magnetic resources NL

ASX Release
11th June 2013

ASX code: MAU

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STAGE 2 DRILLING CONFIRMS EXCELLENT METALLURGICAL PROPERTIES OVER ADDITIONAL STRIKE LENGTH

Highlights

- Second phase drilling at Ragged Rock completed with results confirming the ongoing intersection of BIF mineralization
- Identifies extension of BIF as multiple zones of magnetite iron mineralization over 5 km strike length.
- 8 RC drill hole - 676m program confirms the northern extension and further presence of multiple horizons of coarse grained magnetite BIF.
- Lines drilled approximately 300m apart, with BIF horizons correlating strongly with ground magnetics, and demonstrate continuity of the mineralization.
- Total drilling to date comprised of 19 drill holes for 1,485 metres RC drilling.
- Total strike length revised to 58km of which 53km remain untested.
- World Class concentrate grades continue to be achieved at a coarse grind of 75 microns
- Typically minimal weathered zone of less than 10m thickness

Magnetic Resource NL (Magnetic or the Company) is pleased to announce that it has received further encouraging results regarding the potential of the 100% owned Ragged Rock Project (Ragged Rock) with the receipt of remaining test work from the stage 1 program (809m) and the recently completed stage 2 program (676m). All drilling confirms the presence of several zones of magnetite iron mineralization over a drilled 5 km strike length. A total of 19 holes were drilled.

Aimed at defining the underlying thickness, quality and extent of the high-grade magnetite at Ragged Rock, Magnetic is pleased to announce that all 18 completed holes (see Figure 1 below) of the program intersected magnetic mineralisation, with one hole (RRC011) stopping short of target depth due to wet drilling conditions.

The drilling intersected multiple horizons of magnetite BIF and predominantly tested 3 sections of geophysical target zones. Whilst encouraging, the greater significance for Magnetic is the strong correlation between the elevated magnetic signatures and the intersection of mineralisation. Areas of high ground magnetic signatures corresponded accurately with the intersection of mineralisation, providing the Company with a high degree of confidence that further drilling along the length of the strike will result in additional mineralisation.

Mineralisation into fresh rock was intersected typically around 8-10 metres below surface indicating shallow overburden conducive to future mining for the majority of drilled holes. Some holes (RRC15,16,17) demonstrated a modest sap-rock weathering profile of 18-20 metres in thickness. No beneficiation testwork has been carried out on this material. This work will be undertaken if larger volumes are discovered in future drilling.

