



magnetic resources^{NL}

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BIRTHDAY PATCH GOLD TENEMENTS SECURED 175 SQ. KM

Magnetic Resources NL (**Magnetic**) has entered into an option to purchase agreement with prospector L Masters on the Birthday Patch prospect comprising tenements E53/1978 (application pending), P53/1627 (granted) and P53/1628 (granted) totaling 37sq km, situated 123km east of Wiluna and 225km north of Magnetic's Leonora-Laverton Project (Figure 1). A \$5,000 option fee payment has been paid and Magnetic has the right to explore for a further 9 months before an option exercise price of \$35,000 needs to be paid for 100% ownership of the tenements. Magnetic has also applied for E53/1981 totaling 138 sq. km, which surrounds the option tenements. E53/1981 is not part of the option with Lynsay Masters and once this tenement is granted it will be owned 100% by Magnetic.

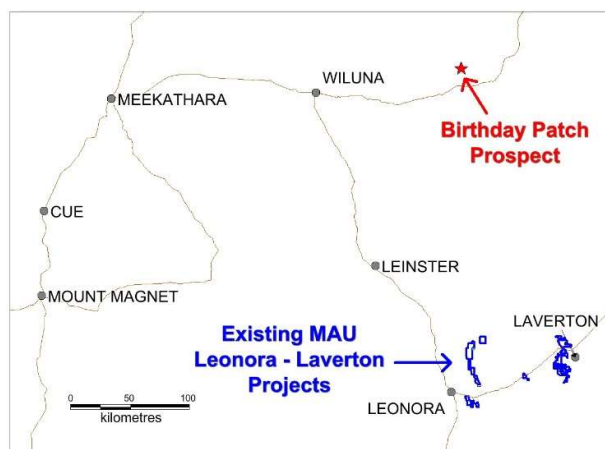


Figure 1. Birthday Patch Prospect Location

The optioned tenements cover a 700m-long corridor within which near-surface gold nuggets have been reported by prospectors using metal detectors (Figure 2). Examples of the gold in quartz and gold nuggets reported from this area are shown in Figures 3 and 4 respectively. GSWA mapping indicates that the nugget occurrences are situated on a granite-sediment contact (Figure 5). A geological inspection of the area revealed evidence of sheared ultramafic rocks underlying the nugget occurrences and supported by a linear aeromagnetic anomaly in this position. **Outcropping granite to the west of the nugget zone shows a very strong foliation, supporting the interpretation of a sheared contact with the ultramafics and sediments to the east.** The granite hosts several large white quartz veins parallel with the foliation, which appear to be barren.

The nugget zone is soil and hardpan covered however two low mounds were noted to comprise cemented pebbles and sub-rounded to angular fragments of grey quartz interpreted to be the basal gravel of a paleochannel. Nearby, hand excavation by the prospectors discovered gold in fragments of similar grey quartz beneath shallow hardpan (Figures 3 and 6). The grey gold-bearing quartz is quite different in appearance from the white quartz in the granite-hosted veins to the west and is considered to have a different source.

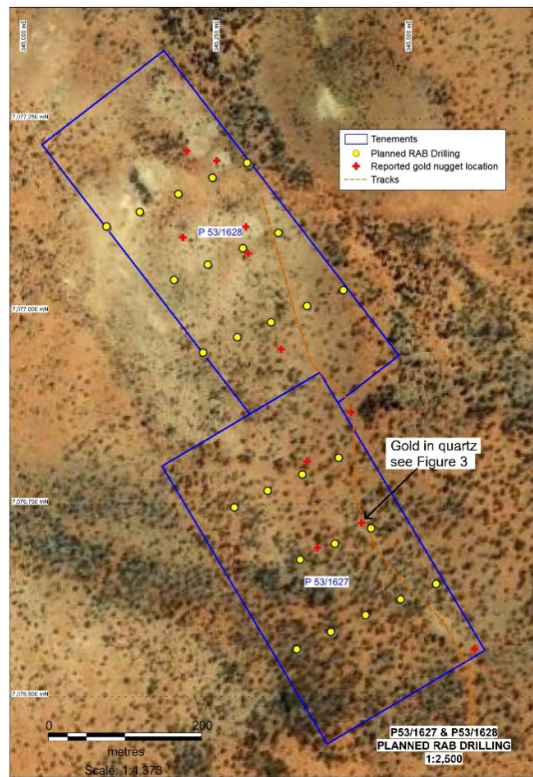


Figure 2. P53/1627,1628 Gold Nugget Locations and Proposed Drilling



Figure 3. High Grade Gold in Quartz from P53/1627
(largest specimen approximately 10cm in length)



