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**WORLD CLASS BUILD TEAM EXECUTES FUNDING OPTION  
AND UNDERTAKES ROADSHOW TO CHINA**

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- Industry leading group of magnetite specialists commits to further funding.
- Option exercised to invest further in the advancement of Ragged Rock
- Encouraging metallurgical testwork gives confidence to China roadshow

Magnetic Resources NL (**Magnetic**) is delighted to announce that following encouraging drilling and metallurgical testwork, the Industry Group, lead by Mr Gavin Fletcher and Mr John Blanning, has agreed to exercise its option and contribute a further 3 tranches of funding to the Company.

Messrs Fletcher and Blanning have recognised that the Company's Ragged Rock project has attractive metallurgical properties making it highly prospective for commercialization.

Using aeromagnetics, Magnetic has identified 15 coarse grained iron ore magnetite targets within the Ragged Rock region over a cumulative strike of some 68 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.

### **FUNDING TRANCHES**

Under the Share Subscription Agreement announced on 6 March 2013, the Industry Group agreed to 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 (this occurred on 13 March 2013);
- 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 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 each tranche of \$200,000 being subscribed, Magnetic will issue a further 1,400,000 Options and 600,000 Contributing Shares.

Magnetic has received the tranche of \$200,000 from the Industry Group and will now proceed to allot the necessary shares and options.

With the commitment to the second tranche of funds, the Industry Group has thereby committed to contribute tranches 3 and 4, raising Magnetic a total of \$600,000.

Magnetic will also place, to existing Magnetic shareholders, that number of ordinary fully paid shares as is equal to 35% of each subscription by the Industry Group.

The participation of the Industry Group has clearly been well received by shareholders with a unanimous vote at the general meeting held on 22 May 2013 to approve the further participation of the Industry Group in the development of Magnetic's projects.

Managing Director, George Sakalidis, commented that "The investment from the Industry Group is a positive step for Magnetic and shows a high level of confidence in the quality of the projects from industry recognised personnel. The investment will be applied to further geological mapping, ground magnetic surveys, RC drilling and identification of the metallurgical properties of the Ragged Rock project aimed at identifying the best development option."

## **CHINA STEEL MILL ROADSHOW**

On the back of his confidence in the project, Executive Director and member of the Industry Group, Gavin Fletcher recently undertook a road show to several large Chinese steel mills which showed significant interest in off-take from Magnetic. Discussions remain on going with several mills, with Magnetic being interested in working with a large partner upon suitable commercial terms.

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

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### **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 ( $\text{Fe}_3\text{O}_4$ ) 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.