



magnetic resources^{NL}

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POSITIVE RAGGED ROCK ECONOMIC ASSESSMENT

- **An independent conceptual study on the potential to develop the 100%-owned Ragged Rock magnetite project examined production scenarios of 1-2Mtpa of magnetite concentrate rail freighted to Albany port.**
- **Using available information and the assumptions shown below, a preliminary financial analysis indicates a robust economic return for the project, warranting a drilling program to further assess the targeted magnetite deposits.**

Consulting engineers Engenium Pty Ltd has completed a conceptual initial financial assessment of Magnetic Resources' 100% owned Ragged Rock magnetite project situated 100km NE of Perth. The assessment included results of a logistical study which provided price estimates for the transport and port options to Kwinana and to Albany.

The Engenium 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:

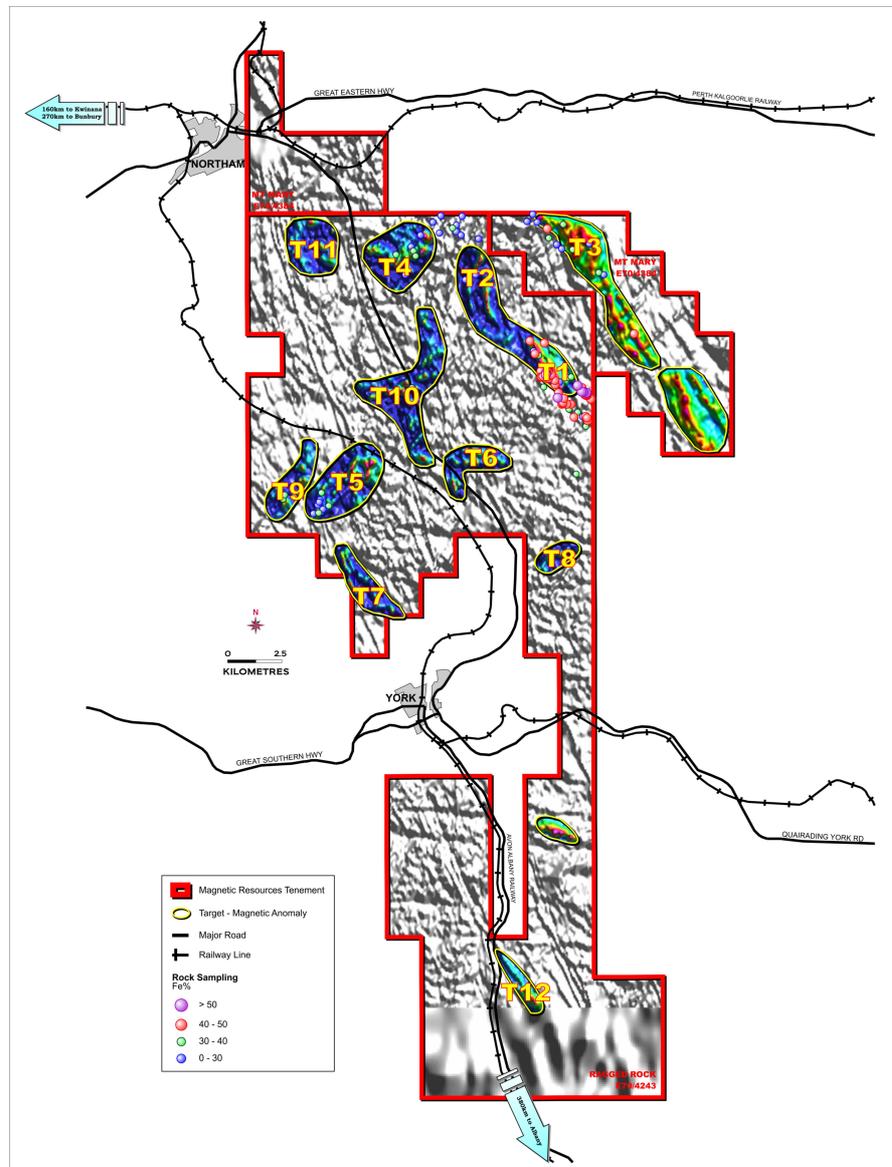
1Mtpa: Capex \$159M - \$179M; opex \$64/t - \$72/t; NPV(10%) \$331M - \$375M; IRR 23%-25%

2Mtpa: Capex \$294M - \$314M; opex \$64/t - \$72/t; NPV(10%) \$690M - \$778M; IRR 26%-29%

The study used results from Magnetic's preliminary sampling and DTR tests which indicate i) a head grade of 40% Fe, ii) a mass recovery of 35%; iii) a concentrate grade of 68% and iv) assumes an exploration target tonnage of 400Mt-450Mt (see footnote and attached map). Other assumptions used in the study include a strip ratio of 1.0; a price of US\$117/t f.o.b for 66% Fe concentrate; a mine life of 20years; an exchange rate of A\$0.84:US\$1; and processing 2.9Mtpa (1Mtpa case) or 5.7Mtpa (2Mtpa case). The study assumes mining only a small part of the exploration target outlined to date, ranging from a total of 60Mt (1Mtpa case) to 120Mt (2Mtpa case). The logistical study indicates that 2Mtpa of concentrate could be transported on the existing Avon-Albany railway without significant upgrading. All assumptions are considered to be reasonable but require testing and may not prove to be accurate.

The robust results of this study are driven by the combination of what look to be high quality magnetite deposits which are close to rail infrastructure with likely access to port space. Subject to finalisation of land access agreements Magnetic now has the impetus to complete its program of mapping and surface

sampling, and then carry out ground magnetic surveys to help prioritise a program of RC drilling to test the most prospective targets.



Ragged Rock Aeromagnetic Image Showing Target Areas

About Magnetite

Magnetite (Fe_3O_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.

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.

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.

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

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Competent Person's Statement – Exploration Results

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.

Competent Person's Statement – Project Evaluation

The information in this report that relates to project evaluation is based on information compiled or reviewed by Neville Dowson BSc App Sc (Metallurgy) who is a Fellow of the Australasian Institute of Mining and Metallurgy. Neville Dowson is an employee and Principal Process Engineer of Engenium Pty Ltd who is a consultant to Magnetic Resources NL. Neville Dowson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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'. Neville Dowson consents to the inclusion of this information in the form and context in which it appears in this report.

Exploration Target

References to exploration target tonnages use estimates of true thickness and strike extent based on geological mapping and interpretation of aeromagnetic data and projection to 100m down dip. The potential quantity and grade is conceptual in nature as there has not yet been sufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the identification of a mineral resource.