

## MAGNETIC SECURES KAURING PROJECT

### HIGHLIGHTS:

- Magnetic Resources signs 5 year option agreement with private landholder of the Kauring Project
- Security of tenure gives the ability to rapidly advance the project
- Immediate plans to conduct further drilling to delineate previously untested BIF
- Medium term plans to delineate a JORC resource

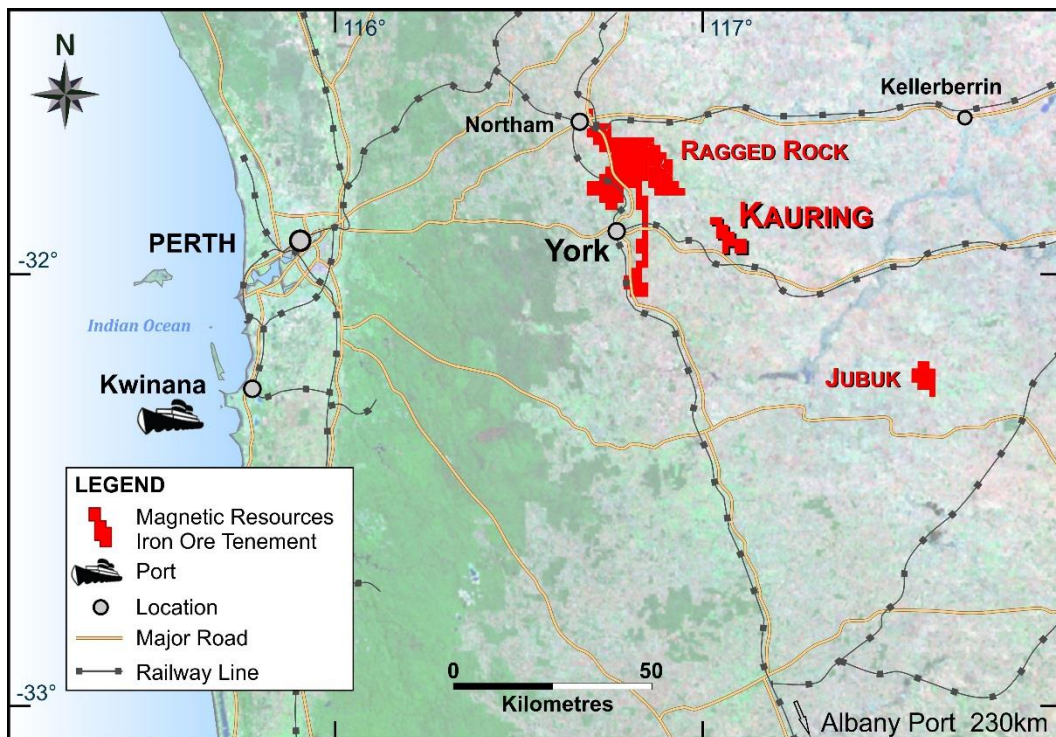


Figure 1: Location Map Kauring Project

## INTRODUCTION:

Magnetic Resources NL (**Magnetic or the Company**) is delighted to announce that it has executed a 5yr Option agreement for the purchase of the private farming land that covers a large area of the Company's 100% owned Kauring Project (**Kauring**).

### Kauring Project

The Kauring Project was identified as an opportunity in December 2013 (ASX Announcement dated 19 December 2013) and initial drilling demonstrated the presence of very coarse grained magnetite with yields much higher than typical magnetite deposits.

The initial drilling campaign consisted of 5 holes which identified a number of stacked BIF lenses in close proximity to each other. A number of the holes intersected the deposit within a weathered zone, however, one of the drill-holes (13KRC4) intercepted a very thick and continuous lens of fresh BIF which was tested as a bulk sample and gave exceptional results. The composite sample was ground to a P80 of 100 micron (approx. 2-3 times coarser than most magnetite deposits) and yielded a high quality concentrate of 44.8% mass (refer Fig.2) which is substantially higher than most other magnetite projects (typical yields of 20-30%). The coarseness of the magnetite, coupled with the very high mass yields bodes well for the economics of any future mining operation.

