



## QUARTERLY ACTIVITY STATEMENT

### DECEMBER 2011 QUARTER HIGHLIGHTS

#### Deflector Project Highlights:

- Deflector Deposit Resource upgrade
- Significant upgrade in metallurgical test-work
- Deflector Drilling Program Recommencement
- Feasibility Study progresses

#### Corporate Highlights:

- Completion of royalty and project acquisition
- Credit Suisse Project Loan
- Hedging Facility with record gold prices
- White Well mining agreement
- 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 2011.

It is Mutiny's objective to become a significant gold producer at the Deflector Deposit, the lead project at Gullewa, Western Australia. Mutiny is currently completing a Definitive Feasibility Study on the Deflector Deposit and commenced another drilling program at Deflector in mid-December 2011.

### DEFLECTOR DEPOSIT RESOURCE UPGRADE

#### Highlights

- Measured and Indicated Resources, increased by 600,000 tonnes
- 50% increase in gold ounces in Measured and Indicated resource tonnes for an extra 115,000oz
- 40% increase in Measured and Indicated resource copper tonnes for an extra 6,000t Cu metal



- Significant portion of current resource now eligible for conversion to Reserve status within ongoing Definitive Feasibility Study

The upgrade followed Mutiny's highly successful 2011 drilling campaigns into the Deflector deposit that delineated extensions of significant mineralisation both to the north and south of the previous resource, and which enabled an upgrade of significant portions of the deeper West Lode mineralisation from Inferred to Indicated status.

The drill programs in 2011 focused on lifting the Measured and Indicated resource at Deflector to build a robust resource capable of delivering a strong conversion to Reserves and to prove-up an initial mine life. The strong results achieved also enabled Mutiny to attract the interest of first tier international bank Credit Suisse who have provided a finance facility.

The upgraded resource estimate, detailed in the Table 1, represents a 50% increase in the gold Measured plus Indicated Resources from 230,000oz Au to 350,000oz Au (the previous 1,500,000 tonnes at 4.8g/t Au has been upgraded to 2,100,000 tonnes at 5.2g/t Au). The Measured plus Indicated Resources also contain an additional 6,000 tonnes of copper metal.

**Table 1 Deflector Deposit Mineral Resources**

Classification	Tonnes	Au (g/t)	Au (oz)	Cu (%)	Cu (t)	Ag (g/t)	Ag (oz)
Measured	1,040,000	4.6	150,000	1.34	14,000	8.7	290,000
Indicated	1,060,000	5.7	190,000	0.79	8,400	5.9	200,000
<b>Measured + Indicated*</b>	<b>2,100,000</b>	<b>5.2</b>	<b>350,000</b>	<b>1.1</b>	<b>22,000</b>	<b>7.3</b>	<b>490,000</b>
Inferred	1,300,000	4.5	180,000	0.5	6,000	3.2	130,000
<b>Totals</b>	<b>3,400,000</b>	<b>4.9</b>	<b>530,000</b>	<b>0.85</b>	<b>29,000</b>	<b>5.7</b>	<b>620,000</b>

\* Note: Totals may appear incorrect due to appropriate rounding

This upgrade of a significant portion of the Deflector resources to the higher confidence categories of Measured and Indicated Resources, met the Company's objectives and completed an important development step for the Deflector Project.

## SIGNIFICANT UPGRADE IN METALLURGICAL TEST-WORK

### Highlights

- Forecast copper recoveries increased from 58.5% to 64% in the oxide zone and copper concentrate grade increased from 21.5% Cu to 35% Cu
- Forecast gold recoveries increased from 77.9% to 81% (gravity plus flotation concentrate) for the oxide ore
- Forecast copper recoveries increased from 46.5% to 84% in the transition zone and copper concentrate grade increased from 16.1% Cu to 20% Cu
- Forecast gold recoveries increased from 82.5% to 92% (gravity plus flotation concentrate) from the transition zone



Improving metallurgical performance is considered one of the keys to Mutiny's development of the Deflector Project. The significant lift in gold and copper recoveries, achieved through refinements to the project's flowsheet, is another important step for the Deflector Project and significantly improves the project economics.

