y
Project Management Plan - Mining	DMP	Y	Y
Dangerous Goods	DMP /DoH	Y	Y
Haul Road construction	Shire of Yalgoo	Y	Y
Consent to mine the Gullewa Townsite	DMP	Y	Y

CORPORATE

US\$2m Convertible Loan placement by Sandstorm Gold Ltd

On the 28th of November 2012 Mutiny advised it had completed a placement to a strategic North American investor, Sandstorm Gold Ltd.

The Placement of US\$2,000,000 was structured as a convertible loan, where the price of the conversion of debt into securities was 95% of the volume weighted average closing price ten days before the announcement of the funding package which took place on the 6th of December 2012. The debt was subsequently converted to shares on the 23rd of January 2013.

Commenting on the Placement, Mutiny Gold Managing Director, John Greeve, said Sandstorm Gold Ltd confirmed its belief in the Company and the Project by taking part in this Placement ahead of the Metals Purchase Agreement being executed.

Directors Exercise Unlisted Options

During the quarter the Directors exercised 4,150,000 options raising \$415,000 for the Company.

Annual General Meeting

On the 28th of November, 2012, Mutiny held its AGM which saw a record number of shareholders attending. The AGM resolutions were passed without amendment after conducting a poll.

**About Mutiny Gold**

Mutiny Gold Ltd is a diversified resource company focused on the exploration and development of its gold, copper and nickel tenements in Western Australia. The Company's lead project is the Deflector Gold-Copper Deposit which is within the Gullewa tenements located in the South Murchison region of Western Australia. The Company intends to become a significant gold producer with a focus on commencing production at its Deflector and White Well Deposits. Currently Deflector Deposit, resources (Table 2) stand at 729,000oz of Equivalent gold including 591,000oz gold, 27,000t of copper and 629,000oz silver, with significant resource expansion targeted through ongoing, systematic exploration at Deflector. In October 2012 the Company successfully completed a Definitive Feasibility Study on the Deflector Deposit showing robust economics. Mutiny Gold through a balanced mix of exploration and development is on track to become a significant gold and copper producer for the benefit of all stakeholders.

Competent Persons Statement:

The Geological aspects in this report which relates to Mining Resource is based upon information compiled by Mr. Lynn Widenbar, Principal Consultant – Widenbar and Associates. Mr Widenbar is a member of the Australasian Institute of Mining and Metallurgy and has sufficient expertise and experience which is relevant to the style of mineralisation and to the type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Widenbar consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Competent Persons Statement:

The Open Pit and Underground mining aspects in this report which relates to Ore Reserves and LOM production is based upon information compiled by Mr Brett Hampel – B.Sc, Mining Eng,. Mr Hampel is employed by Mutiny and is a member of the Australasian Institute of Mining and Metallurgy and has sufficient expertise and experience which is relevant to the style of mineralisation and to the type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hampel consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Competent Persons Statement:

The Exploration aspects in this report which relates to Corporate Exploration Target is based upon information compiled by Mr. John Doepel, Principal Geologist – Continental Resource Management. Mr Doepel is a member of the Australasian Institute of Mining and Metallurgy and has sufficient expertise and experience which is relevant to the style of mineralisation and to the type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Doepel consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

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