



MUTINY MOVES AHEAD AT DEFLECTOR

Perth-based explorer **Mutiny Gold (ASX: MYG)** is well on track to achieving its vision of becoming the next big Australia-based gold mining company after recently announcing a significant resource upgrade at its flagship Deflector gold-copper project, aggressive exploration campaign and Bankable Feasibility Study (BFS) highlighting the robust, low cost nature of the project.

The company, which listed on the Australian Securities Exchange back in July 2006, has moved ahead considerably from entering into the agreement to acquire the Gullewa tenements in the South Murchison region of Western Australia just over two years ago from Canadian company Red Hill Resources, then called ATW Gold Corp.

Mutiny completed the acquisition of the Gullewa gold tenements with \$11 million funding from Credit Suisse which was also used to fund the completion of the BFS.

The Gullewa tenements, which lie some 450 kilometres north of Perth and some 160km east of the port city of Geraldton, contains the Deflector mine, five partially mined open pits, five areas of historical underground workings and numerous untested soil geochemistry, gravity and aeromagnetic anomalies.

At the time, Mutiny was confident it could ramp up the resources at Gullewa with a focus on Deflector.

Jump forward two years and Mutiny has been true to its word.

RESOURCE UPGRADE

Late last month, the company delivered an updated JORC compliant resource for Deflector.

Using a 0.5 gram per tonne cut-off grade, the resource now stands at 2.87 million tonnes grading 6.41gpt gold, 6.82gpt silver and 0.95% copper for 729,000oz of gold equivalent including 591,000oz of gold, 628,000oz silver and 27,000 tonnes of copper.

Of the total resource, 2.02 million tonnes grading at 6gpt gold, 0.58% copper and 4.1gpt silver for 390,000oz gold, 22,000t copper and 521,000oz silver are in measured and indicated resource categories.



What is significant about the upgrade is that it represents a 61,000oz increase in gold ounces and a 26% increase in average gold grades compared to the previous resource model recently used in the BFS of 3.3 million tonnes grading at 5.1 grams per tonne gold, 6.0gpt silver and 0.85% copper for 530,000 ounces gold, 630,000oz silver and 27,000t copper.

The resource model, which was completed by Widenbar and Associates, includes all drilling from the 2012 exploration program.

"As expected, the recent highly successful exploration results have translated into a more robust resource model with significantly higher gold grades and additional ounces," Mutiny Gold managing director John Greeve said.

"The key impact on the Deflector project is likely to be an increased head-grade due to fewer tonnes mined at a higher grade, which will be determined by mining studies."

The higher head grade is expected to lead up to a 28% increase in metals output per tonne of ore processed.

AGGRESSIVE EXPLORATION STRATEGY

The upgrade is just the tip of the iceberg as far as Mutiny is concerned with the company targeting a Deflector deposit resource in the order of 9 - 14Mt grading at 4-8gpt gold for 1.65-3.5Moz of gold and 40,000-80,000t of copper.

In order to meet this target, Mutiny has begun planning for an aggressive exploration program targeting extensions of Deflector along strike and at depth as well as assessing anomalies within the Deflector Corridor.

"There are huge opportunities to expand Deflector as it remains open to the north and certainly at depth," Greeve said.

The company will be targeting shallow, open-pitiable gold-copper mineralisation to the north and south of Deflector, initially

targeting the West, Central and Contact Lode horizons and testing of high-grade down-plunge extensions of Deflector to 500m below surface.

This comes after Mutiny completed a 15,000m drilling program at Deflector in March this year targeting strike extensions in the Northern zone of the deposit and at depth along strike at the Central and Contact lodes.

In addition, Mutiny will also conduct follow-up drilling of two prospective areas west of Deflector, named the Spanish Galleon and Pieces of Eight prospects, and other isolated intersections within close proximity to Deflector.

Greeve said there were a lot of opportunities within the project area including some historic mining sites such as Golden Stream open pit, which was mined in 1996 for 50,000t grading at 2.5gpt gold.

"We are looking to bring in some historically mined areas into the current Deflector development schedule," he said.



BFS

In July, Mutiny reported findings from the BFS which confirmed Deflector to be a highly profitable, low cost, premium gold-copper project.

The BFS is based on an initial mine life of seven years commencing with a two year open pit followed by five years underground operation.

Production will begin in the open pit at 480,000 tonnes per annum followed by 360,000tpa from years 3 to 7 in the underground mining operation resulting in total metal production over the seven years of 382,000 ounces of gold equivalent including 314,475oz gold, 14,432 tonnes of copper and 344,604oz of silver.

On the financial front, the project generates an initial net operating cash flow of \$341 million and net profit after capital costs, interest and tax of \$171 million.

Earnings before interest tax depreciation and amortisation (EBITDA) came in at \$323 million while Net Present Value (NPV) was estimated at \$103 million.

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Deflector also boasts low average cash cost per ounce coming in at \$617 per ounce of gold equivalent, creating a healthy margin based on current gold prices of around \$1700/oz.

The BFS estimated capital costs to be \$87 million with plant construction costs coming in at \$66 million and mine construction costs at \$21 million while operating costs were estimated to be \$308 million with mining costs to tip in at around \$187 million.

"Deflector is our flagship project and we have been working really hard to get the BFS out," Greeve said.

"It makes the whole project eminently bankable and it shows that it is a very robust premium project with a lot of production upside."

Open pit mining will use selective drill and blast methods using 100 tonne hydraulic excavators for overburden and ore removal and 55 tonne trucks for ore and waste haulage. Ore will be drilled, blasted and excavated on 5 metre benches.

For underground mining, Mutiny will use the conventional jumbo development and long hole open stoping method. Stopping will follow a top-down sequence and rib pillars will remain between adjacent stopes to maintain mine stability.

The method reduces development metres and provides quick access to ore, requiring minimal capital to be spent upfront while maximising recovery of the ore body.

The company is not planning to backfill the stope voids; however there may be opportunities in parts of the mine to dispose of waste rock in stope voids which would reduce truck haulage requirements.

Greeve said the optimal mine rate over the life of the project was 500,000 tonnes which gave Mutiny the opportunity to produce at a rate of 75,000ozpa.

"If we can operate the underground operations in conjunction with the open pit then we can have a mine producing somewhere north of 130,000 to 140,000 ounces a year," he said.

Mining at Deflector is expected to begin early next year, with gold production tipped for October 2013.

Meantime, Mutiny is also busy locking in finance to get Deflector up and running, recently locking in a \$US4 million funding deposit on a non-interest bearing commercial agreement.

The company is currently in discussions with investment bank Credit Suisse on finalising project finance arrangements for the Deflector project.

Greeve said financing for the project was in line with the company's objective to minimise overly dilutive equity issues while progressing Deflector.

"What we are working on is to get it fully funded without the need to go into dilutionary equity raisings particularly in these tight markets," he said.

"Once that funding package is complete we will then obviously make the big push into production."

Mutiny has also pushed ahead with approving key permits for Deflector including the project management plan for the treatment plant, project management plan for mining operations and haul road construction.

The company has also been granted works approval by the Department of Environment and Conservation (DEC) and the Groundwater Operating Licence by the Department of Water (DOW).