Results from the first round of drilling encouraged the company to begin negotiations to secure tenure over the ground, and provide certainty of title for any future proposed mining operations.

An EIS funded twinned diamond core drill-hole 14KDD1, completed to 144.2m for QA/QC and engineering purposes, confirmed the 13KRC4 drill-hole in all aspects of QA/QC logging. Refer to Table 1 for details. (EIS: the Exploration Incentive Scheme of the State of WA through the Department of Mines and Petroleum).

Table 1 Drill-hole Collars 13KRC4:14KDD1 twin

Hole ID	Easting	Northing	Dip	Azimuth	Fresh massive BIF	Fresh massive BIF	BIF lens
					From	To	metres
13KRC4	507217	6468467	60	210	69	120 EOH	51
14KDD1	507221	6468466	60	210	69.1	127.4	58.3

### Option to Purchase

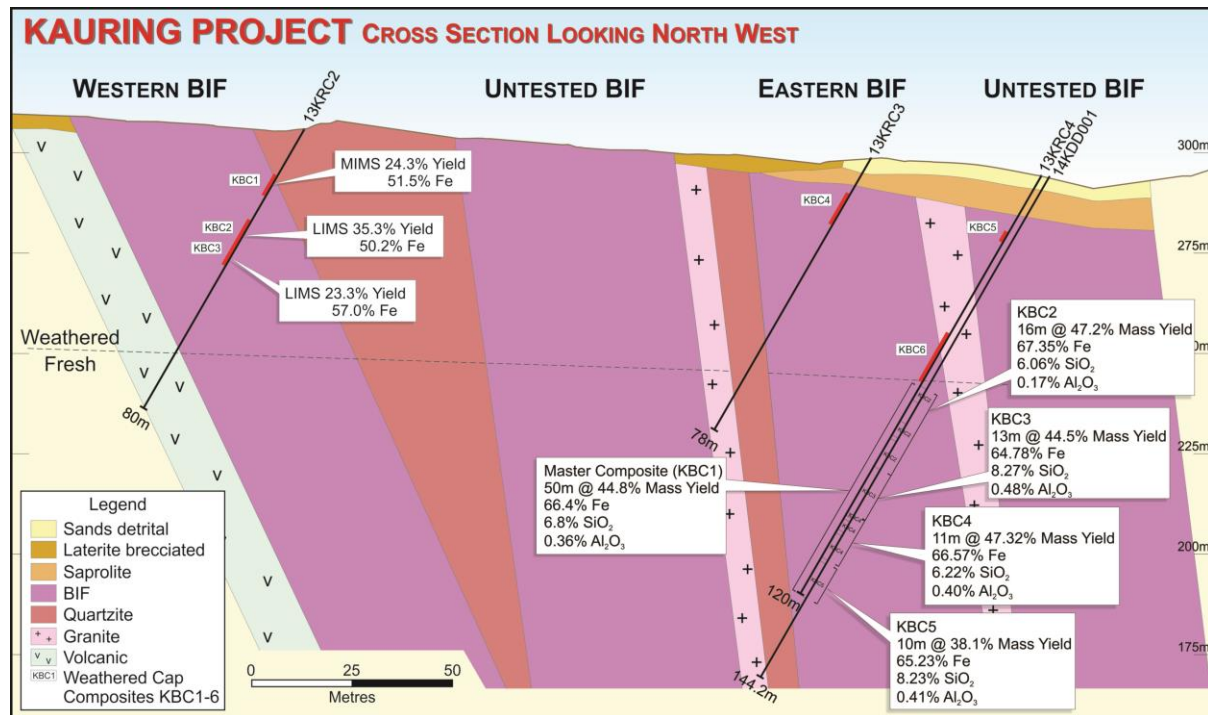
The agreement signed with the landholder gives Magnetic the option to purchase the property at any time within the next 5 years for an agreed sum. An option fee of \$10,000 is payable to the farmer on each anniversary of the signing of the agreement.

The agreement gives Magnetic the confidence to spend the required funds to develop the project knowing that the Company have the ability to take the project through to mining, subject to the normal mining approval process.

