
**ASX Release
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**WORLD CLASS BUILD TEAM COMMITS TO WORK UP AND ASSIST WITH FUNDING
RAGGED ROCK**

A group of industry leading, hands on magnetite mine and production operators, demonstrates its recognition of Ragged Rock's commercialisation potential by agreeing to subscribe up to \$1M and:

- **Mr Gavin Fletcher, ex Fortescue Metals Group Ltd's Principal Process Engineer, to be appointed Executive Director;**
- **Mr John Blanning to enter an agreement to consult on Magnetic's Iron Ore Operations;**
- **the group will work alongside Magnetic's current team to expedite the project.**

Managing Director, George Sakalidis, commented "The belief in the project together with the commitment by this group of industry experienced executives not only provides Magnetic with a cash injection to fund further exploration, but, more importantly, it provides the Company with access to significant experience in the identification, definition and processing of iron ore, along with the necessary mining experience to commercialise any resource."

Lead by Messrs Gavin Fletcher and John Blanning, a group (**Group**) of iron ore project experienced personnel with significant skills in the identification and definition of iron ore deposits, the conducting of metallurgical testwork and commissioning of iron ore operations, recently approached Magnetic offering to work beside Magnetic's current exploration team and board to assist in defining a JORC compliant resource, the direction of metallurgical test work, flowsheet development, technical marketing and technical support through to and including project financing.

The approach followed Messrs Fletcher and Blanning recognising MAU as being highly prospective for commercialization. Their CVs are appended to this release.

The offer was conditioned on the Group securing access to a significant equity stake in Magnetic via a placement agreement which not only exposes the Group to the significant accretive share value it anticipates subject to results but also evidences the Group's commitment to and belief in Ragged Rock given the investment of cash to help fund the test work it seeks to implement in consultation with Magnetic's existing team.

Using aeromagnetics, Magnetic identified 12 coarse grained iron ore magnetite targets at Ragged Rock over a cumulative strike of some 41 kilometres and within 15km of the rail infrastructure to

Albany where port access is likely. Initial field trips identified outcropping very coarse grained magnetite at 8 of the targets of which 6 have been subjected to industry standard DTR test work.

Significantly, in addition to testing the material at the usual fine grind size of 75 microns, and various coarser grind sizes up to 500 microns (in excess of 6 times coarser). The coarser grind test work demonstrated similar high grade iron/low silica (as well as low impurities) recovery characteristics as the finer grind fractions suggesting potential to very substantially reduce both capex and opex as detailed in the conceptual economic study (ASX release 27 Nov 2012).

If drilling demonstrates a deposit, even of modest scale, and test work demonstrates that low impurity, low silica high grade coarse magnetite can be recovered from the targeted material, then the capex requirement may be materially lower than that estimated in the economic study.

PLACEMENT

After a recent site visit to Magnetic's Ragged Rock project by Mr Fletcher and general due diligence by the Group, a Share Subscription Agreement (**Agreement**) has been concluded.

Under the Agreement, the Group will subscribe for up to \$1 million on the following terms:

- an initial investment of \$400,000 to be subscribed within 3 days of the mobilisation of the drilling rig to the Ragged Rock project
- subject to the completion of satisfactory drilling during the two months following mobilisation, a further 3 equal subscriptions of \$200,000 at the end of every month commencing 2 months after the initial subscription of \$400,000.

The first subscription of \$400,000 will be at the price of \$0.07 per share.

The issue price for each subsequent subscription shall be equal to the lower of:

- \$0.10 per share or
- 70% of the VWAP during the 20 trading days before the subscription date provided that this price is no lower than \$0.07 per share.

Upon subscription of the initial \$400,000, Magnetic will also issue 2,857,143 options (**Options**) exercisable at A\$0.1499 on or before 27 December 2016 (being of the same class as those already on issue) and 1,200,000 partly paid shares (**Contribs**) (being of the same class as those already on issue - ASX:MAUCA). Magnetic has agreed and hereby announces that the MAUCA's will not be called in whole or part prior to 31 December 2016.

A further 1,400,000 Options and 600,000 Contribs will be issued with each subsequent subscription of \$200,000.

Magnetic has agreed to a standstill on any additional capital raisings during the term of the Agreement without leave, with the exception of a right to place to existing Magnetic shareholders, that number of securities as is equal to 35% of each subscription.

In the event that MAU issues additional securities (outside of any contractual arrangements, said exception or under the Agreement) during the term of the Agreement or, if \$1 million is subscribed under the Agreement, during the period ending 28 February 2014, the Group will be offered the opportunity to participate on the same terms as the offer made to other parties.

The Group has agreed not to sell any Magnetic securities for so long as it has the right to subscribe for shares under the Agreement.

SHAREHOLDER MEETING

It is envisaged that a general meeting of shareholders will be called to seek ratification of/approval for the subscriptions under the Agreement and Messrs Thomas, Sakalidis and Lim, the current directors of Magnetic, have agreed to vote their shares in favour thereof.

APPOINTMENTS

Upon the initial subscription of \$400,000, Mr Gavin Fletcher will be appointed as an executive director of Magnetic and Mr Ben Donovan (also a member of the Group) will be appointed as company secretary.

Mr Blanning will be employed on a consultancy basis to provide input into the mine development, transport and logistic routes ahead of the commencement of mining.

RAGGED ROCK PROJECT

At Ragged Rock a total of 12 magnetic targets have been identified over a cumulative strike of 41km within 15km of the rail infrastructure to Albany with likely port access.

The DTR results indicate a good grade, low impurity product can be achieved. The overall grade for **all** grind sizes of 68.56%Fe, 1.81% SiO₂, 0.92% AL₂O₃ and 0.02%P (ASX Release 5th Sept. 2012).

