magnetic resources NL

DIGGERS AND DEALERS

August 2010

FORWARD LOOKING STATEMENTS

This presentation contains forecasts and forward looking statements which are made in good faith and are believed to have reasonable basis.

However, such forward looking statements are subject to risks, uncertainties and other factors which could cause the actual results to differ materially from the future results expressed, projected or implied by forward looking statements.

AGENDA

- INTRODUCTION TO MAGNETIC RESOURCES
- WALK THROUGH OF TARGET PROJECTS
- ECONOMIC BUSINESS CASE
- OTHER PROJECTS / INFORMATION

DIRECTORS

- **George Sakalidis:**
  Managing Director, geophysicist, 30 yrs exp.

- **Roger Thomson:**
  Technical Director, geologist, 40 yrs exp.

- **Peter Thomas:**
  Chairman, lawyer, 26 yrs exp.

COMPANY STRUCTURE

Total Shares	**67,517,636**
Shares held by IMA	**7,248,011 (10.7%)**
Partly Paid Contributing Shares (20c unpaid)	**17,418,862**
Market Cap (30/7/2010)	**$25M**
Cash	**$4.9M**

HIGHLIGHTS

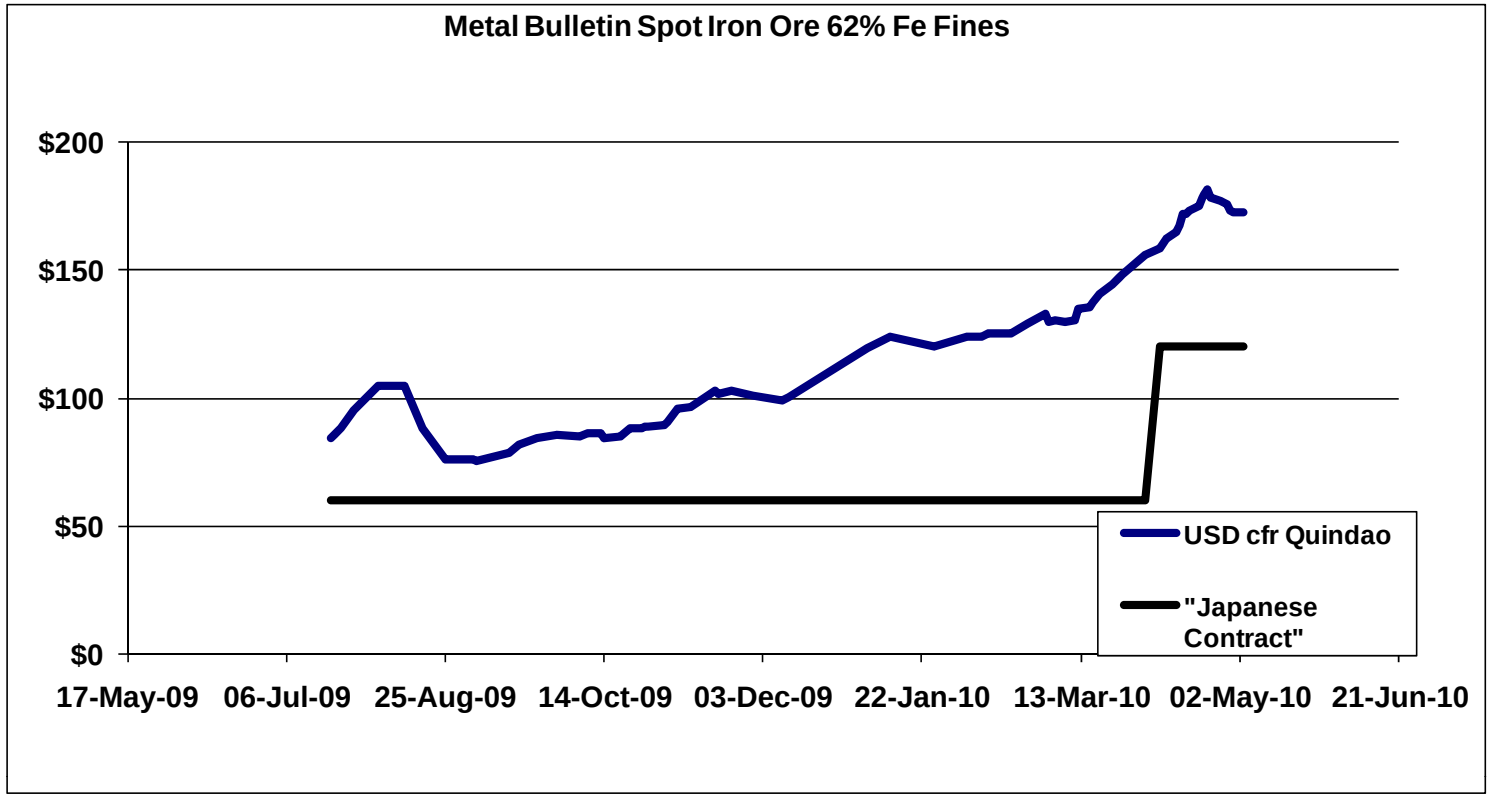
- **>310km of iron ore potential strike extent over the South West Region of WA**
- **Iron projects targetting more than 2500M tonnes of magnetite and/or DSO BIF**
- **Focus on iron**

MAGNETITE

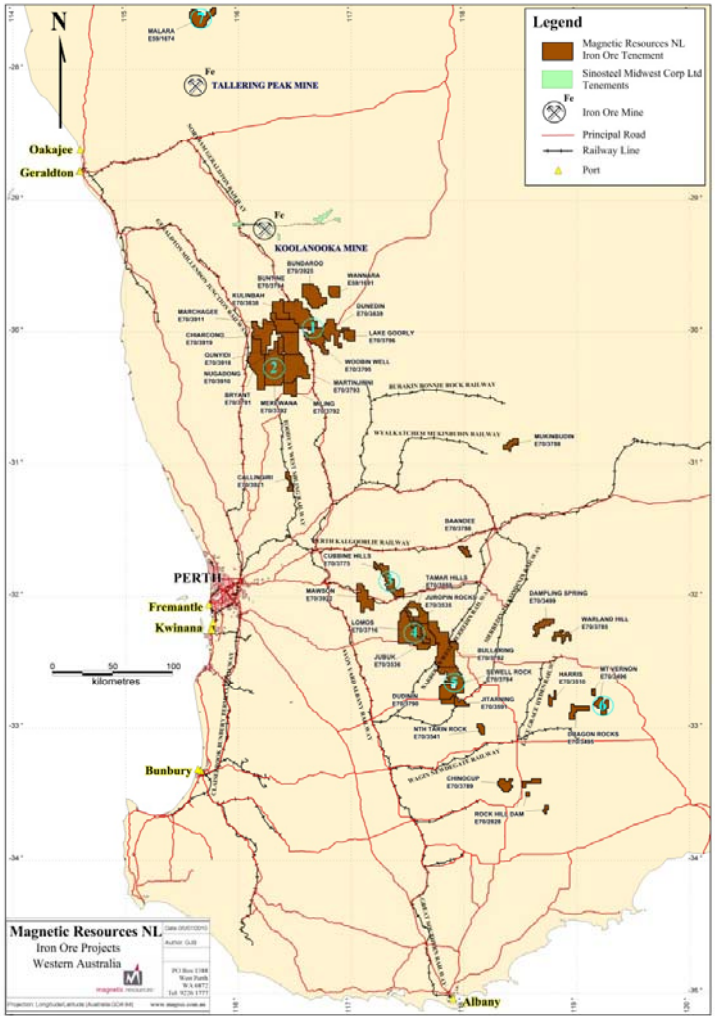
What is it and why is it important?