### Immediate plans for Drilling

With certainty of tenure, the Company is planning to undertake an immediate drilling programme. The initial drilling indicated a number of stacked lenses in close proximity to each other, with combined thickness in the order of 120m width. An initial number of the reverse circulation drill-holes intercepted BIF lenses in the weathered zone. Whilst these weathered zones demonstrate good potential for a beneficiated hematite (ASX Announcement September 2014 Quarterly), the Company is very interested to gain an understanding of the fresh magnetite BIF which is believed to lie below the weathered zone.

A schematic of the initial drilling campaign below (refer Figs 2 and 3) outlines the Company's understanding of the deposit and the weathered zone.

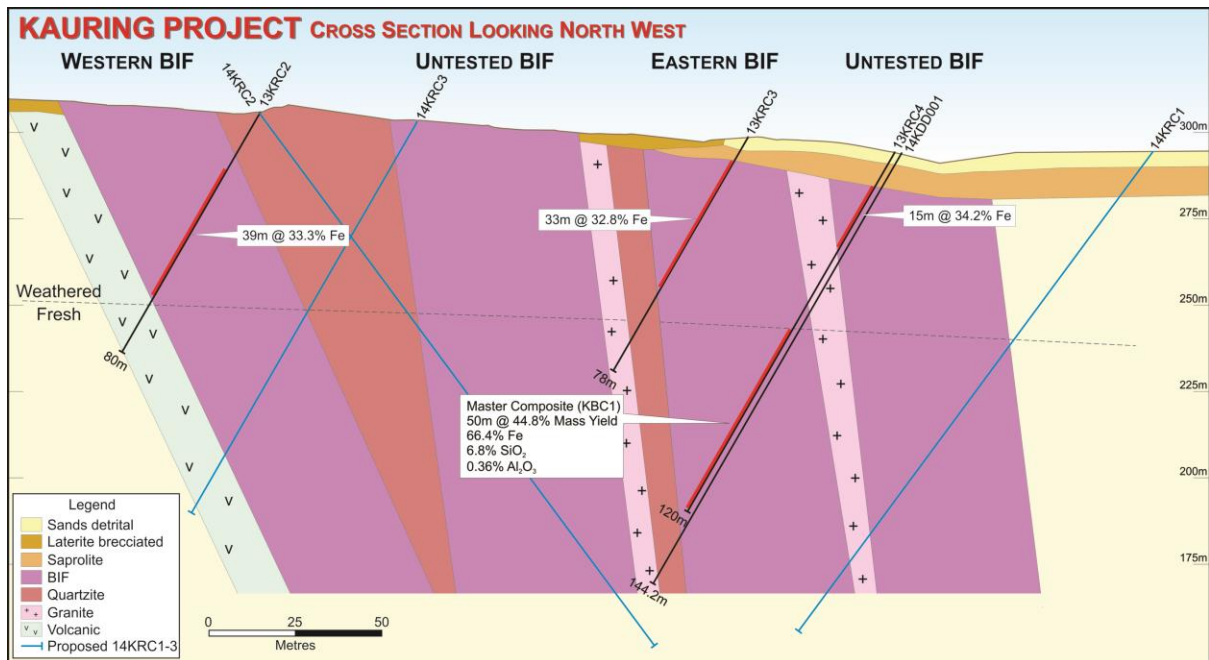


**Figure 2: Kauring Project Cross Section Update with DTR of fresh BIF and LIMS and MIMS test work on parts of the weathered BIF**

During a subsequent review of the drilling, the geophysical data and observed dip of the BIF lenses at surface suggests that there is likely to be an additional lens of BIF that lies between the previously reported Eastern and Western BIF's. The company also believes that the evidence suggests the most Eastern BIF lens is also likely to be thicker than the initial drilling campaign was able to demonstrate.