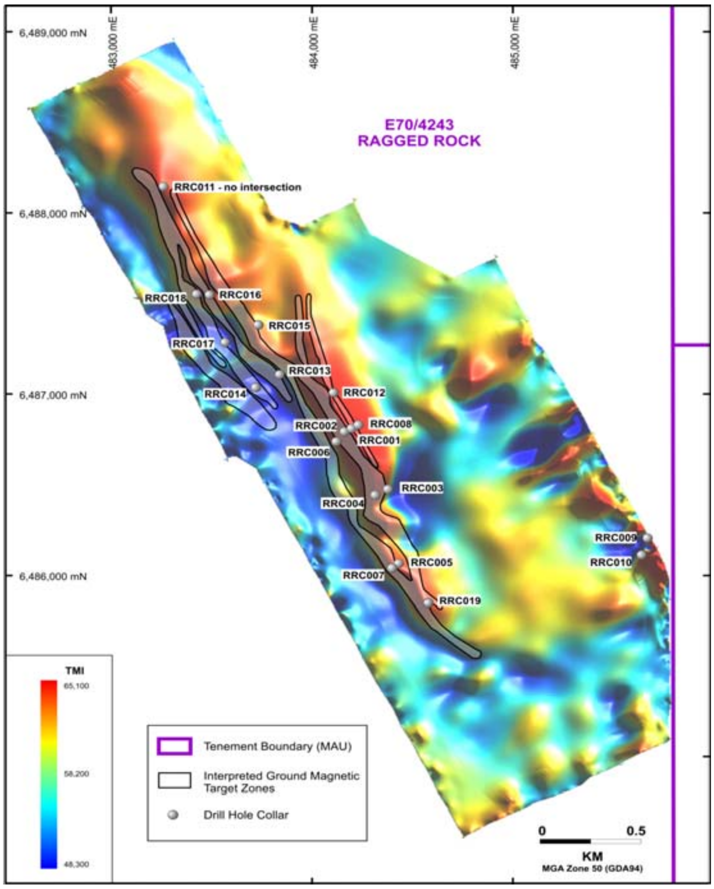

Figure 1: Location of initial phase 1 and 2 drilling within Target 1

The two phases of drilling identified a cumulative strike length of 5km, as shown within Fig.1. This is supported by the ground magnetics carried out prior to drilling. Even more encouraging for the Company is that the strike length of Target 1 will be further extended upon the successful granting of the recently announced Collin's Hill tenement application.

In anticipation of the granting of that tenement, Magnetic's exploration team undertook reconnaissance mapping on the southern part of the Collins Hill application. The southern area was less prospective and the application area was reduced to an area of high prospectivity immediately adjacent to Target 1.

New tenement

The Company also wishes to announce that it has made an application for a further area surrounding the Ragged Rock project called Kauring ELA 70/4508 (20 sq km), which is defined by 5 km of very well defined and enhanced aeromagnetic signature with stronger amplitudes and widths than Target 1. The new tenement will increase the total strike length of the Ragged Rock Project to 58km.

A further announcement on this will be released shortly.

Phase 2 results

The phase 2 drilling results as shown in Figures 2, 3 and 4 and in Table 1 below provide ongoing confirmation regarding the geological potential of Ragged Rock and provides further confidence in delineating an inferred JORC resource with further drilling.

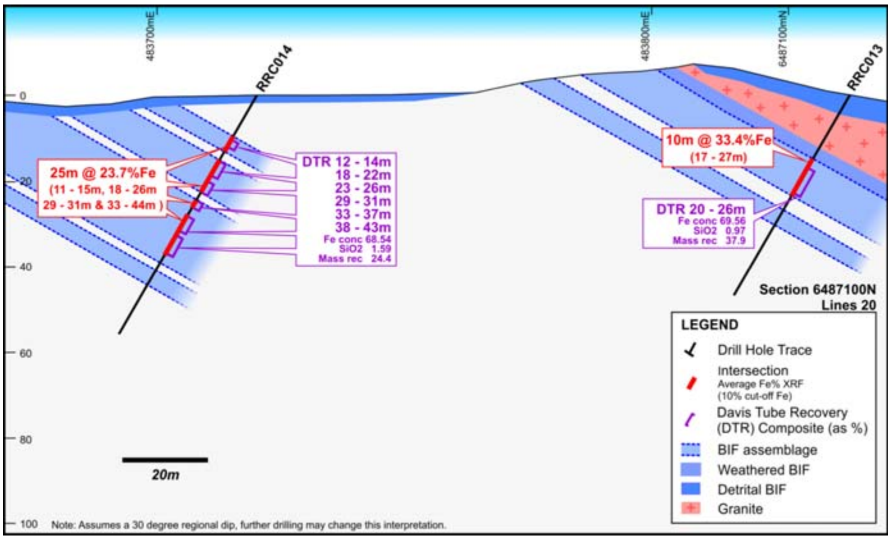

Figure 2: Drill Section RRC013 & RRC014 showing shallow mineralisation underlying mapped weathered BIF rocks at surface over 300 metres across strike.