- Magnetite is iron oxide, a spinel ($FeO.Fe_2O_3$)
- Pure magnetite is about 72.4% iron content; it generally occurs as low grade ore (25-40% Fe) compared to Hematite ores
- Processing is required to separate the magnetite from its siliceous host rocks; its mineralogy allows high grade, fine concentrates to be produced by simple magnetic separation
- Magnetite projects capable of producing high-quality concentrate with up to 68-69% Fe, which is higher grade than many hematite resources
- Accounts for approximately 50% of global iron ore production; demand from China and India continue to drive demand for quality iron ore
- Many Magnetite projects have been acquired or joint ventured by Chinese companies. This is believed to be because of the diminishing supply of DSO material in Australia

IRON ORE PRICING SINCE JULY 2009



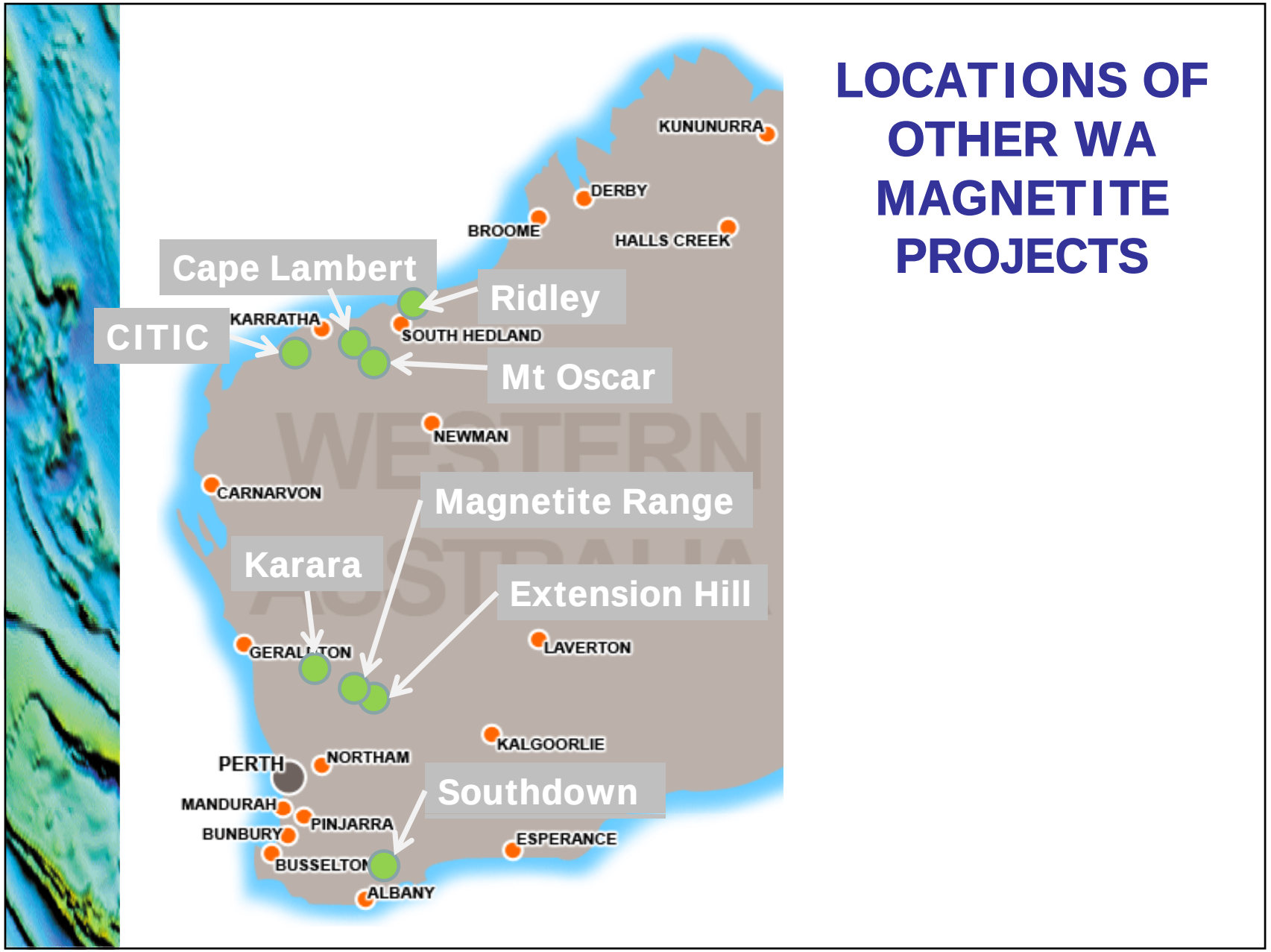
IRON PROJECTS
Targets



Project Area	Name	Target Tonnage
1	Wubin	500-1000Mt BIF 50-100Mt DSO
2	Dalwallinu	360-720Mt BIF
3	Quairading	50-100Mt BIF
4	Jubuk	100-200Mt
5	Sewell	110-210Mt
6	Mt Vernon	100-200Mt
7	Malara	250-500Mt

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

LOCATIONS OF OTHER WA MAGNETITE PROJECTS



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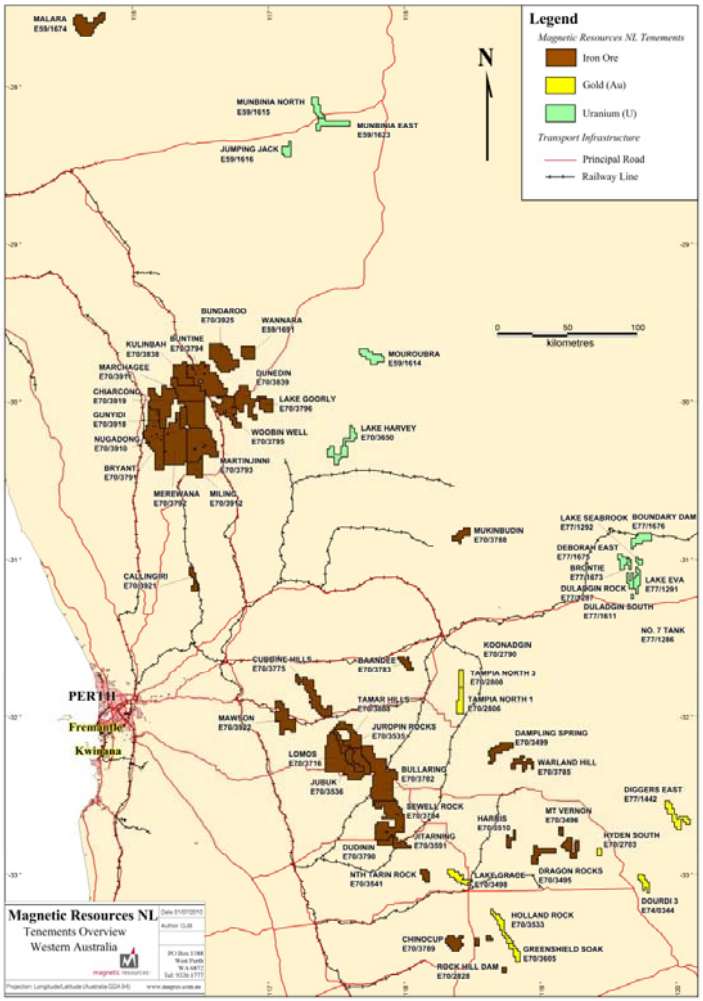
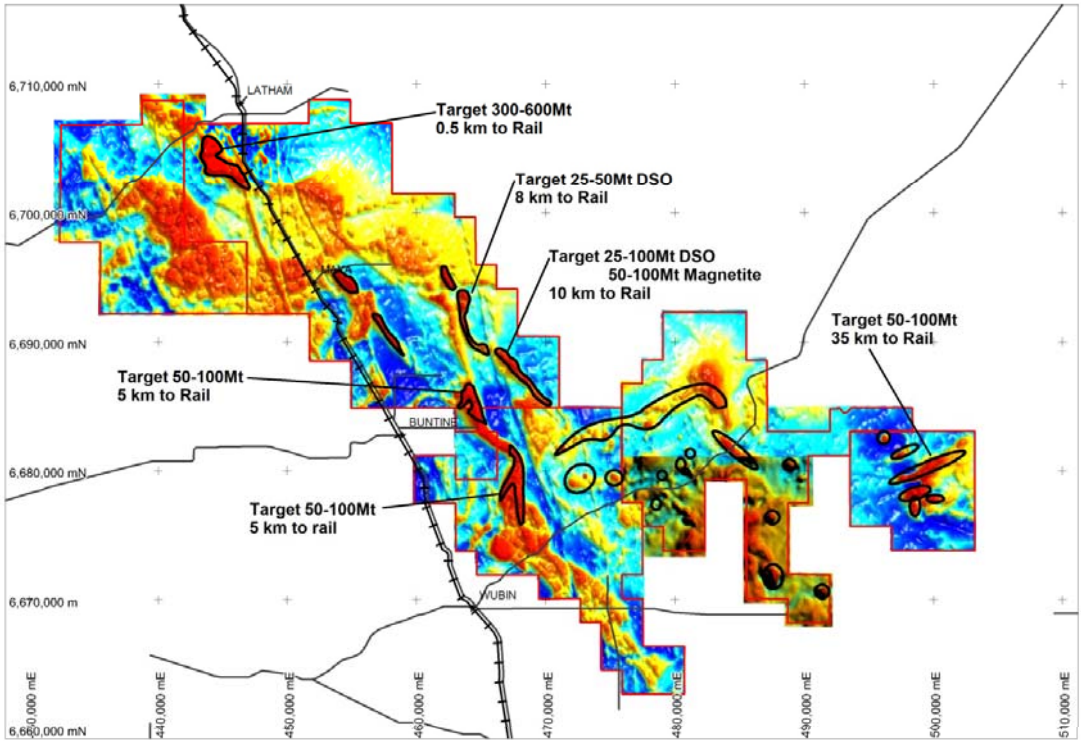
PROJECT LOCATIONS
Rail Infrastructure



- **Substantially all project locations benefit from close proximity to rail infrastructure**
- **Significant advantage due to lower investment required to transport ore**