For these reasons, and with the confidence of having secure tenure, the company intends to conduct a 3-hole drill campaign (14KRC1-3) within the next 2-4 weeks with the intention of achieving the following:

1. Delineating the presence of an additional lens of magnetite BIF in between the previously reported East and West BIF lenses;
2. Intersecting all previously reported weathered BIF lenses at depths below the weathered zone in order to assess the properties of underlying fresh BIF.
3. Drilling east of the Eastern BIF magnetic anomaly which is hoped to show that the most eastern lens is thicker than previously demonstrated and also to show depth continuity of the Eastern BIF which gave such promising results during the initial drilling campaign.
4. Drill-holes that intersect previously reported BIF lenses will also provide a more accurate understanding of the dip of these lenses which will improve the accuracy of dip information.



**Figure 3: Kauring Project Cross Section showing Proposed Drill Holes 14KRC1-3**

### Medium term plans

Subject to the satisfactory results from the initial drilling campaign above, the company is now in a position to undertake further drilling with the intention of delineating a JORC resource.

If the findings of the short term program are consistent with the Company's understanding of the size, width and dip of the BIF lenses stated in the Central Exploration Target (ASX release 19 February 2014), it is believed this central zone of Kauring will show approx. 100-120m of magnetite BIF over an approximate 400m width on surface and a strike length of approximately 1200m.

Based on this relatively small footprint, the Company believes that a 2012 JORC inferred mineral resource can be delineated with a relatively modest drill program of approximately 20 drill-holes, subject to ability to drill to target depths.

### General

Commenting on the signing of the Kauring agreement, Managing Director Gavin Fletcher said "the signing of this agreement is a major step forward for our company. We now have the confidence to commit the resources to developing this very promising project knowing that we have the ability to take the project all the way through to a mine"

For more information on the company visit [www.magres.com.au](http://www.magres.com.au)

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## Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled or reviewed by Mr Cyril Geach BSc (Hons-Geology) who is a member of the Australian Institute of Geoscientists. Cyril Geach is an independent consultant with his own business, Cyril Geach - Geologist and 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'. Cyril Geach consents to the inclusion of this information in the form and context in which it appears in this report.

<b>JORC Code, 2012 Edition – Table 1 report template</b>	
<b>Section 1 Sampling Techniques and Data</b>	
(Criteria in this section apply to all succeeding sections)	<b>Magnetic Resources Kauring Report Release 19 December 2013 update with Magnetic Resources Kauring Report Release 19 February 2014 update with Magnetic Resources Kauring Report Release 04 &amp; 20 March 2014 update with Magnetic Resources Kauring Report Release 07 April 2014 update with Magnetic Resources Quarterly Report to 30 June 2014 Release update with Magnetic Resources Quarterly Report to 30 September 2014 Release</b>
Sampling techniques	Reverse Circulation Drilling collected at 1m interval and sub sample split through a cyclone rotary splitter. Diamond core drilling at HQ with NQ tail no precollar
	Duplicates taken using a 75:25 riffle splitter at every 20m and standards introduced at every 30m. Core split into ½ and ¼ for mat test work.
	Susceptibility readings taken at each 1m from larger sample collected using a Georadus K10 magnetic susceptibility meter x10-3SI. Susceptibility scanned over core, density tests taken in the field.
	Hand held Delta Dynamic XRF Model DP-4000-C Serial No 510246 used to test every 5-7 metres of collected sample for early recognition of Fe content. Error 5-10%Fe to assay expected.
Drilling techniques	Reverse Circulation Drill Rig owned by Orbit Drilling Pty Ltd Hydco 350 using a 140mm drill bit, pre-collar to 6m. Diamond core Mt Magnet Drilling Pty Ltd.
Drill sample recovery	Visual observation and noted where water occurs - water was minimal and 99% of sample recovery water free. Water breakage at about 57m.
	Orbit Drilling ensures the efficiency is acceptable and audit of machine efficiency through Duplicates
	It is assumed minimal bias to sample recovery and grade and if so expect at the 1m interface between geological horizons bias to occur backed up where susceptibility and duplicates are a measure of down hole consistency. Duplicate results indicate in a number of samples that future improved recovery at the rig is required, but as this is an exploratory drill program results are deemed acceptable at this initial level, but would need to improve QA/QC consistency for JORC purposes at MR level when testing the weathered horizon in particular.
Logging	Logging at 1m intervals to assess the geological interpretation
	RC sampling at 1m interval is quantitative using Hand Held XRF and will become qualitative after assaying is carried out. Assay results previously reported in ASX release February 2014 and March 2014 are firm data. Logged 144.2m of DDH 14KDD1.
	Total length of intersections logged 446 metres as 100% of the drilling at Kauring
Sub-sampling techniques and sample preparation	RC sampling at 1m interval is quantitative using Hand Held XRF and became qualitative after assaying data released in March 2014. Refer to part release of assay results in ASX release February 2014 and composite samples 04 & 20 March 2014. No sub samples of core.

