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SHARE PLACEMENT AND DRILLING AND FEASIBILITY UPDATE

HIGHLIGHTS

- Placement of shares to raise \$3m
- Stage 3 drilling program to commence
- Feasibility study on target for completion in first quarter 2012

Placement of Shares

Mount Magnet South NL has entered into an agreement with Capital Investment Partners (CIP) to raise \$3 million through a private placement of shares. The Company proposes to issue 48,387,097 fully paid ordinary shares at 6.2 cents per share pursuant to the placement. For every two shares subscribed for, an attaching option exercisable at 7 cents on or before 31 August 2014 will also be issued. The issue of securities in excess of the Company's 15% placement capacity under ASX Listing Rules will be subject to shareholder approval. A general meeting for this purpose will be held in early March 2012.

The proceeds of the placement will be used to fund the next stage of the drilling campaign at Kirkalocka, completion of the feasibility study and for working capital purposes.

Drilling Campaign at Kirkalocka

The next stage of the Company's drilling campaign (Stage 3) at Kirkalocka is scheduled to commence on 25 January 2012. The program comprises 22 RC drill holes totalling 2,870 metres. The program is targeting extensions of the NE1 structure (16 holes for 2,150 metres) and also testing for mineralisation below the laterite zones in the ROM area to the north of the plant (6 holes for 720 metres).

Feasibility Program

The Company remains on target to complete the feasibility study into the recommencement of operations at the Kirkalocka Gold Project in the first quarter 2012.

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