WUBIN IRON
DETAILED AEROMAGNETICS

Geraldton 290 km



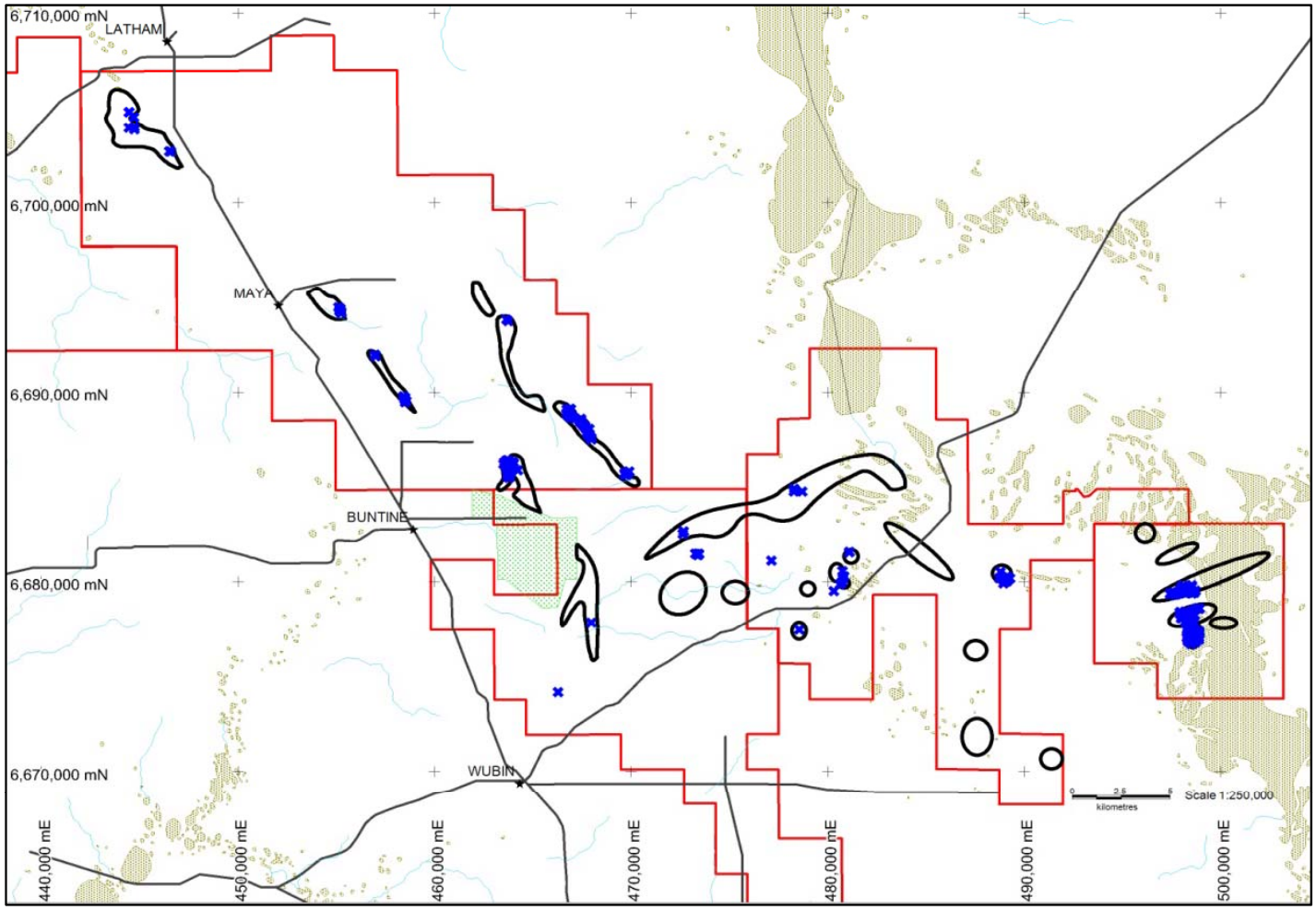
Kwinana 330km

Total Target Tonnage
550-1100Mt

BIF 500-1000Mt
DSO 50-100Mt

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

WUBIN REGION
ROCK CHIP SAMPLING

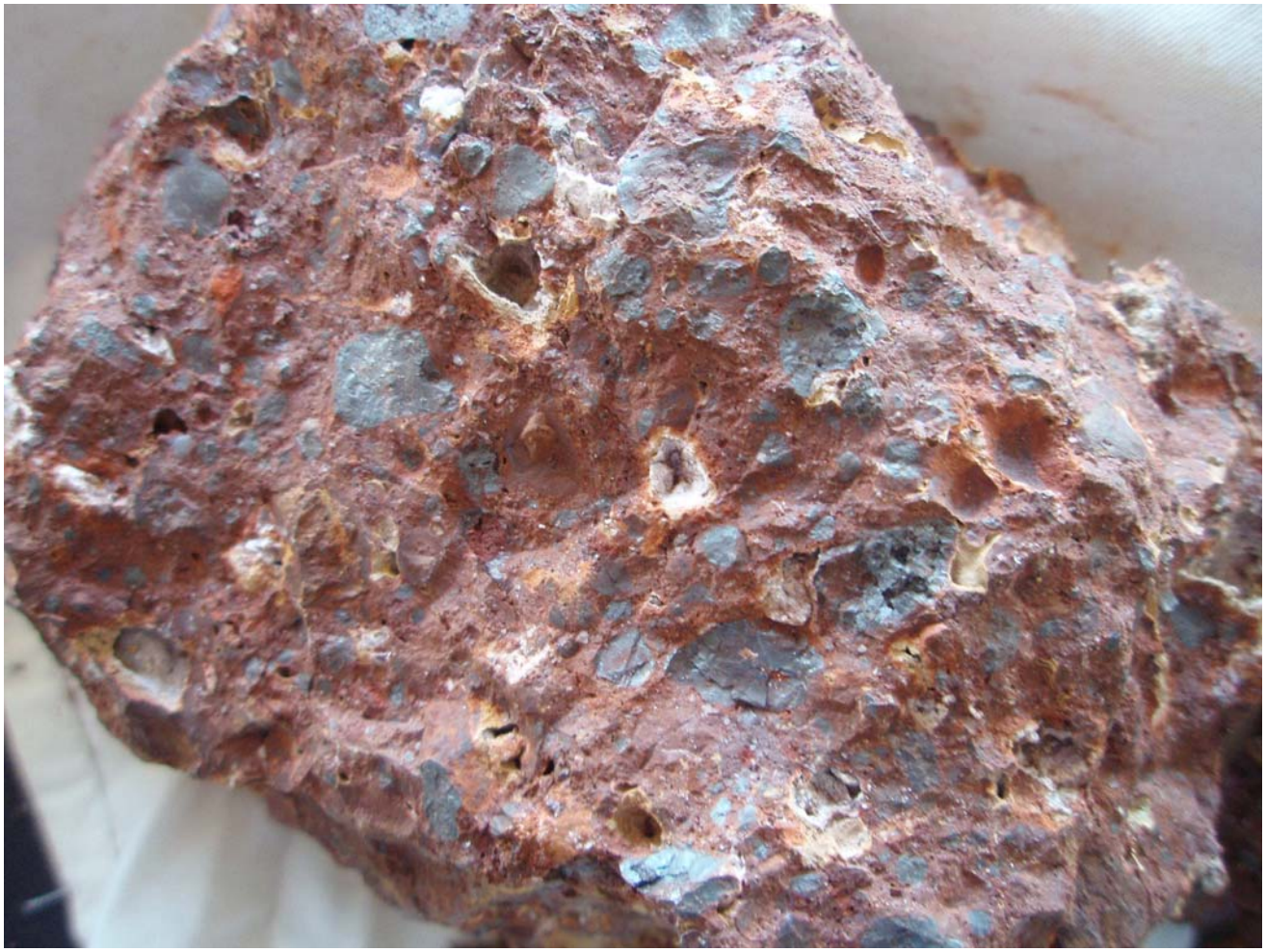


WUBIN IRON

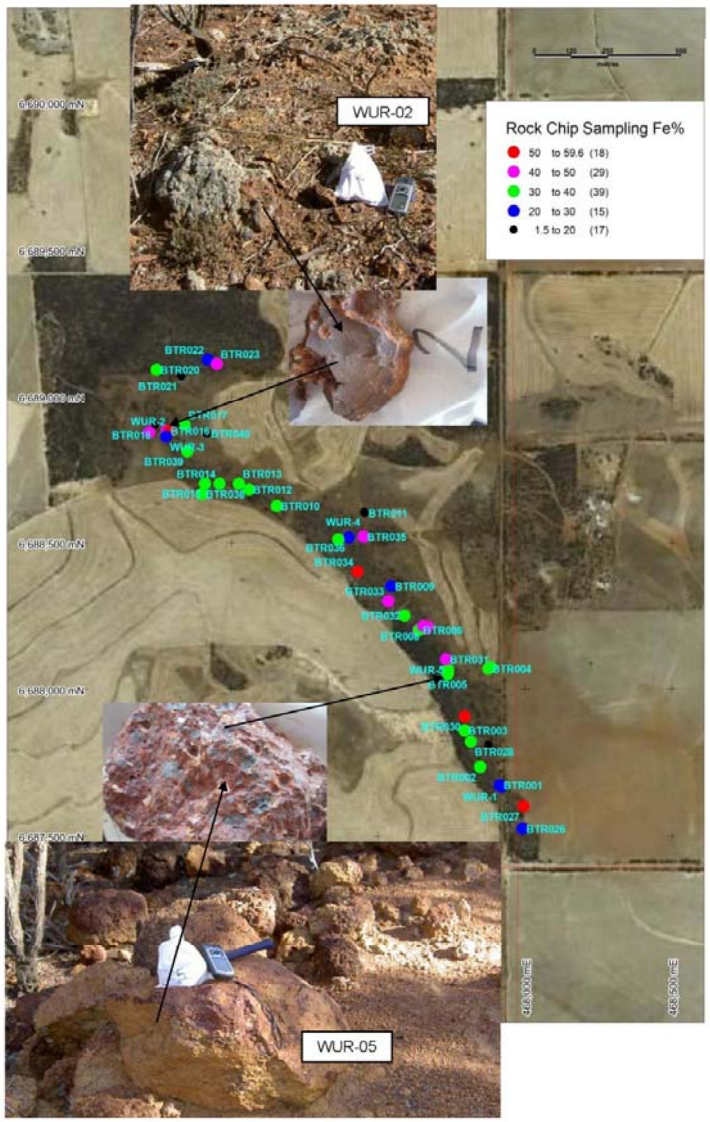
MASSIVE GOETHITE-HEMATITE

WUBIN IRON

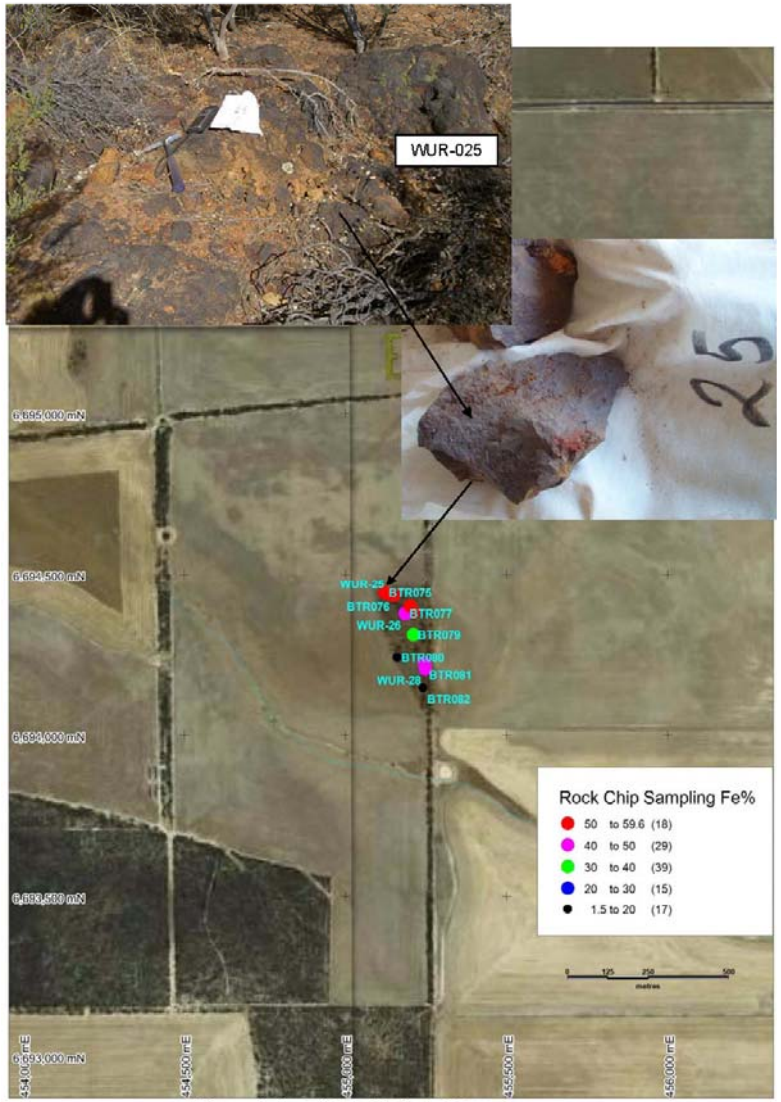