	Rotary Split at rig at 1m intervals into Calico for 0.5-2.0kg sub samples and riffle split at 75:25 for duplicates >3Kg
	Dry samples into calico bags for assay vary with size of collected sample between 0.5-2.0kg weight - expect the sample to be homogenous over the 1m collected
	Cyclone cleaned regularly at every 5m to prevent cross contamination or cleansed more if clayey or damp conditions prevailed however minimal <10%
	Duplicate at every 20m to measure continuity of the drill rig and sample recovery. Duplicate results indicate in a number of samples that future improved recovery at the rig is required, but as this is an exploratory drill program results are deemed acceptable at this initial level, but would need to improve QA/QC consistency for JORC purposes at MR level when testing the weathered horizon in particular.
	Grain size mostly fine powdery in weathered zone and fresh zone
Quality of assay data and laboratory tests	Total digest and XRF methods employed for Fe suite elements when assaying to be employed. Hand Held XRF used as quantitative tool not qualitative.
	Hand held XRF self-calibrating specific for Fe and limited to testing a portion of the calico sub sample. Susceptibility readings an average reading across a 1m sample not all the sample able to be read. Hand held XRF tested against known standards to determine any start, middle and end bias. So far accuracy extremely good for Fe% and within tolerable ranges of 2S for Al, P, S.
	Quality control methods using 3 x Geostats CRM standards and duplicates. Duplicates to be tested at 2 laboratories for umpire testing in later rounds of drilling. No blanks used. Internal checks and standards satisfy control of lab methods Fire Assay Fe suite XRF / ICP /MS methods by certified laboratory Bureau Veritas
Verification of sampling and assaying	At this juncture no independent verification of geology apart from personnel involved in recovery of samples and log chip tray observation by third parties
	One twinned hole to date 13KRC4 v 14KDD1 excellent correlation.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols carried out
	Discuss any adjustment to assay data not carried out. Weighted assays for composite samples.
Location of data points	No surveys or verification of drill-holes apart from GPS located
	GPS grid system to date
	GPS topographic control and located data from GSWA airborne survey
Data spacing and distribution	Data spacing for reporting of Exploration Results and Exploration Target are conceptual and not relevant at this juncture leading to a MR which may or may not be determined.
	Data spacing not appropriate for Mineral Resource use at present requires further drilling to ascertain a MR.
	Sample compositing so far has been applied to parts of the drill column (February and March 2014 data to ASX) and at 1m spacing for duplicates, standards and zones of BIF of interest such as fresh BIF at Kauring.
Orientation of data in relation to geological	Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type undetermined at present. Further drilling will assist in determining any bias.

