



MOUNT MAGNET SOUTH NL
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23 December 2009

Company Announcements Platform
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Dear Sir/Madam

**NON-RENOUNCEABLE RIGHTS ISSUE - NOTICE PURSUANT TO PARAGRAPH 708AA (2)(F)
OF THE CORPORATIONS ACT 2001 ("ACT")**

On 17 December 2009, Mount Magnet South NL (ASX: MUM) (**Company**) announced that it will be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company (**Shares**) via a non-renounceable rights issue (**Rights Issue**) on the basis of one (1) Share for every two (2) Shares held at the record date of 5 January 2010.

Shares under the Rights Issue will be offered at 5 cents per Share. The maximum number of Shares which may be issued under the Rights Issue is 48,433,133 to raise \$2,421,656.65.

An Offer Document will be mailed to eligible shareholders 7 January 2010 together with personalised Entitlement and Acceptance Forms. For informational purposes, a sample copy of this Offer Document has been attached to this notice.

NOTICE UNDER s708AA OF THE ACT

The Company hereby notifies ASX under paragraph 708AA(2)(f) of the Act that:

- the Company will offer the Shares for issue without disclosure to investors under Part 6D.2 of the Act;
- the Company is providing this notice under paragraph 2(f) of section 708AA of the Act;
- as at 23 December 2009, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
- as at 23 December 2009, the Company has complied with section 674 of the Act; and
- as at 23 December 2009, there is no information:
 - that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profits and losses

and prospects of the Company; or

- the rights and liabilities attaching to the Shares.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M Shackleton', written in a cursive style.

Matthew Shackleton
MANAGING DIRECTOR

MOUNT MAGNET SOUTH NL

ACN 096 635 246

OFFER DOCUMENT

For a non-renounceable Entitlement issue of one (1) Share for every two (2) Shares held by Shareholders registered at 5:00pm (WST) on 5 January 2010 at an issue price of 5 cents per Share to raise up to approximately \$2,421,656 (**Offer**).

IMPORTANT NOTICE

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

This Offer opens on 7 January 2010 and closes at 5:00pm WST on 1 February 2010.

Valid acceptances must be received before that time.

Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

IMPORTANT NOTES

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of the Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your shares in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

CHAIRMAN'S LETTER

Dear Shareholders,

Non-Renounceable Rights Issue

I am pleased to write to you regarding the Mount Magnet South NL (MMS or Company) 1 for 2 non-renounceable rights issue at a price of \$0.05 per New Share (Rights Issue).

The Rights Issue seeks to raise approximately \$2.4 million which, coupled with our recently announced placement (to raise a total of \$2.9 million), will ensure that your Company maintains a well funded and aggressive development programme into 2010. MMS is at an exciting time in its development and we believe that the continuing exploration at the Company's key Kirkalocka Gold Project will prove fruitful to shareholders in the near term.

You will find enclosed the following important information:

- Summary of Important Dates;
- Key Terms for the Rights Issue;
- instructions on "How to Participate in the Rights Issue" setting out how to accept all or part of your entitlement under the Rights Issue; and
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided.

It is important to note that the Rights Issue closes at 5.00pm (Perth time) on Monday, 1 February 2010. To participate, you need to ensure that your completed Entitlement and Acceptance Form is received by MMS before this time pursuant to the instructions set out on the Entitlement and Acceptance Form.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable.

If you have any questions in respect of the Offer, please call the Company's share registry, Security Transfer Registrars, on +61 8 9315 2333 between 9.00am and 5.00pm (Perth time) Monday to Friday before the Closing Date or, alternatively, consult your stockbroker, accountant or other professional adviser.

On behalf of the Board, I encourage you to consider this investment opportunity and look forward to your continuing support of Mount Magnet South.

Yours sincerely,



Geoff Newman
CHAIRMAN

CORPORATE DIRECTORY

Directors

Mr Geoff Newman (Chairman)
Mr Matthew Shackleton (Managing Director)
Mr Fred McMurray (Non-Executive Director)
Mr Geoff Motteram (Non-Executive Director)

Company Secretary

Mr Matthew Shackleton

Registered Office

Suite 2, Ground Floor
10 Outram Street
WEST PERTH WA 6005
Telephone: +61 8 9213 8900
Facsimile: +61 8 9213 8901

Underwriter

Capital Investment Partners Pty Ltd
Level 22, Allendale Square
77 St Georges Terrace
PERTH WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 8 9315 2333

Solicitors

Wright Legal
1/103 Colin Street
West Perth WA 6005
Australia

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1. DETAILS OF THE OFFER

1.1 The Offer

The Company is making a non-renounceable pro rata offer of New Shares at an issue price of 5 cents each on the basis of one (1) New Share for every two (2) Shares held on the Record Date (**the Offer**).