### Flowsheet Development

The Deflector resource is a gold-copper-quartz-sulphide system which has a weathering profile of oxide, transitional and primary mineralogy. The copper mineralogy of the oxide and transition zones makes Deflector ore unsuitable for treatment in a conventional carbon in pulp (CIP) or carbon in leach (CIL) cyanide leach gold processing plant. This is because there is too much cyanide soluble copper present which dissolves in the cyanide leach circuit and loads onto the carbon, thus reducing the ability of the gold to be recovered onto the carbon.

The previous operator of the Gullewa Project attempted the processing of Deflector oxide ore through the existing conventional CIL gold circuit with disappointing consequences.

It is standard metallurgical practice for these ore types to be processed via a flotation technique which involves:

- Using a gravity gold recovery stage to remove as much free gold as possible; and
- A differential flotation process to recover additional gold and the copper in a gold/copper concentrate.

40% – 55% of the gold is recovered into doré (gold/silver) bullion from the gravity concentrate, with the balance of the gold going into the gold/copper concentrate.

Cyanide leaching of the main copper bearing material does not usually take place. The copper concentrate is sold into copper smelter/refinery businesses, with payment being received for the contained copper and precious metals, less smelting treatment costs and refining charges.

Mutiny has selected a gravity/flotation process flowsheet for the development of the Deflector Project using a Controlled Potential Sulphidisation (CPS) flotation technique for the flotation of oxide and carbonate copper minerals present in the oxide and transition ore types.

A further increase in the overall gold recovery will be achieved through the utilisation of the existing CIL circuit in the final stages of the treatment of pyrite concentrates from primary ore flotation. This will benefit from the treatment of cleaner tailings where cyanide soluble copper is sufficiently low.

While the final process flowsheet has yet to be finalised, a simplified schematic of a possible flowsheet is shown in Figure 1.

### Gravity Recoverable Gold (GRG)

Duplicate 20kg stage grind GRG tests were conducted for each ore type. The laboratory recovery data was subsequently modelled by ConSep Pty Ltd to estimate the full scale plant performance. ConSep Pty Ltd makes and supplies the gravity separation process equipment selected for the flowsheet. Results are presented in Table 2.



Table 2 Gravity Recoverable Gold

Ore Type	Laboratory GRG Recovery %	Plant Gravity Recovery %
Oxide	53.5	39
Transitional	62.6	45

### Oxide Flotation

The recent testwork supports a concentrate grade of 35% Cu at 64% recovery with a gold recovery of 67% with respect to flotation feed after gravity gold recovery. This is achieved in a simple, rougher flotation stage without cleaning. The reagent scheme consists of NaSH at approximately 1,000g/t, PAX at 400g/t and frother at 60g/t. This scheme is some A\$10/t cheaper than the AM2 reagent scheme proposed previously, equivalent to a 25% reduction in operating costs.

This Oxide metallurgical recovery estimate is compared with previous estimates in Table 3.

Table 3. Oxide Recovery Comparison Mutiny vs Batavia

Developer	Gravity Gold	Copper Concentrate			Overall Gold
	Recovery %	Grade %Cu	Cu Recovery %	Au Recovery %	Recovery %
Mutiny	39	35	64	69	81
Batavia	40	21.4	58.5	63	77.9

\* The mineral chrysocolla, (copper silicate) is not activated by CPS flotation and reports mainly to the tailings stream. However, it is soluble in mineral acids and work will be undertaken to determine whether it is economical to include a final acid leach step of the oxide flotation tailings to increase the copper recovery.

### Transition Flotation

The recent testwork supports a concentrate grade of 20% Cu at a recovery of 84% Cu and 85% Au. This is achieved in a rougher, scavenger and single stage cleaning circuit, with CPS used to float oxide copper minerals in the feed. The reagent scheme consists of PAX 85g/t, NaSH 1500g/t, frother 40g/t and lime 300g/t. This reagent scheme is approximately A\$10/t cheaper than the AM2 scheme proposed previously.

The Transition metallurgy recovery estimate is compared with previous estimates in Table 4.



Table 4. Transition Recovery Comparison Mutiny vs Batavia

Developer	Gravity Gold	Copper Concentrate			Overall Gold
	Recovery %	Grade %Cu	Cu Recovery %	Au Recovery %	Recovery %
Mutiny	45	20	84	85	92
Batavia	50.9	16.1	46.5	64.4	82.5

Previous testwork on the primary ore indicates a total gold recovery of 91.6% (65.5% by gravity and 26.1% into the copper/gold concentrate) and an overall copper recovery of 93.7% at a concentrate grade of 22.7%. Testwork has confirmed the recoveries of copper and gold. Further work is being undertaken to improve the copper concentrate grade from the primary zone.