Target 1 is comprised of two banded iron Formations with an aggregate strike length of 6.8km and is up to 300m wide. An independent conceptual economic study in respect of this target (in isolation) was released on 27 Nov 2012.

The study examined production scenarios of 1Mtpa and 2Mtpa of magnetite concentrate using existing rail infrastructure to Kwinana and Albany. Owing to the greater likelihood of available port space, Albany is the preferred port however the proposed port development of James Point near Kwinana may provide an attractive future option. Economic ranges for the 1Mtpa and 2Mtpa scenarios via Albany port are summarized as follows:

- 1Mtpa: Capex \$159M - \$179M; opex \$64/t - \$72/t; NPV(10%) \$331M - \$375M; IRR 23%-25%
- 2Mtpa: Capex \$294M - \$314M; opex \$64/t - \$72/t; NPV(10%) \$690M - \$778M; IRR 26%-29%

“I think substantially better economic results can potentially be achieved” said Mr Sakalidis “because the assumed grind size in the study was 75 microns whereas a larger grind size is thought quite likely to be achievable”.

Material recovered from 6 of the 12 Ragged Rock targets is very coarse grained and DTR tests at coarser grind sizes show similar good grades low impurity and high recoveries as the finer grind fraction. The overall grade for all grind sizes is 68.56%Fe, 1.81% SiO₂, 0.92% AL₂O₃ and 0.02%P (ASX Release 5 Sept. 2012).

For more information on the company visit 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 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 2004 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.

About Magnetite

Magnetite is a major source of iron and accounts for about 30% of global iron furnace feed for steel production. The largest producer of iron ore and iron is China and its main iron ore source is magnetite. North America is the sixth largest producer and is also mostly a magnetite producer.

Magnetite (Fe₃O₄) is a magnetic mineral, an important property in aiding discovery using magnetic surveys and in ore processing. Ore can be crushed, passed over a magnet and the magnetite extracted to produce a clean, high grade iron product.

Magnetite ore grades are usually lower than commercially exploited hematite ores but after processing, a product with much higher iron grades and much lower costly impurities is derived.

All iron fines are recombined to form a suitable product for steel making. Magnetite can be combined with bentonite (a clay) and heated to produce pellets. The high quality pellets are used in blast furnaces or direct reduction furnaces to make steel and is a preferred product by steel makers as they greatly increase furnace efficiency, reducing costs and pollution. Magnetite pellets attract a higher price than hematite ores for this reason.

In summary, magnetite has not been commonly mined and processed in Australia but magnetite is a common source of iron for steel making. The mining and processing techniques are well known and have low technical risk. The final product is a high grade, clean, concentrate that attracts a premium price because of the high iron grade. Steel production from magnetite requires less energy and has a significant smaller effect on the environment than would be achieved through smelting of hematite ores.

Appendix to MAU ASX release 6 March 2013

BACKGROUND OF APPOINTEES

Mr Gavin Fletcher, Mr John Blanning and Mr Ben Donovan represent the Industry Group. Mr Fletcher and Mr Blanning will provide Magnetic with significant iron ore experience, while Mr Donovan will provide corporate and compliance experience as the company transitions towards defining a resource.

Mr Gavin Fletcher

Mr Fletcher is a Metallurgist with 16 years' experience in mining in Australia, Africa and Europe. Gavin has held senior positions in both major and junior mining companies with the majority of his experience gained in aggressive start up projects in Iron Ore, Gold and Diamonds. His experience covers all aspects of Metallurgy and Project Development from initial assessment of a deposit, through to testwork, flowsheet development, project management and technical marketing of products to customers and investors.

His experience in the processing of magnetite will assist Magnetic, with Gavin previously holding the roles of Commissioning Manager, Process Manager and Project Manager for the Process Optimisation of the Sydvaranger Magnetite project in Norway.

Recent roles have also included General Manager of Processing and Metallurgy for UK listed African Minerals, Commissioning and Project Manager for Northern Iron Ltd and Principal Process Engineer for Fortescue Metals Group Ltd.

Mr John Blanning

Mr Blanning is a civil engineer with over 30 years of mining, construction & business management experience in both Iron Ore and Coal, and has served as the Vice President Mining for African Minerals Limited (AMI), an AIM listed mining company which discovered, developed, financed and established a fully integrated, Iron Ore Mine, Rail and Port Operation in Sierra Leone. John joined AMI in March 2009, when its Market Cap was approximately £30M and was directly involved in growing AMI to over £2.0B within the next 2 years.

John was directly involved in numerous capital raisings including the raising of \$US750M and the sale of 12.5% of AMI to CRM (China Rail & Materials).

As VP Mining, John was responsible for all the development and operational aspects for the Tonkolili Iron Ore Mine, including the design, planning and scheduling for all mining operations.

Prior to AMI, John was Head of Mining for FMG, which also established a fully integrated Mine, Port and Rail System in the Pilbara Region of Western Australia from start-up to became the third largest Iron Ore producer in Australia.

Mr Ben Donovan

Mr Donovan is a member of Chartered Secretaries Australia and provides corporate advisory, IPO and consultancy services to a number of companies.

Mr Donovan is currently a Director and Company Secretary of several ASX listed and public unlisted companies involved in the resources and technology industries, including one company currently developing a large magnetite project in Australia.

He has extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the Australian Securities Exchange (ASX) in Perth for nearly 3 years, including as a member of the ASX JORC Committee.

In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving an initial listing on the ASX, as well as for a period of time, as a private client adviser at a boutique stock broking group.