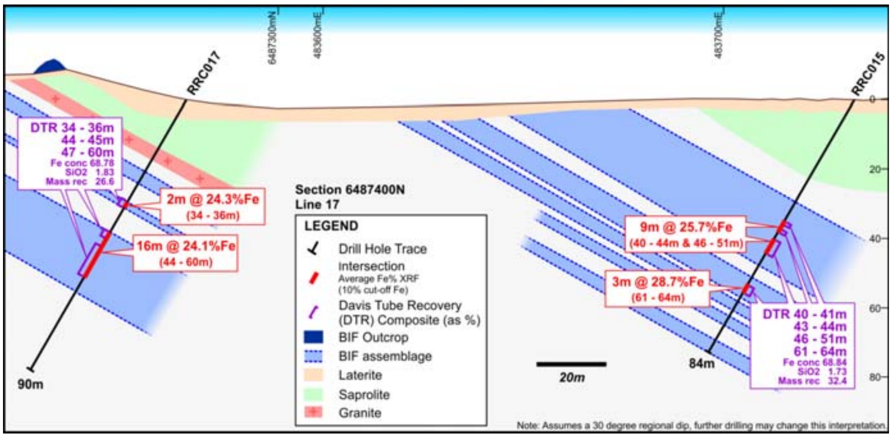

Figure 3: Drill Section RRC015 & RRC017 showing mineralisation underlying mapped weathered BIF rocks exposed at surface over 300 metres across strike 300m to the north of Fig 2.

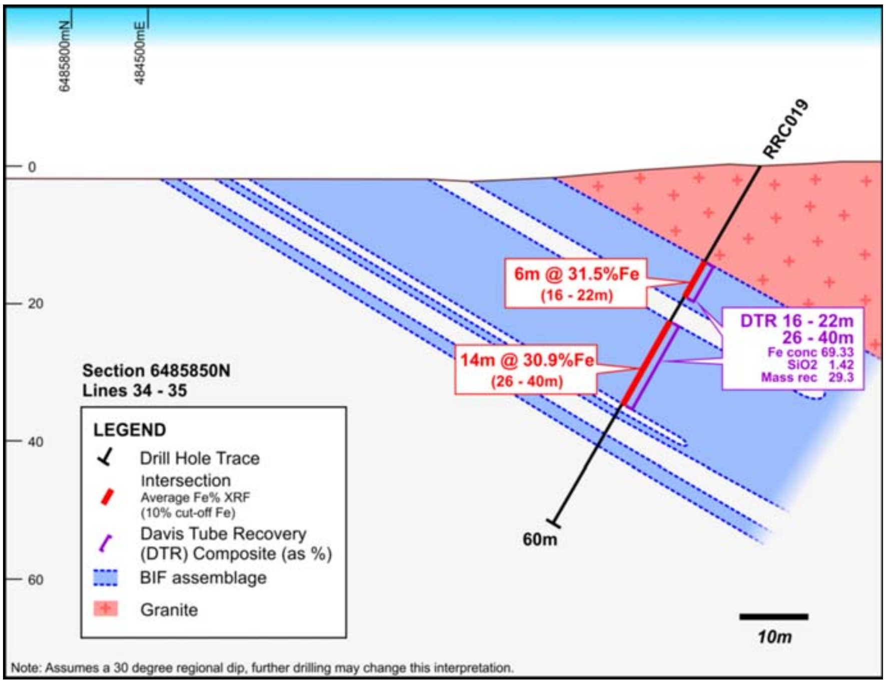

Figure 4: Drill Section RRC019 occurring 200m south of previously drilled holes RRC005 & RRC007 [phase 1 drilling] emphasising width and continuity.

Table 1: Down-hole Drill Location Data.

Hole No	Easting	Northing	Metres	Azi	Direction
RRC0012	484106E	6487009N	84	240	060
RRC013	483840E	6487107N	108	240	060
RRC014	483720E	6487038N	96	240	060

RRC015	483732E	6487384N	84	240	060
RRC016	483490E	6487550N	100	240	060
RRC017	483567E	6487285N	90	240	060
RRC018	483425E	6487555N	54	240	060
RRC019	484577E	6485850N	60	240	060

Table 2: Composite Sample and Davis Tube Recovery Data – Stage 2 drilling.