## DEFLECTOR DRILLING PROGRAM RECOMMENCEMENT

### Highlights

- 12,000 metre RC and diamond drilling program underway
- New drilling program targets strike extensions in the Northern zone of the Deflector Deposit and at depth and along strike at the Central and Contact lodes
- Further infill drilling to improve the quality of the resource estimate for use in the expansion phase of scheduled mine production

A new program of drilling commenced at the Deflector Gold-Copper Deposit on 13<sup>th</sup> of December 2011. The program is designed to test for extensions along strike and to upgrade existing resources to support the project expansion after completion of the Definitive Feasibility Study (DFS).

Previous drilling results announced in October demonstrated that the high-grade lodes at Deflector extend north and down plunge of the already delineated resources that are currently the subject of a Definitive Feasibility Study into both open pit and underground mining at Deflector.

The Company's expectation is that the Deflector resource will extend along strike, both to the North, South and at depth. The Company intends to execute ongoing programs to progressively develop the size of Deflector resources, unlocking the projects potential. Given the production capacity being considered as part of the DFS, additions to the resource inventory will enable Mutiny to rapidly expand the production profile as these additional ounces are developed.

### Overview of New Drilling

The new drilling program supports the dual objectives of resource upgrade to support project expansion, and deposit extension exploration. The drilling is in three parts as follows:

1. RC pre-collar holes to enable efficient diamond drill holes;
2. Infill diamond drilling of the central lode (see diagram) mineralisation, to upgrade the resource classification to Measured and Indicated; and



3. Further extension exploration drilling north, south and down plunge of the recently discovered extensions to add additional resources to the project.

Details are shown in Table 5 and the drilling locations are shown in plan on Figure 2 and in long section in Figures 3 and 4.

### Expected Outcomes

The Company expects the results of drilling to provide further support to an expansion of resources at Deflector, potentially allowing production capacity to be increased beyond 100,000 ounces of gold per annum. As previously announced, Mutiny is targeting total resources in the order of 9 to 14 million tonnes at 4 to 8 g/t gold for 1.6 to 2.5 million ounces of gold, and 40,000 to 80,000 tonnes of contained copper from this and future drilling programs\* (ASX Announcement of 28 January 2011, "Mutiny Gold begins Deflector extension drilling targeting new gold deposits").

\* The potential quantity and grade of this exploration target is conceptual in nature and has yet to be fully drill tested. There has been insufficient exploration to define a JORC compliant Mineral Resource and it is uncertain if future exploration will result in the further resources being discovered.

### Details of New Drilling

Details of the current drilling program are presented in Table 5 below.

**Table 5. Details of Drilling Program**

Area	Type	Drilling	Hole #'s	Total RC m	Total Diamond m	Total m
West Lode – North	Pre collar	RC	15	2250		2250
	Resource Extension	Diamond	15		1600	1600
	Resource Extension	RC	7	650		650
Zone 2	Pre Collar	RC	11	1450		1450
	Resource Extension	Diamond	11		700	700
	Resource Extension	RC	2	250		250
Central	Pre Collar	RC	15	2000		2000
	Resource Extension	Diamond	16		1100	1100
	Resource Extension	RC	12	1050		1050
Contact	Pre Collar	RC	1	100		100
	Resource Extension	Diamond	1		50	50
	Resource Extension	RC	7	550		550
<b>Totals</b>			<b>113</b>	<b>8300</b>	<b>3450</b>	<b>11750</b>



## FEASIBILITY STUDY PROGRESS

Xstract Mining Consultants continued feasibility study works during the quarter in the Mining area. GR Engineering Services commenced study works for the Plant & Infrastructure. Work progressed towards project permitting with Flora, Fauna and Heritage surveys being conducted and reported during the period in readiness for permit application documentation submission in the next quarter.

## CORPORATE HIGHLIGHTS

### COMPLETION OF ROYALTY AND PROJECT ACQUISITION

On October 24<sup>th</sup> 2011 Mutiny announced it would proceed to earn a further 30% (aggregate 100%) interest in Gullewa Gold Project by:

- i. Completing a positive Feasibility Study;
- ii. Sole funding all expenditure;
- iii. Paying ATW Gold Corp Australia Pty Ltd (ATW) \$4 million; and
- iv. Agreeing to pay ATW a 10% net profit interest royalty in respect of minerals derived from the Gullewa Gold Project.