Figure 4. Gold Nuggets from P53/1627 and 1628

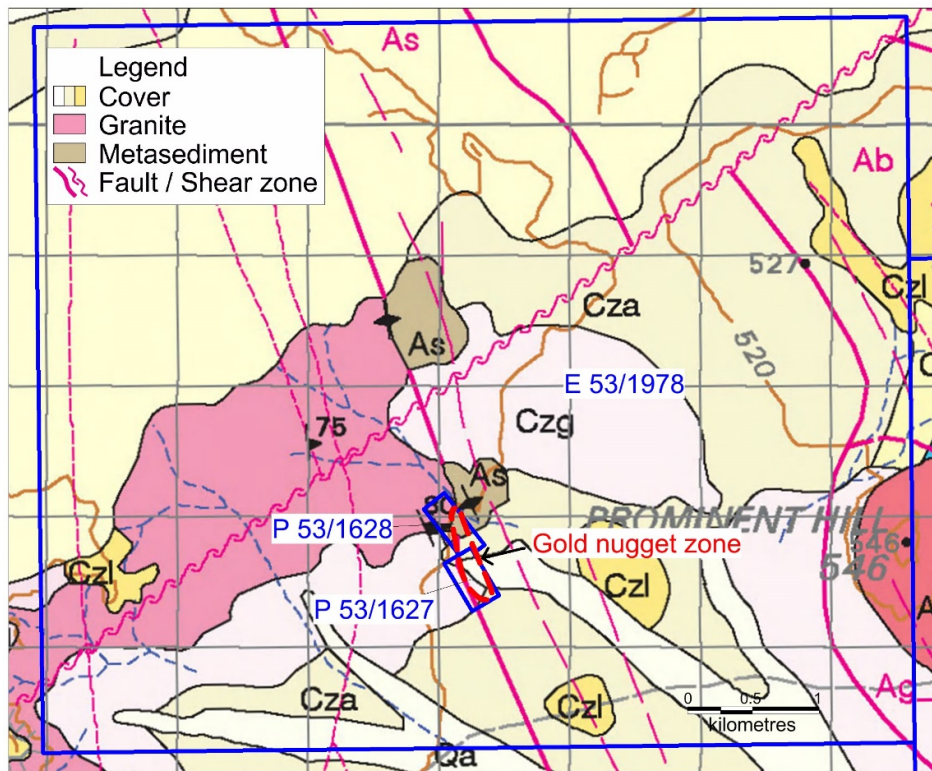


Figure 5. E53/1978 Geology (source GSWA)



Figure 6. Location of Gold in Quartz Specimens in Shallow Excavation on P53/1627

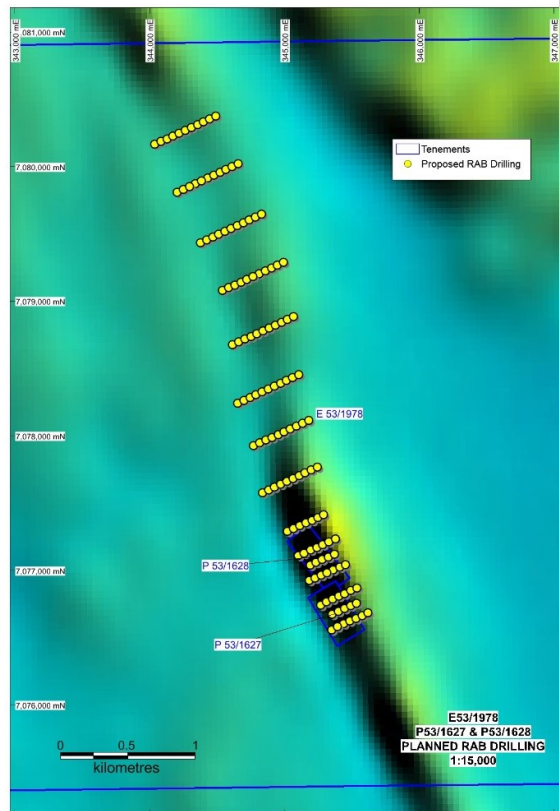


Figure 7. Extended Proposed RAB Drilling on E53/1978 over Aeromagnetic Dilational Structural Target