PISOLITE IRON



ROCK CHIP SAMPLING WUBIN

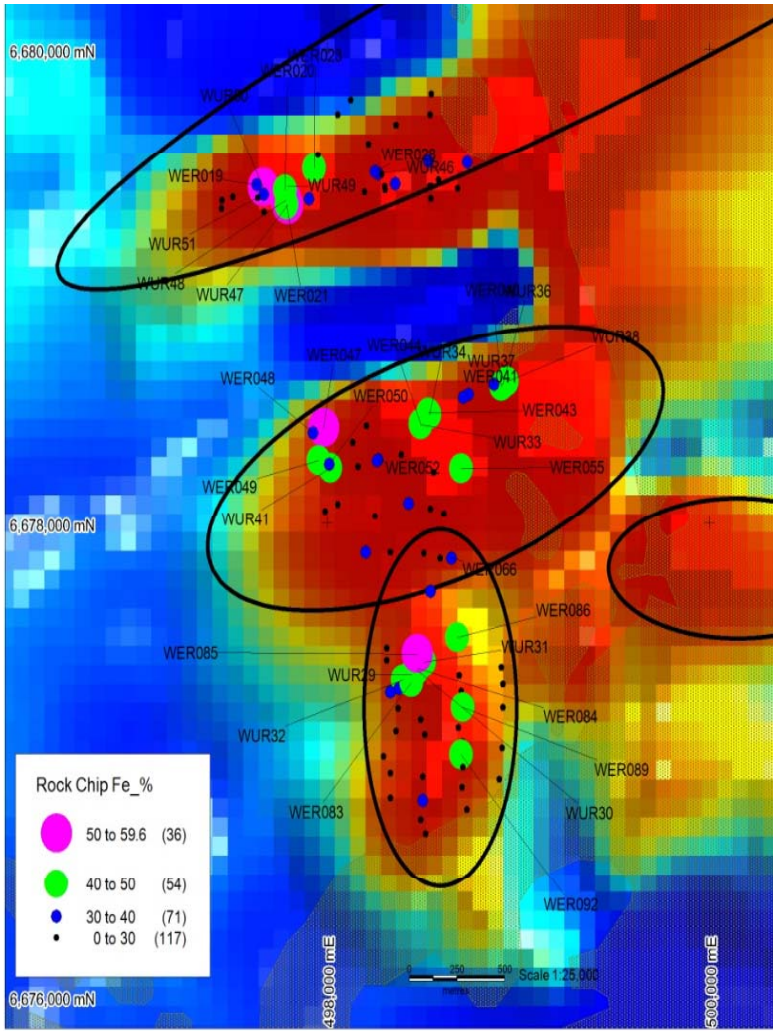


ROCK CHIP SAMPLING WUBIN



WUBIN EAST IRON

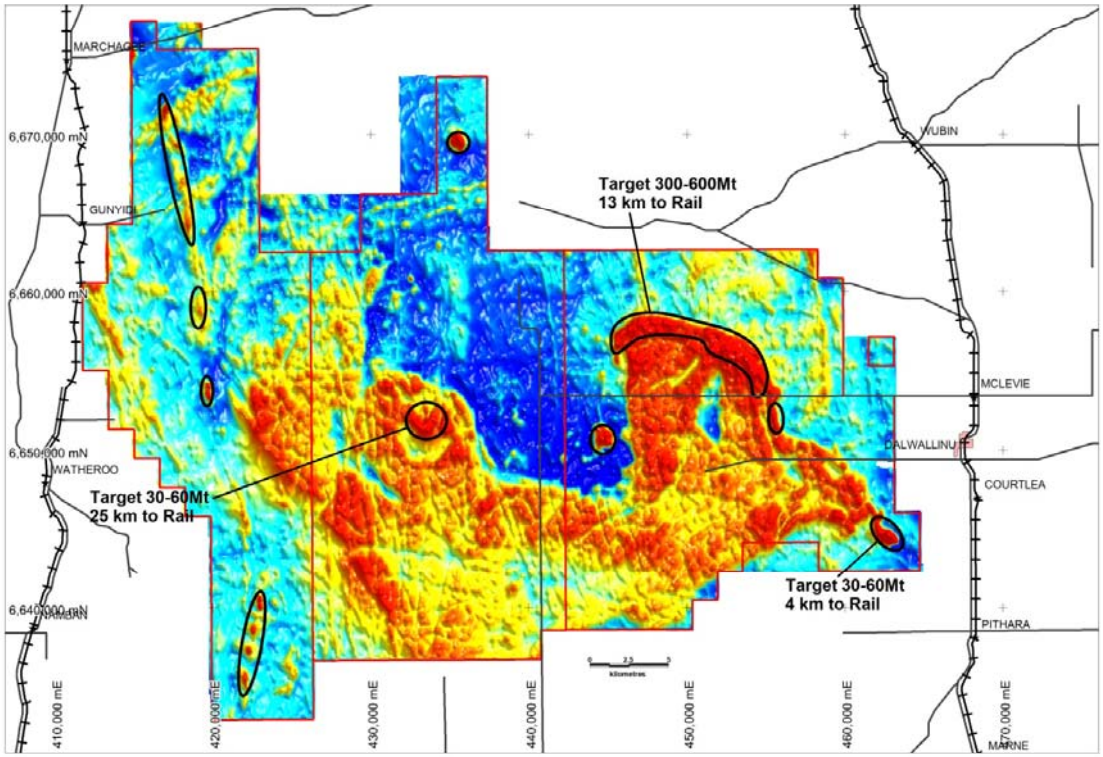
ROCK SAMPLE RESULTS >50%Fe



DALWALLINU IRON
DETAILED AEROMAGNETICS

Geraldton 220km

Geraldton 325km



Kwinana 250km

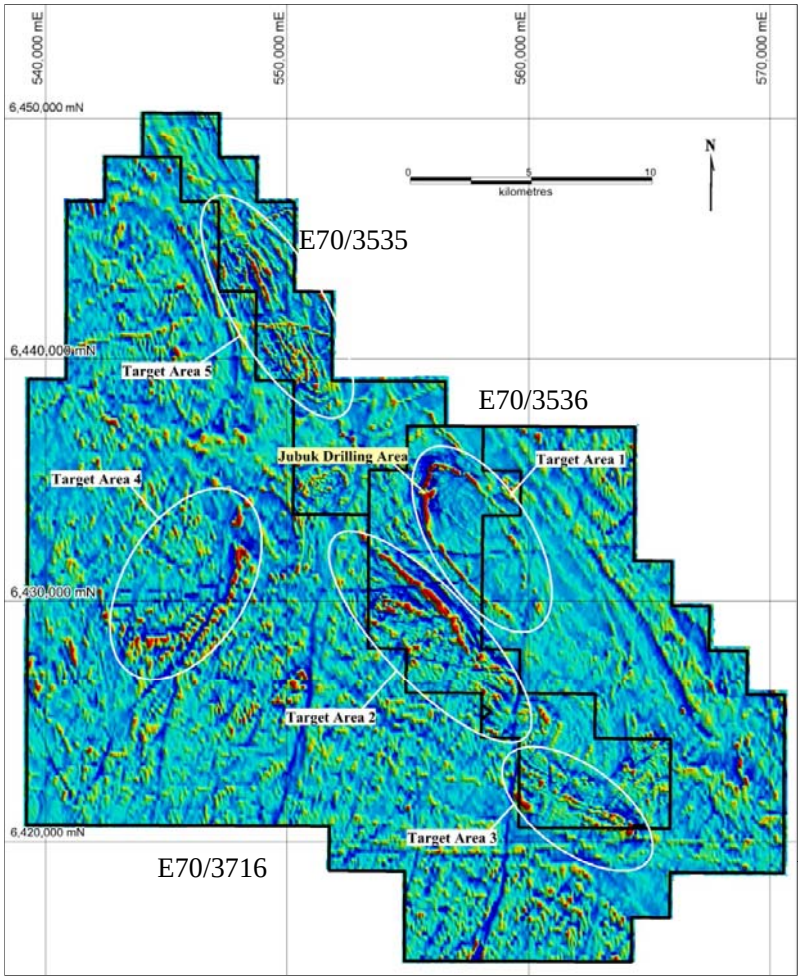
Kwinana 300km

Total Target Tonnage – 360-720Mt BIF

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