structure	
	Mineralised structures and sample bias - too early to understand this affect
Sample security	Samples personally delivered to the laboratory and also stored on site for repeat sampling if necessary
Audits or reviews	No sample audits at this stage apart from duplicate and standards taken.
<b>Section 2 Reporting of Exploration Results</b>	
(Criteria listed in the preceding section also apply to this section.)	
Criteria	JORC Code explanation
Mineral tenement and land tenure status	E70/4508 granted 100% to Magnetic Resources no third party arrangement apart from standard Department of Mines and Energy requirement access agreements with farm owners, no Native Title or extricated land apart from the Avon Valley water catchment. Land ownership is private used as farm land. Future end agreements will have to be entered into with farmers and discussions begun with a select few.
	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 is subject to a Program of Work approval by DMP and granted for reconnaissance drill-holes over Minerals to Crown land. Remnant bush may require a DEC survey in the future for flora and fauna. Minerals to Owner title exists requiring agreements separate to DMP requirement.
Exploration done by other parties	No search for Fe by other parties known at Ragged Rock and Kauring.
Geology	Outcropping Banded Iron Formation (BIF) comprising weathered BIF and fresher BIF at depth within a gneissic strati-form layered succession steeply dipping NE including orthopyroxenite – hornblendite in western BIF that differs from the eastern BIF which is a quartzite BIF at Kauring. Weathered BIF is partial weathered to goethite, hematite, martite after magnetite at Kauring. Minor sulphide noticed in volcanics and testing to see if sulphide in fresh BIF in the eastern BIF can be separated by DTR analysis at Kauring. Work is ongoing with regard to understanding the relationship of weathered (hematite and martite) alteration over magnetite BIF at Kauring. Layered peridotite / pyroxenite / gabbro footwall to western BIF supports an EIS grant of \$141,323 for 20xRC and 1xDDH in June 2014 quarter.
Drill-hole Information	Data summary forms part of an ASX release dated 19 December 2013 and 19 February 2014 and ASX quarterly reports for December 2013, March 2014.
	o easting and northing of the drill-hole collar provided
	o elevation or RL (Reduced Level – elevation above sea level in metres) of the drill-hole collar estimated not outlined
	o dip and azimuth of the hole provided. DDH camera used for down hole location.
	o down hole length and interception depth provided
	o hole length provided

	azimuths are not submitted until further accurate data can be submitted but not critical at such an early stage of reporting of ER or ET
Data aggregation methods	The use of Hand Held XRF data taken at 5-7m intervals is purely quantitative with expected errors of <1%Fe against known standards and Si / Al not reported until assay data is available and further reported
	Susceptibility readings taken at each 1m RC drill sample from larger sample collected using a Georadus K10 magnetic susceptibility meter x10-3SI vary across a wide and reported only an average until assay results are posted which will project a better understanding of the Fe% and susceptibility measured at 1m intervals or as composited samples that are yet to be determined.
	The assumptions used for any reporting of metal equivalent values should be clearly stated not undertaken or represented.
Relationship between mineralisation widths and intercept lengths	These relationships are particularly important in the reporting of Exploration Results as outlined in the ASX release dated about 19 December 2013 by MAU. Fresh BIF sampled at 1m intervals whilst weathered BIF sampled at various composite levels of several metres results on composites released in March 2014. Incompatible elements in head grade by XRF on fresh BIF further determined using Davis Tube Recovery to see if they are removed results now issued in March 2014. Sulphur was an element that showed normal and above normal levels down-hole but considered to be workable in context of the very low Al, P incompatible elements and high Fe% at a coarse grind at 100 micron at Kauring. Petrology work on parts of weathered BIF carried out, results given in March 2014 for Kauring.
	If the geometry of the mineralisation with respect to the drill-hole angle is known, its nature should be reported and is outlined in Figures 6-8 at Kauring.
	If it is not known and only the down-hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known') reported prior.
Diagrams	Appropriate maps and sections (with scales) and tabulations of intercepts should be included are reported in Figures 1-8 and Tables 1 (September 2014 Quarterly Report release) and prior Quarterly Reports December 2013-September 2014 respectively.
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable – prior reported and as detailed in Notes to the Exploration Target in December 2013, February 2014 and March 2014 ASX releases about Ragged Rock and Kauring.
Other substantive exploration data	Little exploration data know about the physical - chemical nature of the reported logged drill intercepts at this point. Metallurgy will be an increasing determination. We know that a BIF sequence of rocks with 2 zones of BIF a western and eastern zone as reported up to March 2014 occurs at Kauring. Overburden of 50m of weathered BIF reported at Kauring. Mapped weathered BIF at Targets T3 and T4 encountered.
Further work	Further work will require broader ground magnetic survey, infill ground magnetics, further drilling to improve the geological model being reported.
	Figure 2 outlines the sectional areas with Kauring Central is no longer subject to further access agreement to determine a JORC MR with a 5 year option agreement. Other Exploration Targets are subject to further negotiation.