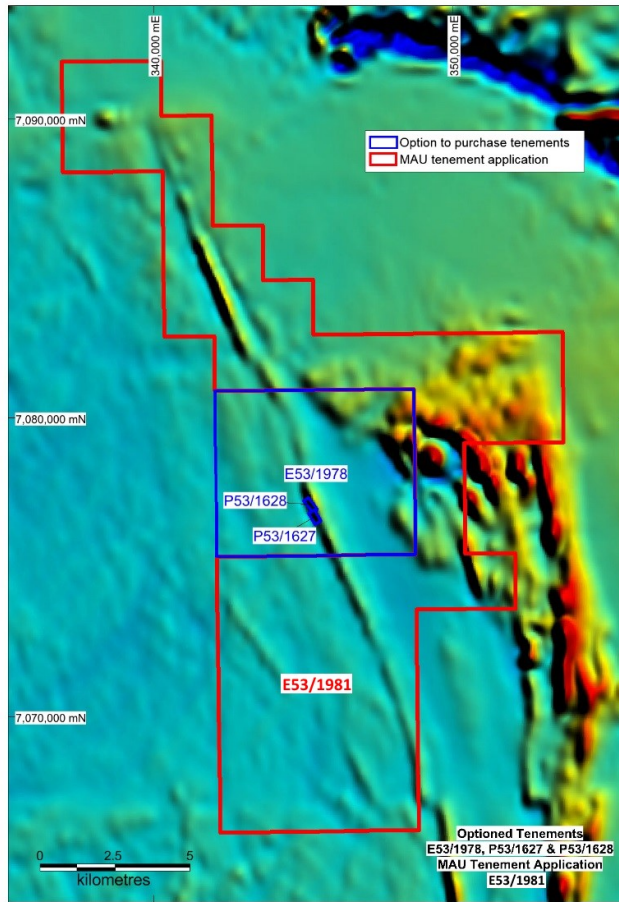


Figure 8. Magnetic's Exploration Licence Application and Optioned Tenements on an Aeromagnetics Image.

Whilst the source of the gold-bearing quartz and gold nuggets has yet to be determined, the sub-rounded to angular nature of some of the quartz pebbles suggests that the source is not distal. There are several examples in the Eastern Goldfields of gold-bearing paleochannels being underlain or in near proximity to bedrock mineralisation, such as at Kanowna east of Kalgoorlie and at Higginsville south of Kalgoorlie. **The presence of a large interpreted shear zone adds weight to the potential for a nearby high-grade bedrock source of the gold.**

Significantly, the aeromagnetics shows a pronounced bend in the interpreted position of the shear zone, which can be a favourable location for gold mineralization (Figure 7). The magnetic signature of the ultramafic unit in this position is somewhat weaker, one possible explanation being hydrothermal destruction of magnetite, which could be associated with gold mineralisation.

Upon grant of the exploration licence and statutory drilling permits Magnetic plans to carry out an initial programme of shallow RAB drilling to test for a bedrock source below and adjacent to the nugget zone and also to test the structural target on the shear zone to the north. This initial drilling will cover a strike length of 4km. Magnetic has also applied for an exploration licence (number yet to be advised) covering a 9km extension of the interpreted shear zone to the north and a 6km extension to the south (Figure 8). A pronounced bend on the northern end of this structure evident on aeromagnetics will become an early exploration target upon grant of the tenement.

Under the terms of the option agreement Magnetic may purchase the tenements (E53/1978, P53/1627 and P53/1628) for a total of \$40,000 during the period to 30 September 2018 (extendable to 31 December 2018) and may withdraw at any time during that period.