JUBUK IRON

DETAILED AEROMAGNETICS



Target 1 - Target 30-60Mt
Target 2 - Target 20-40Mt
Target 3 - Target 15-30Mt
Target 4 - Target 17-35Mt
Target 5 - Target 17-35Mt

Total Target Tonnage 100-200Mt

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

Railway 30km to South – 360km to Albany, 380km to Kwinana

JUBUK IRON

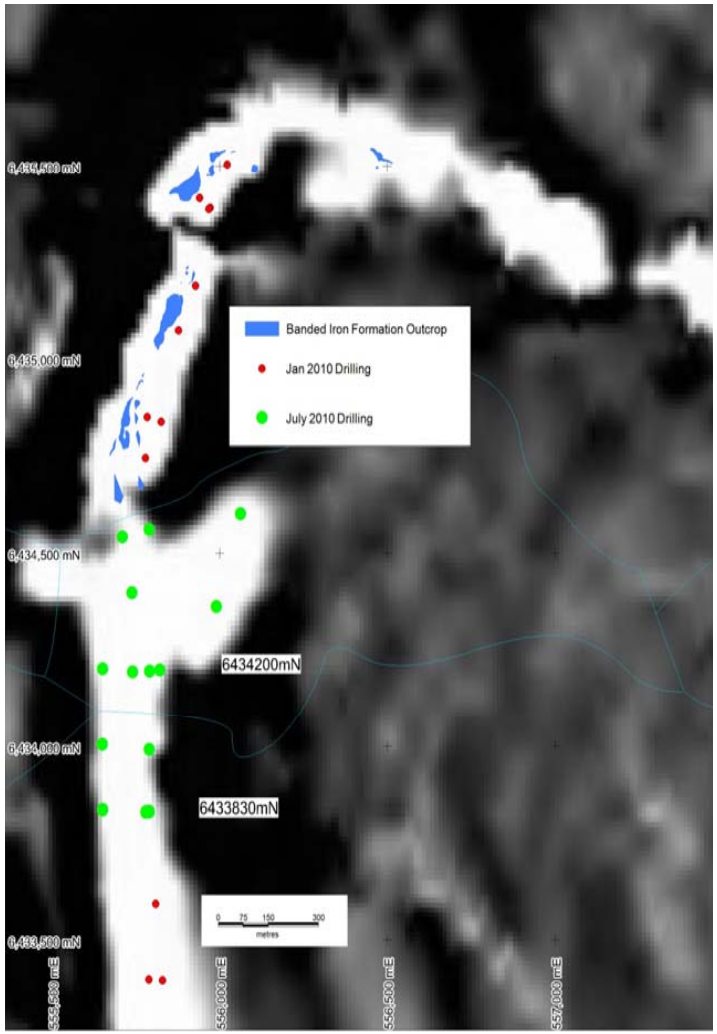
- Outcrop over 800m long
- Coarse crystalline magnetite