Mutiny subsequently negotiated with ATW through its 100% parent entity Red Hill Resources Corp (“**Red Hill**”) to move to 100% by the payment of \$4 million and to acquire the 10% Net Profit Interest Royalty for a consideration of 40,000,000 ordinary shares which are subject to a 15 month escrow period.

On the 16<sup>th</sup> of December the Company announced that it had completed the acquisition of the final 30% interest in the Gullewa Gold Project. This included acquiring the 10% Net Profit Interest Royalty. Mutiny now owns its Gullewa Gold Project 100%.

Red Hill and Mutiny believe this provides significant value for shareholders of both companies. It stream-lines the finance model and operations at Deflector and enables the shareholders of Red Hill to participate in the upside expected as Deflector moves into production.

### CREDIT SUISSE PROJECT LOAN

In November 2011 the Company executed a binding project loan and hedging facility agreement with leading global investment bank, Credit Suisse (“**CS**”).

Under the agreement CS act as arranger in respect of a Project Loan Facility and associated Gold Hedging Facility, which funded the acquisition of the residual 30 per cent of the Gullewa tenements (the acquisition was completed on 16 December 2011) in Western Australia and the completion of a Definitive Feasibility Study (DFS) on the Deflector Gold Copper Project.

This financing comprised an initial Project Loan Facility for **\$A11 million** and a Gold Hedging Facility of **50,000 ounces in total**.



The funding facility with Credit Suisse provides the Company with significant benefits, including:

- Ensures the Company is fully funded through to completion of the Definitive Feasibility Study;
- funds the final cash instalment, of \$A4 million, which enabled Mutiny to move to 100 per cent asset ownership of the Gullewa tenements;
- minimises immediate share dilution;
- offers a strong partnership with a leading global financial institution which is providing a financing and risk management solution, a global trading platform and a highly experienced Australian-based commodities team; and
- provides a de-risking hedge facility which helps protect Mutiny's emerging production cycle from price risk in the start-up phase.

Upon completion of the Definitive Feasibility Study, scheduled for mid-2012, CS has first right of refusal to provide the full Project Finance Facility and for the underwriting of future capital raisings.

The attainment of the finance arrangement came after an extensive review by Credit Suisse of the Deflector mine proposal and geology records.

#### **HEDGING FACILITY WITH RECORD GOLD PRICES**

A component of the finance agreement with Credit Suisse, detailed above, was a Gold Hedging Facility for approximately 50,000 ounces, representing less than 8.5% of the total Gold Resources at Deflector. The executed forward sale of gold will see Mutiny deliver gold to Credit Suisse over the period July 2013 to December 2016. The average price received over the facility term is A\$1,847 per ounce which is above historical Australian gold pricing. The forward delivery price for the last delivery of gold is A\$1,920 per ounce, which is higher than the gold spot price has ever traded.

The Board of Mutiny was delighted by the pricing that was achieved upon execution of the hedging facility. To have hedged a small component of future gold production at record gold prices will greatly assist in de-risking the Company and the project as it moves towards production from Deflector in late 2012 / early 2013.

#### **WHITE WELL MINING AGREEMENT**

##### **Highlights**

- Alliance agreement to fast-track development of the White Well Gold Project
- Alliance partner brings mining expertise and financial strength to project development
- Cobra to fund mine development operation
- Agreement allows Mutiny to focus on Deflector Gold-Copper Project

In October 2011 the Company announced that it had entered into a "tribute mining agreement", paving the way for fast-tracking of the development of the Company's White Well Gold Project, east of Cue, Western Australia.





The alliance with Cobra Mining Limited (“Cobra”) provides Mutiny with an opportunity for a revenue stream in times of record gold prices at the lowest possible risk.

Under the deal Cobra will fund and conduct the mining operations for a 70 per cent share of the profit. Mutiny will receive 21 per cent, with joint venture partners Lee/Daxon receiving 9 per cent. Cobra intends to mine the White Well deposit by open pit. The resource for the White Well Deposit is set out in Table 6. The agreement does not include the advanced exploration targets of Bounty and Bligh, which are separate zones within the White Well tenement.