							Concentrate Quality		
DH No	From	To	Excluding	Composite Number	XRF Avg Grade (Fe%)	DTR Mass Recovery (%)	Fe (%)	SiO2 (%)	Al2O3 (%)
RRC012	38	41	nil	RRC12_Comp 1	23.9	22.6	69.15	1.69	1.08
	42	48	nil	RRC12_Comp 1	24.4	22.6	69.15	1.69	1.08
	70	73	nil	RRC12_Comp 1	28.8	22.6	69.15	1.69	1.08
	76	78	nil	RRC12_Comp 1	21.6	22.6	69.15	1.69	1.08
RRC013	20	26	nil	RRC13_Comp 1	34	37.9	69.56	0.97	1.28
RRC014	12	14	nil	RRC14_Comp 1	30.6	24.4	68.54	1.59	1.63
	18	22	nil	RRC14_Comp 1	19.7	24.4	68.54	1.59	1.63
	23	26	nil	RRC14_Comp 1	23.2	24.4	68.54	1.59	1.63
	29	31	nil	RRC14_Comp 1	19.6	24.4	68.54	1.59	1.63
	33	37	nil	RRC14_Comp 1	25	24.4	68.54	1.59	1.63
	38	43	nil	RRC14_Comp 1	32.7	24.4	68.54	1.59	1.63
RRC015	40	41	nil	RRC15_Comp 1	23.7	32.4	68.84	1.73	1.49
	43	44	nil	RRC15_Comp 1	22.8	32.4	68.84	1.73	1.49
	46	51	nil	RRC15_Comp 1	31.4	32.4	68.84	1.73	1.49
	61	64	nil	RRC15_Comp 1	28.7	32.4	68.84	1.73	1.49
RRC016	22	26	nil	RRC16_Comp 1	34.7	30.3	69.6	1.51	1.22
	27	28	nil	RRC16_Comp 1	17.2	30.3	69.6	1.51	1.22
	52	56	nil	RRC16_Comp 1	24.3	30.3	69.6	1.51	1.22
RRC017	34	36	nil	RRC17_Comp 1	24.3	26.6	68.78	1.83	1.45
	44	45	nil	RRC17_Comp 1	18.1	26.6	68.78	1.83	1.45
	47	60	nil	RRC17_Comp 1	26	26.6	68.78	1.83	1.45
RRC18	23	25	nil	RRC18_Comp 1	25.3	23.6	69.37	1.46	1.32
	26	29	nil	RRC18_Comp 1	20.8	23.6	69.37	1.46	1.32
	33	35	nil	RRC18_Comp 1	28.5	23.6	69.37	1.46	1.32
RRC019	16	22	nil	RRC19_Comp 1	31.5	29.3	69.33	1.42	1.33
	26	40	nil	RRC19_Comp 1	30.9	29.3	69.33	1.42	1.33

Table 3: DTR results, RRC002 (Stage 1 drilling) previously unreported.

							Concentrate Quality		
DH No	From	To	Excluding	Composite Number	XRF Avg Grade (Fe%)	DTR Mass Recovery (%)	Fe (%)	SiO2 (%)	Al2O3 (%)
RRC002	6	16	nil	RRC002_Comp 1	31.8	34.6	69.32	0.81	1.54
	26	38	nil	RRC002_Comp 2	35.9	42.5	69.89	1.71	1.19

	56	74	61-63	RRC002_Comp 3	20.4	15.3	67.92	2.42	1.51

Commenting on the success of the initial phase 1 and 2 drilling, Managing Director, George Sakalidis said "We are delighted to have intersected mineralisation with combined intersections of up to 79m for specific targeted horizons in Phase 1 drilling and up to 35m for specific targeted horizons in Phase 2 drilling. Furthermore, the metallurgical results have reinforced the consistency of high quality concentrates with low silica content across both programs of drilling. The excellent correlation between ground magnetics and successful intersection of mineralisation provides a high degree of confidence that our interpretation of the ground magnetics will result in additional mineralisation being intersected. To hit mineralisation in 18 of the 19 holes completed to date is certainly encouraging, and provides the Company with confidence to continue to drill the areas which high magnetic anomalism.

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 Mr 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.