- High grade metamorphic terrane
- Access agreements in place

JUBUK IRON

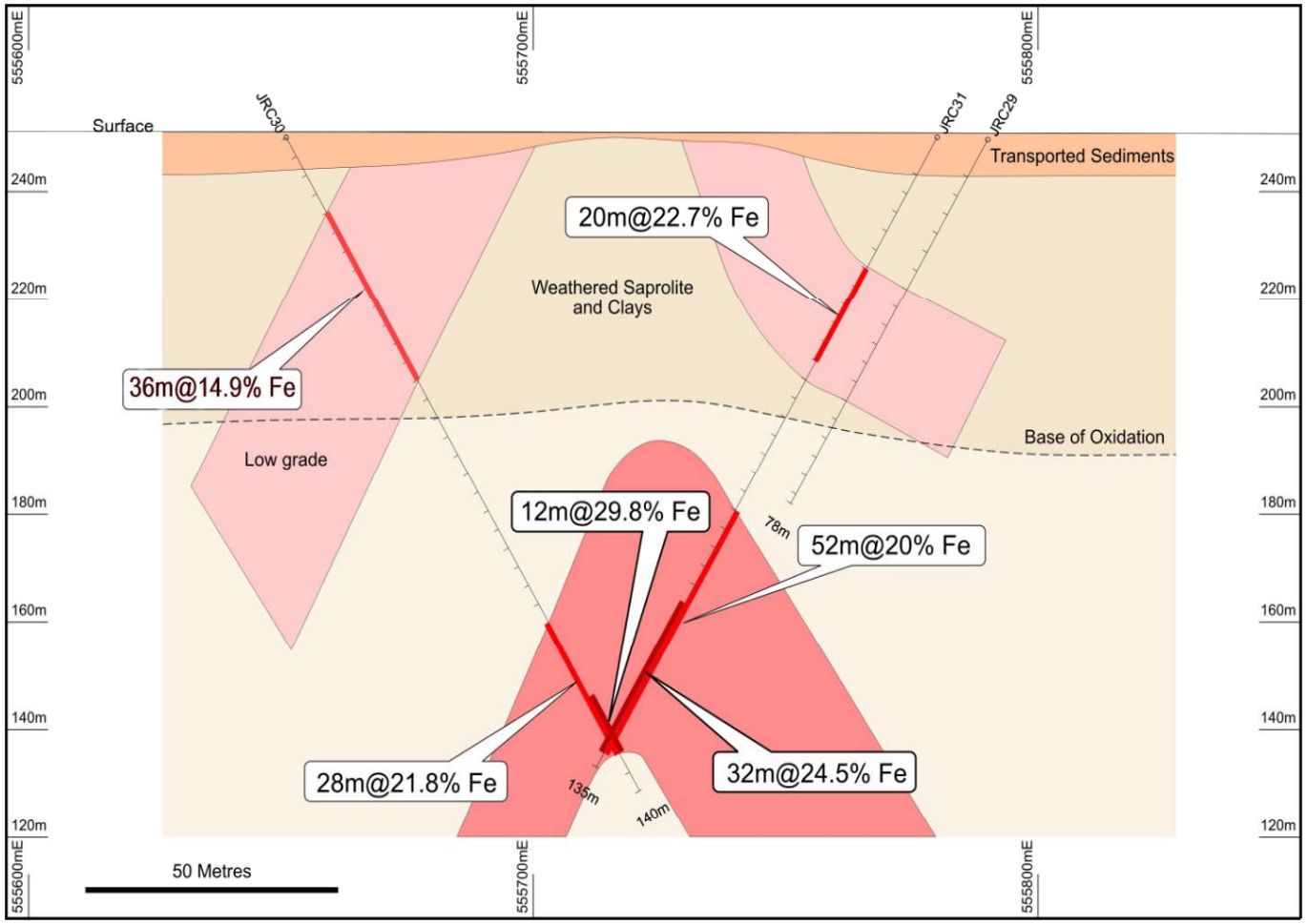
COARSE CRYSTALLINE MAGNETITE BIF

JUBUK IRON

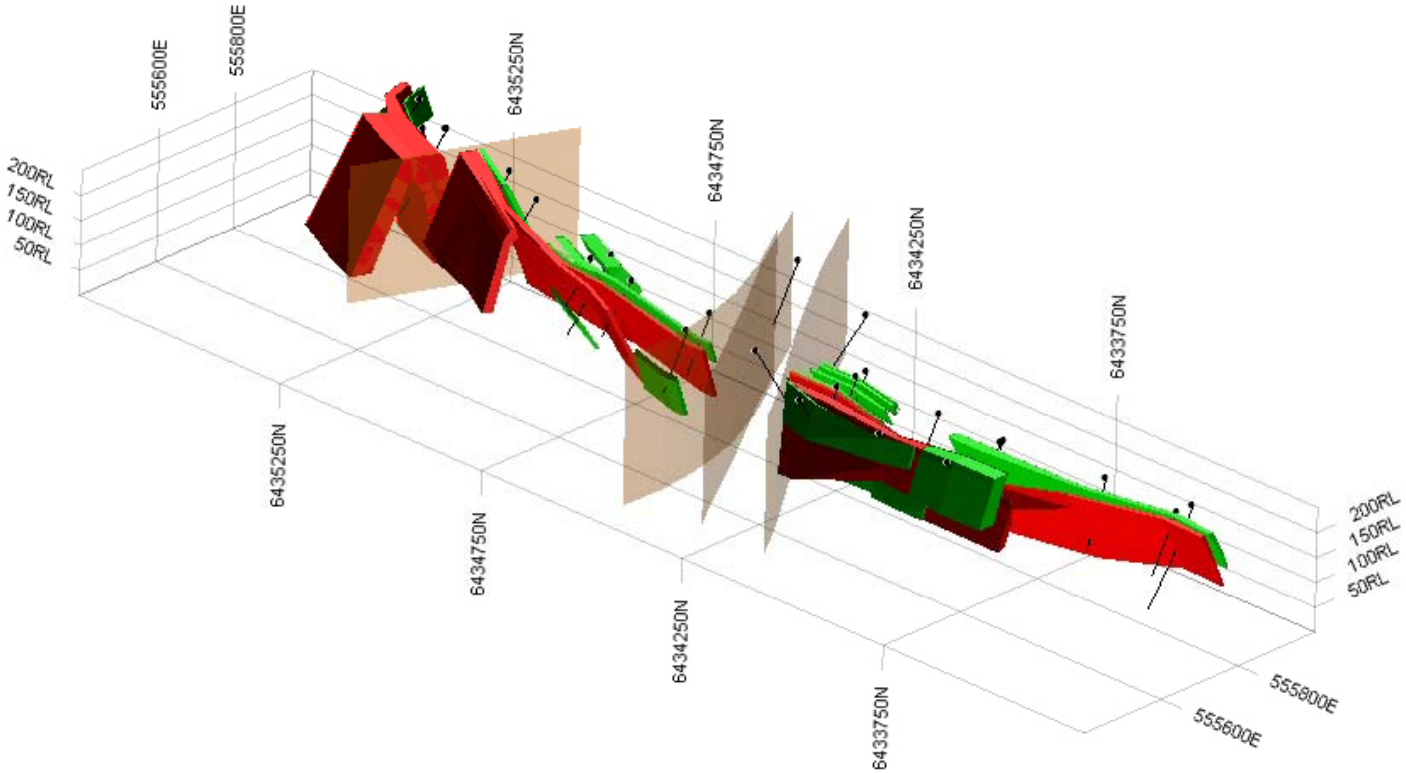


- **200Mt Exploration Target in Jubuk Region**
- **DTR Conc. 70.5%Fe, 1.3% SiO_2, 90.4% recovery, P100 -75µm**
- **LIMS Conc. 70%Fe, 1.4% SiO_2, 87.8% recovery, P80 -75µm.**

JUBUK CROSS SECTION

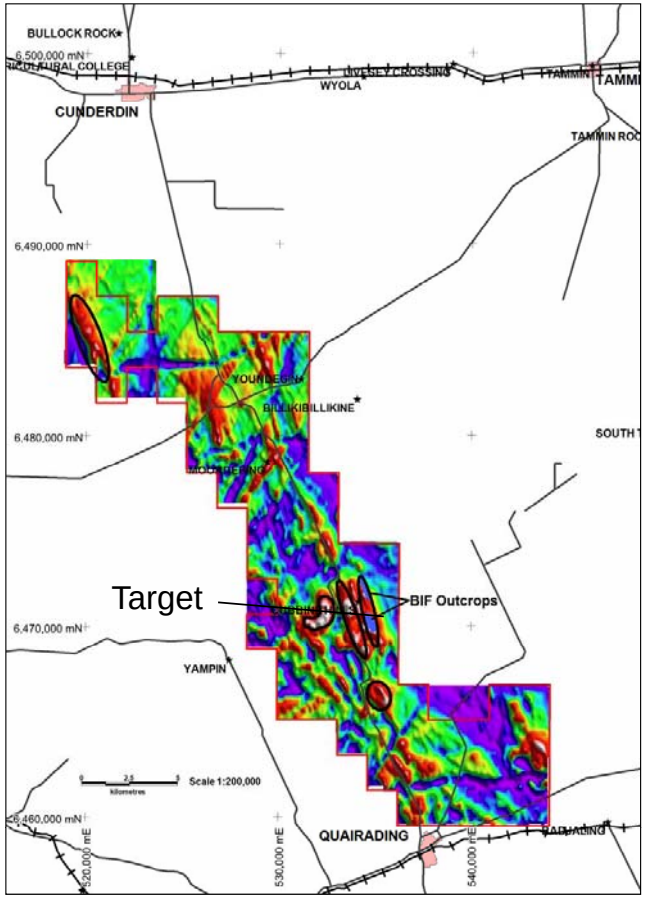


JUBUK 3-D MODEL



QUAIRADING IRON
DETAILED AEROMAGNETICS

Kwinana- 180km



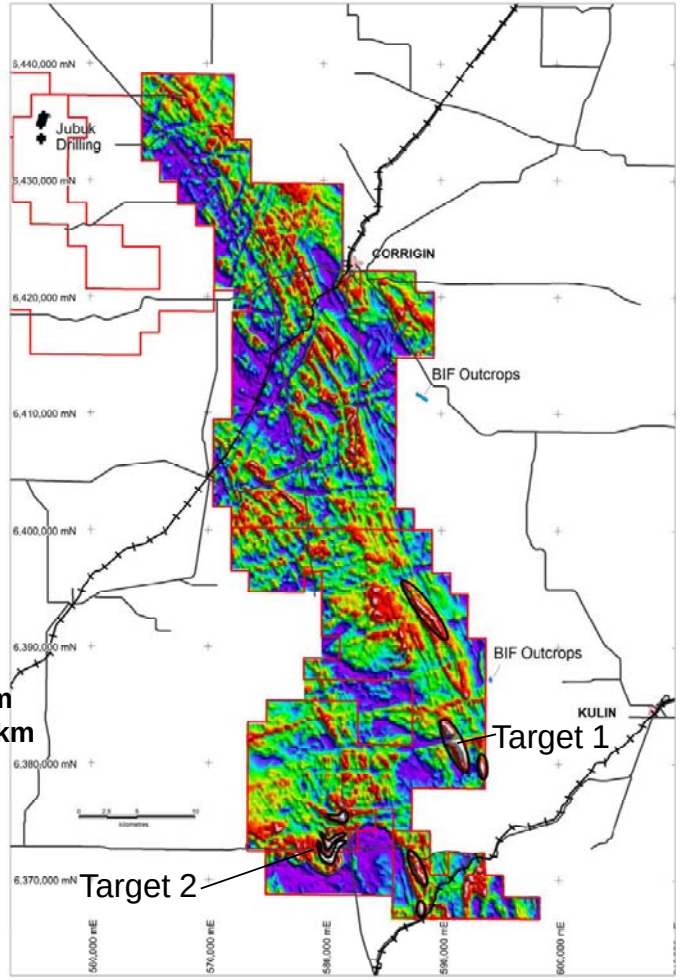
Target Tonnage 50-100Mt BIF

Target area 30km south of Rail

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

SEWELL IRON

DETAILED AEROMAGNETICS



Albany 360km
Kwinana 380km

Albany 340km

Target 1 – Target Tonnage 70-140Mt
Target 2 – Target Tonnage 40-80Mt
Total 110-220Mt