The Company intends to apply the funds raised from the Offer towards:

| Item of Expenditure | Amount (\$) |
|--|---------------------|
| Exploration at Kirkalocka Gold Project | 1,000,000 |
| Target generation and exploration at Jumbulyer (Mt Magnet) | 250,000 |
| Tenement administration | 200,000 |
| Corporate administration and overheads | 300,000 |
| Mill care & maintenance costs | 200,000 |
| Capital raising expenses | 165,000 |
| General working capital reserve | 306,656.65 |
| TOTAL | 2,421,656.65 |

As at the Record Date, the Company has on issue 96,866,266 Shares, 48,000,000 unlisted convertible notes, 32,266,946 listed options and 14,250,000 unlisted options. The Company expects that up to approximately 48,433,133 New Shares will be issued under the Offer.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

1.2 Timetable

| Event | Date |
|---|-----------------------------|
| Announcement of Rights Issue and Appendix 3B | Thursday, 17 December 2009 |
| Cleansing Notice and Offer Document lodged with ASX | Wednesday, 23 December 2009 |
| Notice sent to Share Holders | Thursday, 24 December 2009 |
| Ex Date (date from which shares commence trading without the entitlement to participate in the Rights Issue) | Wednesday, 30 December 2009 |
| Record Date (date for determining entitlements of eligible shareholders to participate in the Rights Issue) | Tuesday, 5 January 2010 |
| Offer Document Dispatched to Shareholders (expected date of dispatch of offer document, entitlement and acceptance forms) | Thursday, 7 January 2010 |
| Rights issue opens | Thursday, 7 January 2010 |
| Closing Date* 5pm (WST) | Monday, 1 February 2010 |
| Company to notify ASX of undersubscriptions (if any) ** | Tuesday, 2 February 2010 |

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only.

1.3 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

Acceptances must not exceed your maximum Entitlement (as shown on the Entitlement and Acceptance Form), although you may accept for a lesser number of New Shares should you wish to take up only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus application monies will be returned to you.

1.4 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

1.5 Underwriting

The Offer is fully underwritten by Capital Investment Partners Pty Ltd. A summary of the terms of the Underwriting Agreement is set out in Section 4 of this Offer Document.

1.6 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Underwriter.

The offer of the Shortfall is a separate offer pursuant to this Offer Document. The issue price of any Shares offered pursuant to the Shortfall Offer shall be 5 cents, being the price at which the Entitlement has been offered to Shareholders pursuant to this Offer Document. The Shortfall shall be placed at the direction of the Underwriter, and the Underwriter reserves the right to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies, or to reject an application, or to not proceed with placing the Shortfall (pursuant to the Underwriting Agreement).

1.7 Opening and Closing Dates

The Offer opens on the Opening Date, being Thursday 7 January 2009. The Company will accept Entitlement and Acceptance Forms until 5:00 pm WST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

1.8 Issue and despatch

The expected dates for issue of New Shares offered by this Offer Document and despatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 1.2.

It is the responsibility of applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do

so at their own risk.

1.9 ASX listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made within 14 days after the date of this Offer Document. If approval is not obtained from ASX before the expiration of 3 months after the date of this Offer Document (or such period as varied by the ASIC) the Company will not issue any New Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

1.10 CHESS

The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of shares can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their share holding in the Company during the preceding month.

1.11 Overseas Eligible Shareholders

No Offer will be made to Eligible Shareholders resident outside Australia and New Zealand.

New Shares to which any Eligible Shareholders who are not resident in Australia or New Zealand would otherwise be entitled will form part of the Shortfall issued to the Underwriter or their nominees (or alternatively may be placed at the discretion of the Directors in the event that the Underwriting Agreement is terminated).

This Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

1.12 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

1.13 Risk factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed shares, there are specific risks associated with an investment in the Company which are described in Section 3.

1.14 Enquiries concerning Offer Document

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Security Transfer Registrar Pty Ltd by telephone on (08) 9315 2333. Enquiries relating to this Offer Document should be directed to the Company Secretary by telephone on (08) 9213 8900.