Upon Cobra attaining approval of their mining proposal they must pay \$750,000, of which Mutiny receives 70 per cent.

On 16<sup>th</sup> of January Mutiny announced that Cobra had advised of their decision to commence mining.

**Table 6 White Well Resources**

Resource	Inferred Resource			Indicated Resource			Total
	Mt	Grade (g/t Au)	oz	Mt	Grade (g/t Au)	oz	oz
Oxide Zone				4.2	0.67	91,000*	91,000
Stockpile	0.07	1	2,000				2,000
Transitional Zone	0.3	2	20,000				20,000
<b>Total Inferred</b>			<b>22,000</b>				
<b>Total Indicated</b>						<b>91,000*</b>	
<b>Total Resources</b>							<b>113,000</b>

\* Indicated Resource is 4.2Mt @ 0.65g/t for 88,000oz Au if an upper-cut of 40 g/t Au is used.

## ANNUAL GENERAL MEETING

On the 30<sup>th</sup> of November the Company held its annual general meeting of shareholders and passed the following resolutions:

1. Re-election of Dr Frank Lawson
2. Re-election of Mr Allan Brown
3. Ratification of prior issue – Placement Shares
4. Ratification of prior issue – Placement Options
5. Ratification of prior issue – Options to Advisor
6. Issue of Options to Credit Suisse
7. Adoption of Remuneration Report
8. Non-executive Director remuneration

**Competent Persons Statement:**

*The geological information in this report which relates to Exploration Results and Mineral Resources is based upon information compiled by Mr J.J.G. Doepel, B.Sc (Hons), GradDipForSc, Dip Teach, Principal Geologist of Continental Resource Management Pty Ltd. 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.*

**Forward Looking Statements**

*All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Mutiny Gold Limited (Mutiny) are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Mutiny, that could cause Mutiny's actual results to differ materially from the results expressed or anticipated in these statements.*

*The company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Mutiny does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.*

For further information, please contact:

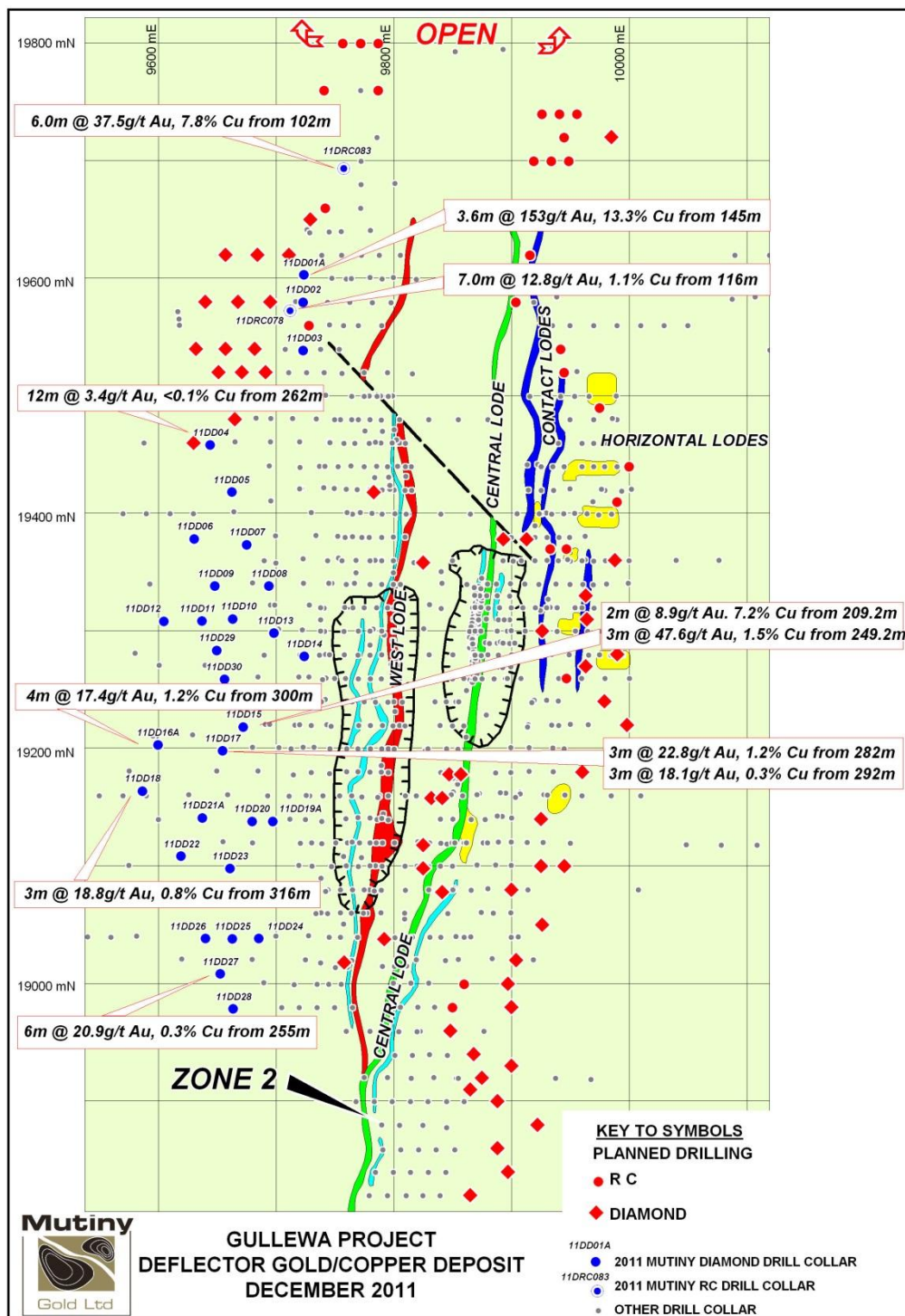
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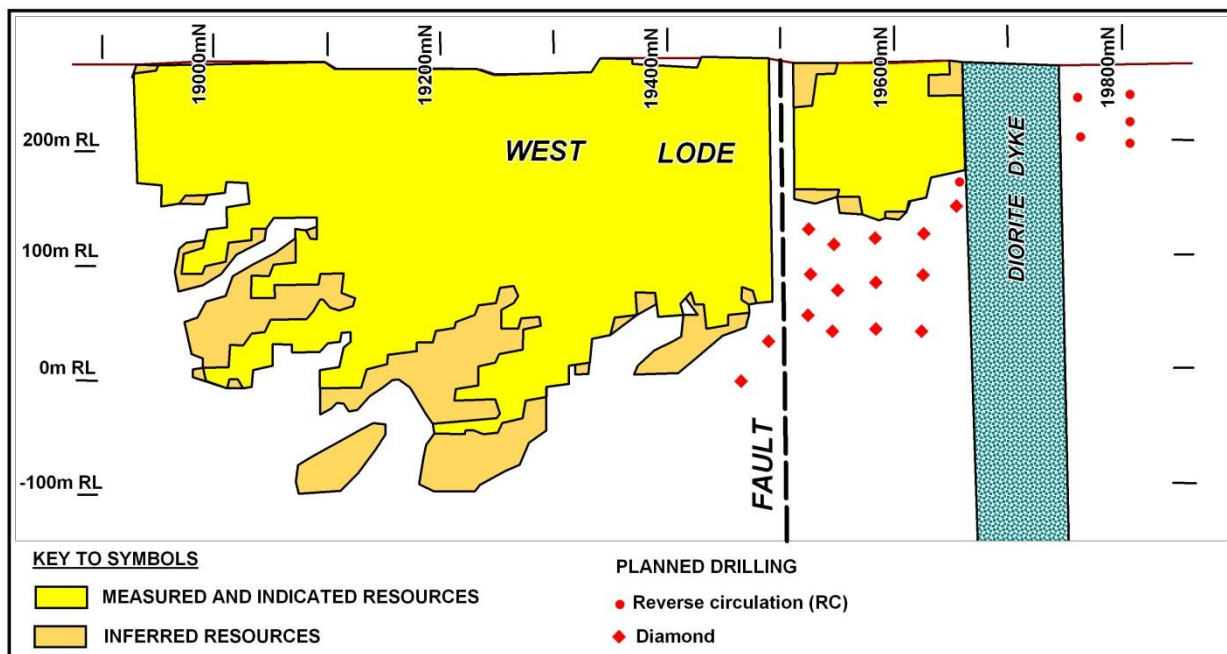


Figure 2 Drill-hole locations





**Figure 3 West Lode Resources and planned drilling**



**Figure 4 Central and Contact Lode Resources and planned drilling**