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

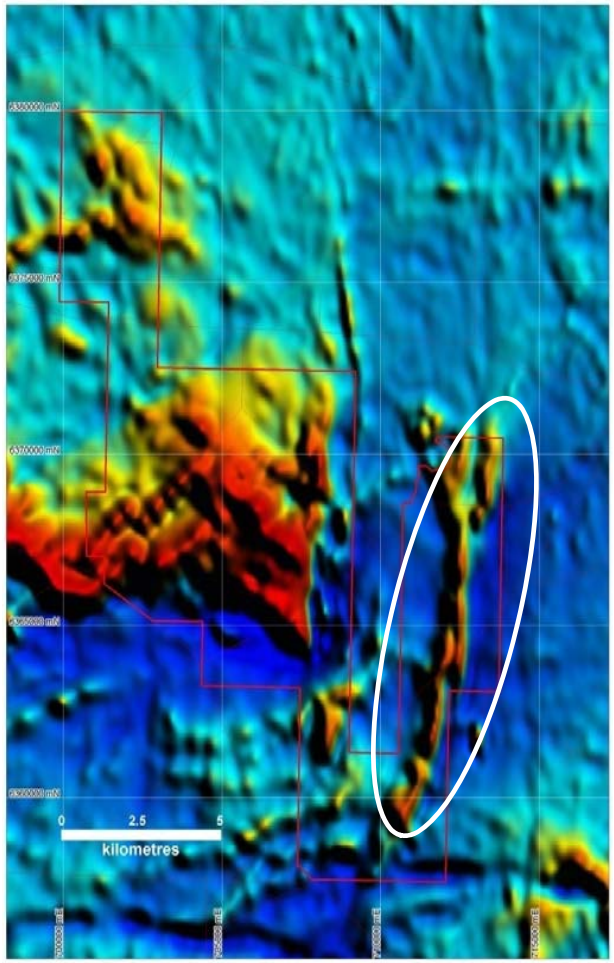
COMPARISON OF VARIOUS WA MAGNETITE PROJECTS TO JUBUK DTR RESULTS

Name of Project	Magnetic Resources Jubuk	Fox Resources Mt Oscar	Gindalbie Karara	Grange Southdown Project	Accent Magnetite Range	Atlas Iron Ridley Magnetite	Asia Iron Extension Hill
Resources (tonnes)	TBA	800 Million tonnes	2.5 Billion tonnes	654 Million tonnes	391 Million tonnes	2 Billion tonnes	Multi billion tonnes
Production Rate (Mtpa)	TBA	TBA	16 Mtpa	6.6 Mtpa	5 Mtpa	15 Mtpa	20 Mtpa
Mass Recovery (%)	29.7%	TBA			45.9%	37.2%	46.4%
Feed Grade (Fe)	25.9% Fe	35-39% Fe	35.9% Fe	36.5% Fe	30% Fe		
Product Grade (Fe)	69.7% Fe	55.82% Fe	68.2% Fe	68.8% Fe		68.3% Fe	>68.5% Fe
Product Grade (SiO_2)	1.36% SiO_2	7% SiO_2	4.75% SiO_2	2.06% SiO_2	4.2% SiO_2	3.8% SiO_2	4.1% SiO_2

- **Jubuk has premium product suitable for direct reduction (10% premium) versus standard blast furnace grade for competitors projects**

Information taken from Company announcements on their websites and from ASX announcements

MT VERNON IRON
DETAILED AEROMAGNETICS



Target Tonnage 100-200Mt

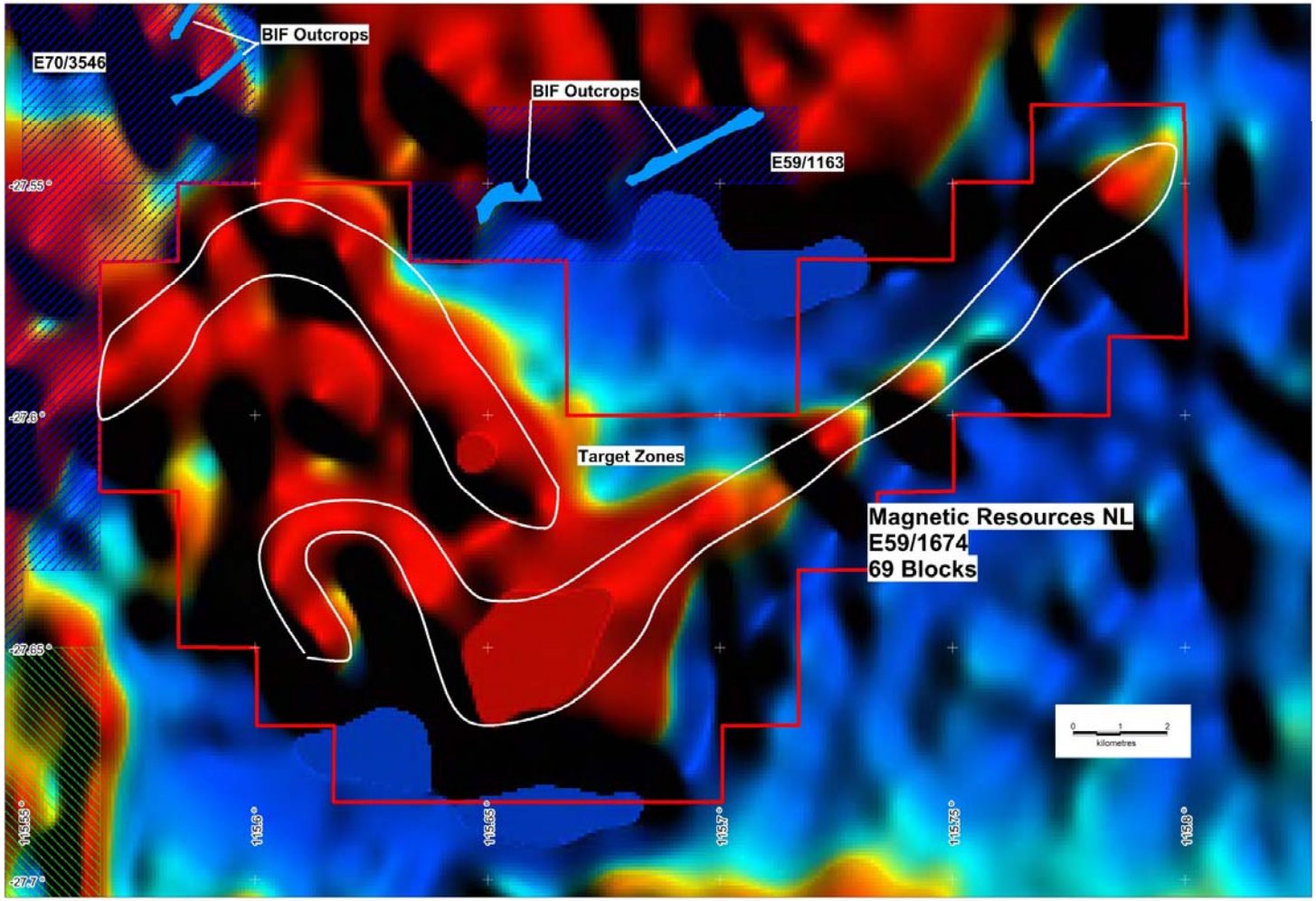
- **Government grant for $100,000 of drilling.**
- **Planning a 3000m RC drilling programme**

30km to Rail
380km to Albany
500km to Kwinana

Target tonnage based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m. The potential quality 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 determination of a mineral resource.