Managing director George Sakalidis commented: "Birthday Patch is a virgin discovery of high-grade gold as evidenced by the gold in quartz recovered to date. The absence of any historical drilling and the coincidence with our interpretation of a large shear zone make this a very attractive drilling proposal, giving Magnetic yet more upside in its search for high-grade gold resources. A POW has already been applied for seeking approval for our initial RAB/AC drilling programme."

For more information on the company visit www.magres.com.au

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The information in this report is based on information compiled by George Sakalidis BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. George Sakalidis is a Director of Magnetic Resources NL. George Sakalidis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

This announcement contains forward-looking statements which involve a number of risks and uncertainties. These forward looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> • <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> • A metal detector was used to identify anomalous areas and gold nuggets within the near surface profile. • In two areas of nugget occurrences the top 20-30cm of soil was scraped off using a small front end loader and further metal detecting carried out. The disturbed areas were rehabilitated and top soil returned.
Drilling techniques	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> • Not applicable
Drill sample recovery	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> • Not applicable
Logging	<ul style="list-style-type: none"> • <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> 	<ul style="list-style-type: none"> • Not applicable

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • Quartz specimens ranging from 2-10cm in size containing coarse visible gold were recovered from one location on P53/1627. • Gold nuggets reported from other locations on P53/1627 and P53/1628 commonly ranged in weight from 0.5g to 6g, totalling approximately 80ozs.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> • <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> 	<ul style="list-style-type: none"> • Not applicable
Verification of sampling and assaying	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • Magnetic Resources has relied on gold specimens and nuggets shown to it by the prospector and has not carried out metal detecting to verify the gold occurrences.
Location of data points	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> • A hand held GPS unit was used by the prospector to record the position of some sampling locations. In other cases the prospector indicated the position of nugget occurrences on Google Earth images.
Data spacing	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> • The data relates to the reported occurrence of near-surface gold

Criteria	JORC Code explanation	Commentary
and distribution	<ul style="list-style-type: none"> Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	nuggets and is not sufficient to establish geological and grade continuity.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> The samples have been obtained by shallow mechanized scraping and metal detecting in an area on or close to an interpreted shear zone, however at this stage no specific structural information is available.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> The gold samples remain in the custody of the prospector.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> The sampling techniques and results have not been subject to audit.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> P53/1627 and P53/1628 are granted prospecting licences held by L Masters. E53/1978 is an exploration licence application held by L Masters. Magnetic Resources and Masters have an agreement giving Magnetic the option to purchase these tenements for a total of \$40,000 by 30 September 2018, with a right to extend the option period by a further three months at no cost. Magnetic Resources has also recently applied for E53/1981. The prospecting licences are granted, with no known impediments to obtaining a licence to operate. The exploration licence is an application at this stage, with no known competing applications and with no known reasons as to why it should not be granted.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> Magnetic Resources is not aware of any previous exploration by other parties other than the prospecting activity reported here.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The Birthday Patch prospect is situated on the western flank of the Mt Fisher greenstone belt east of Wiluna. The gold in quartz and gold

Criteria	JORC Code explanation	Commentary
		nugget occurrences are interpreted to be derived from the basal gravel of a partly eroded paleochannel. The source of the gold nuggets and gold-bearing quartz has not yet been determined, however the close proximity of an interpreted shear zone suggest a shear-hosted style of mineralization could be the source.
Drill hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> • Not applicable
Data aggregation methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> • No weighted grade results have been reported.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> • Not applicable
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> • Refer to the figures in the text.
Balanced	<ul style="list-style-type: none"> • Where comprehensive reporting of all Exploration Results is not 	<ul style="list-style-type: none"> • At this stage reporting is limited to mainly verbal advice from the

Criteria	JORC Code explanation	Commentary
reporting	<i>practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	prospector and examination of gold nuggets and gold in quartz specimens.
Other substantive exploration data	<ul style="list-style-type: none"> • <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> • No other substantive exploration data is available.
Further work	<ul style="list-style-type: none"> • <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> • <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> • Magnetic is planning to carry out a programme of shallow RAB drilling to test for a bedrock source of the gold nuggets on P53/1627 and P53/1628. Subject to grant of E53/1978 Magnetic is proposing to carry out RAB drilling of a structural target along strike from the gold nugget occurrences.