2. ACTION REQUIRED BY SHAREHOLDERS

2.1 What you may do

The number of New Shares which you are entitled is shown in the accompanying Entitlement and Acceptance Form. You may:

- (a) take up all of your entitlement to New Shares;
- (b) take up part of your entitlement and allow the balance to lapse; or
- (c) not take up any of your entitlement and allow it to lapse.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

2.2 Payment by Cheque

If you are paying for your New Shares by cheque, send your completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach the Company's share registry by 5:00 pm (WST time) on the Closing Date.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Mount Magnet South NL**" and crossed "**Not Negotiable**". Payments in cash will not be accepted.

You must ensure your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your Application will be rejected. The Company will not re-present any dishonoured cheques.

Your completed Entitlement and Acceptance Form and cheque must be delivered to the Company's share registry, Security Transfer Registrars Pty Ltd no later than 5:00pm (WST) on the Closing Date. Entitlement and Acceptance Forms with cheques can be delivered to Computershare before the Closing Date as follows:

By Hand: Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

By Post: Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

Completed Entitlement and Acceptance Forms and application monies will not be accepted if sent to another address.

2.3 Payment by Bpay ®

If you are paying for your New Shares by Bpay, refer to your personalised instructions on your Entitlement and Acceptance Form. You **DO NOT** need to complete or return the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form. However, to ensure that payments are processed through the Company's banking arrangements, payments must be received by no later than 3.00 pm (WST) on the Closing Date.

Make sure you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form.

If you have more than one shareholding of Ordinary Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those shareholdings only use the CRN specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. **DO NOT** use the same CRN for more than one of your shareholdings. This can result in your application monies being applied to your entitlement in respect of only one of your shareholdings (with the result that any application in respect of your remaining shareholdings will not be recognised as valid).

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through Bpay are received by **3:00pm (WST) on the Closing Date**.

2.4 If you want to take up some of your Entitlement and allow some of your Entitlement to lapse

If you want to take up some but not all of your Entitlement and wish to allow the balance of those New Shares you do not want to take up to lapse, you should:

- (a) if you are paying by cheque, complete the Entitlement and Acceptance Form in accordance with the instructions on that form, specifying the number of New Shares you want to subscribe for, and lodge the completed form together with a cheque as instructed in Section 2.2 above;
- (b) if you are paying by Bpay, follow the instructions in Section 2.3 above; and
- (c) in relation to the balance of Entitlement that you do not wish to take up, your entitlement to those New Shares will lapse and those shares will revert to the Underwriter.

3. RISK FACTORS

3.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Offer Document, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

3.2 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

3.3 Share Market Conditions

There are general risks associated with any investment in the share market. The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

3.4 Exploration Success

The future profitability of the Company and the value of its shares is directly related to the results of exploration. The mineral tenements held by the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Company's tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. In addition, mineable resources may become depleted, resulting in a reduction of the value of those tenements.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

3.5 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

3.6 Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

3.7 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities, including gold, are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

3.8 Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

3.9 Title Risks and Native Title

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected. The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

3.10 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

3.11 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

3.12 Further risks specific to the Company

The current and future operations of the Company, including exploration, appraisal and production activities, may be affected by a range of factors, including:

- (a) geological conditions;
- (b) alteration to exploration and production programmes and budgets;
- (c) unanticipated operational and technical difficulties;
- (d) mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- (e) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- (f) prevention or restriction of access by reason of political unrest, outbreak of hostilities or inability to obtain consents or approvals (including access agreements entered into with Native Title claimants); and
- (g) uninsured losses or liabilities.

3.13 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the shares offered under this Offer Document. Therefore, the shares to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for shares pursuant to this Offer Document.

4. SUMMARY OF UNDERWRITING AGREEMENT

On or about 16 December 2009, the Company and Capital Investment Partners Pty Ltd entered into an agreement for CIP to act as manager and underwriter of the Offer.

In its role as Underwriter, CIP shall underwrite up to the total number of Shares being offered under the Offer.

Pursuant to the Underwriting Agreement, the Company agrees to pay to CIP a fee of 4.4% (exclusive of GST) of the dollar amount represented by the total number of Shares being offered under the Offer. In addition to this commission, CIP will receive a management fee in the amount of \$53,276.45 for managing the Offer.

In addition to the above fees, CIP will require reimbursement for out-of-pocket expense reasonably incurred by the Underwriter in relation to the Offer.

The underwriter may, by giving notice to the Company at any time prior to the issue the New Shares under the Offer, terminate its obligations under the Underwriting Agreement if any one or more of the events set out in Annexure A to this Offer Document occurs.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

5. DEFINED TERMS

Applicant refers to a person who submits an Entitlement and Acceptance Form.

Application refers to the submission of an Entitlement and Acceptance Form.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

CIP or **Underwriter** means Capital Investment Partners Pty Ltd (ABN 37 110 468 589)

Closing Date means 5.00pm WST Monday 1 February 2010.

Company means Mount Magnet South NL (ACN 096 635 246).

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date.

Entitlement means the entitlement to subscribe for one (1) New Share for every two (2) Shares held by an Eligible Shareholder on the Record Date and **Entitlements** has a corresponding meaning.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Listing Rules means the Listing Rules of the ASX.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer means the non-renounceable pro rata offer of New Shares at an issue price of 5 cents each on the basis of one (1) New Share for every two (2) Shares held on the Record Date pursuant to this Offer Document.

Offer Document means this Offer Document dated 23 December 2009.

Opening Date means 7 January 2010.

Record Date means 5 January 2010.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means the offer for the Shortfall pursuant to this Offer Document.

Shareholder means a holder of Shares.

Underwriting Agreement means the agreement executed between the Company and CIP on or about 16 December 2009 for CIP to act as manager and underwriter of this Offer

WST means Australian Western Standard Time.

ANNEXURE A: TERMINATION PROVISIONS IN UNDERWRITING AGREEMENT

The following is a summary of the draft termination rights in the Underwriting Agreement.

Please note that these terms may be subject to change. Any changes will be made at the sole and absolute discretion of Capital Investment Partners, without consultation or notification to you:

Termination events

The Underwriter may terminate this Agreement by notice in writing to the Company, without cost or liability to the Underwriter, immediately if prior to Completion of the Offer:

- 14.1.1 default - the Company is in default of any of the obligations under this Agreement or breaches any warranty, representation or undertaking given under this Agreement which:
 - (a) is incapable of remedy or is not remedied by the date Valid Applications are required to be lodged in accordance with clause 7.2; and
 - (b) in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the Offer;
- 14.1.2 material change - a material and adverse change occurs after the date of this Agreement in the:
 - (a) financial position of the Company or a Subsidiary; or
 - (b) the industry in which the Company or a Subsidiary operates;
- 14.1.3 contravention - the Company contravenes any of the following, which in the reasonable opinion of the Underwriter has a material adverse effect on the Offer:
 - (a) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any Governmental Agency;
 - (b) its Constitution or another constituent document;
 - (c) an Encumbrance or document which is binding on:
 - (i) the Company or a Subsidiary; or
 - (ii) an asset of the Company or a Subsidiary;
- 14.1.4 solvency – an Insolvency Event occurs in relation to the Company or a Subsidiary:
- 14.1.5 ASX Fall - if the ASX 200 falls by more than 12.5% during any period from the date this agreement is signed by both parties until the Closing Date.
- 14.1.6 gold price – if the price of gold falls by more than 12.5% as reported in the Australian Commodities table in the Market Wrap section of the Australian Financial Review publication during any period from the date this agreement is signed by both parties until the Closing Date
- 14.1.7 war - an outbreak of new hostilities or a state of war, whether declared or not, arises after the date of this Agreement, or an escalation of hostilities already in existence occurs, involving:
 - (a) Australia;
 - (b) Japan;
 - (c) any member country of the European Community;

- (d) the United States of America;
- (e) any of the member states of the former Union of Soviet Socialist Republics;
- (f) Indonesia;
- (g) Peoples' Republic of China;
- (h) New Zealand;
- (i) Hong Kong;
- (j) Taiwan;
- (k) Singapore; or
- (l) Malaysia;

which in the reasonable opinion of the Underwriter has or is likely to have a material and adverse effect on the Offer;

14.1.8 dishonest director – after the date of this Agreement a director of the Company or a Subsidiary commits or is convicted of a criminal offence or becomes a bankrupt which in the reasonable opinion of the Underwriter has or is likely to have a material and adverse effect on the Offer;

14.1.9 Sub-underwriting – the underwriting is conditional on the underwriter obtaining satisfactory sub-underwriting. The Underwriter is to notify the Company within three (3) business days of signing this Agreement that it has secured satisfactory sub-underwriting and to whom the sub-underwriting has been placed with.

14.2 Withdrawal of Offer

If the Underwriter terminates this Agreement under this clause, the Company shall, if required to do so by notice in writing from the Underwriter before Completion of the Offer, notify each Applicant of the termination of this Agreement by the Underwriter and, in the notice, give each Applicant the opportunity to elect by notice in writing to the Company within one (1) month of receipt of the notice from the Company to withdraw the Applicant's application for Shares and if the Applicant so elects the Company must return all of the Applicant's payment for Shares within one (1) month of receipt of the notice from the Applicant.