MALARA IRON

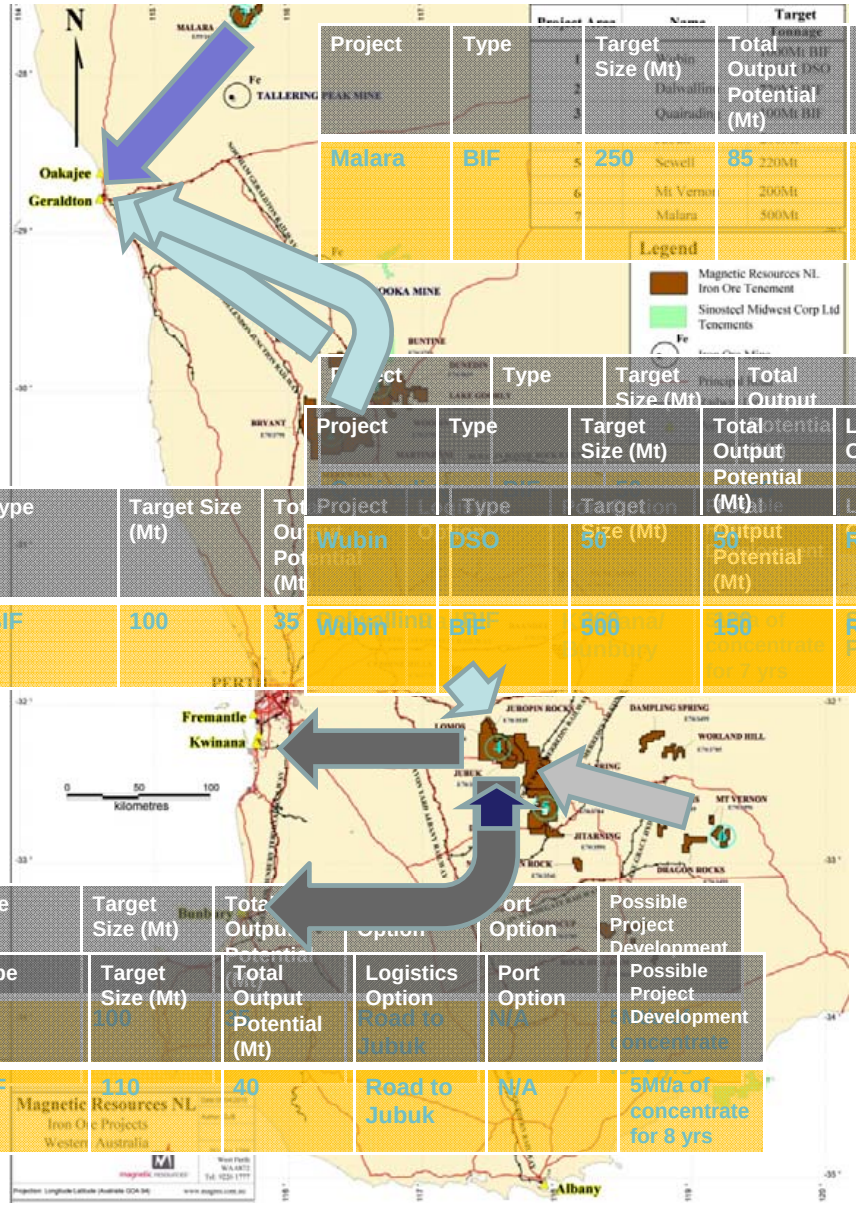
AEROMAGNETICS AND TARGETS



AGENDA

- INTRODUCTION OF MAGNETIC RESOURCES
- WALK THROUGH OF TARGET PROJECTS
- ECONOMIC BUSINESS CASE EVALUATED BY ENGENIUM PTY LTD
- OTHER PROJECTS / INFORMATION

Magnetic Resources Prospects



Project	Type	Target Size (Mt)	Total Output Potential (Mt)	Logistics Option	Port Option	Possible Project Development
Malara	BIF	250	85	Slurry Pipeline/ OP&R Rail	Oakajee	5Mt/a of concentrate for 17 yrs
Wubin	DSO	50	50	Rail	Oakajee	5Mt/a of DSO for 10 yrs
Wubin	BIF	500	150	Slurry Pipe/Rail	Oakajee	10Mt/a of concentrate for 15 yrs
Jubuk	BIF	100	35			
Mt Vernon	BIF	100	30	Road to Jubuk	N/A	5Mt/a of concentrate
Sewell	BIF	110	40	Road to Jubuk	N/A	5Mt/a of concentrate for 8 yrs

EXPLORATION BUDGET
TWO YEARS

Project	Target Strike	No Holes	Metres	Est Days	Total Expl Cost	Likely Expl Costs
Wubin /Dalwallinu	64	600	77,000	500	$10M	$5M
Jubuk and Regional	33	400	50,000	330	$7M	$3M
Malara	39	250	30,000	200	$4M	$2M
Others	36	180	21,000	140	$3M	$1M
					$24M	$11M

- Budget implies JORC resources for all projects and includes metallurgical testwork
- Assume two stand out projects proceed to feasibility.
- Joint venture arrangements and foreign investment are possible options to spread risk and cost

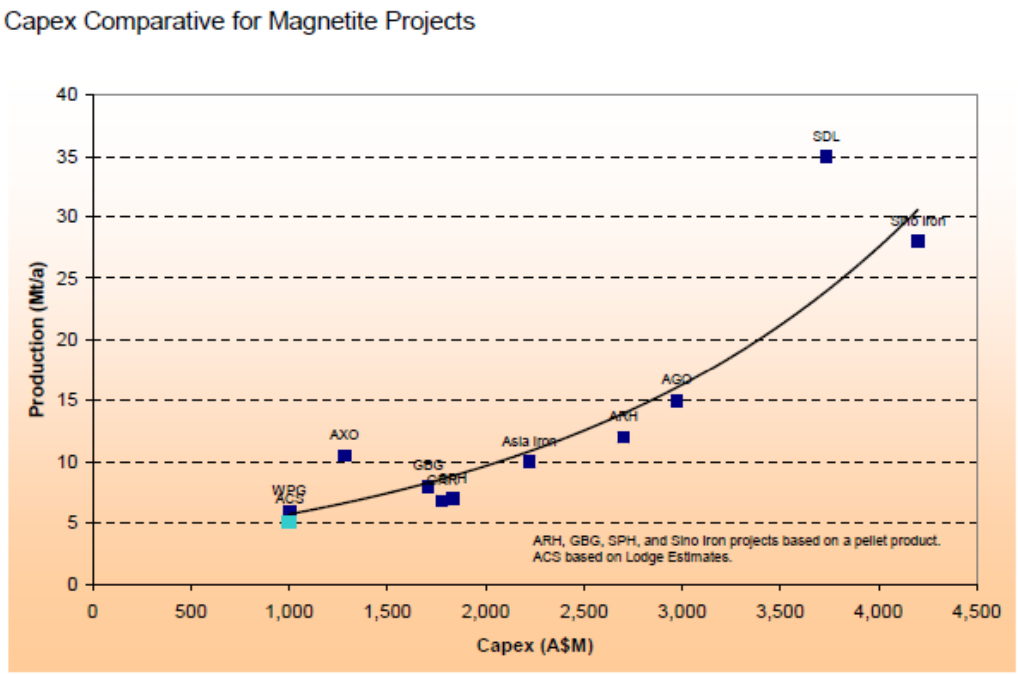
TIMETABLE

- **Jubuk Fe: 3000m RC/Diamond drilling planned in August. Maiden resource expected by September.**
- **Wubin : 4000m RC/Diamond and 2000m AC drilling planned in August over four DSO/pisolite/magnetite targets**
- **New aeromagnetic survey completed. 312km of iron targets being prioritised by soil sampling and geological mapping programmes**
- **Reconnaissance Fe drill traverses: Mt Vernon, Nungarin, Dampling, Harris, Koonadgin**
- **Tampia North: Infill sampling on gold anomalies**
- **Initial gold definition sampling: Holland Rocks and Lake Grace**

COMPARISON OF VARIOUS WA MAGNETITE PROJECTS CAPEX AND OPEX

Name of Project	Fox Resources Mt Oscar	Gindalbie, Karara	Grange Southdown Project	Accent Magnetite Range	Atlas Iron Ridley Magnetite	Asia Iron, Extension Hill
OPEX	TBA	$46.00/t concentrate	US $55.00/t pellets	$51/t concentrate	$36.22/t concentrate	Est. $59.00/t

Information taken from Company announcements on their websites and from ASX announcements



Each magnetite project scope is unique, and the capital requirement will be dependent on a range of variables including resource quality, product type, infrastructure requirements, and scale.

WPG Western Plains(in South Aust)
ACS Accent Resources (Magnetite Range)
AXO Aurox (Balla Balla)
GBG Gindalbie (Karara)
ARH Australasian Resources (Balmoral South)
SPH Sphere (Mauritania)
AGO Atlas (Ridley)

Information taken from Lodge Partners review of Accent Resources NL

RETURNS CAN BE SUBSTANTIAL

If we assume:

Capital cost factors as per other projects

Operating Cost factored as for other projects; but vary the rate according to project location

Ore production is three times the rate of concentrate production

Magnetite stripping ratio 2:1

DSO stripping ratio 3:1

Long term contract price for DSO is $60/t and Magnetite concentrate is $85/t. The DSO spot price is approximately $120/t

And we start each project with a couple of years between each one we get a cashflow result as overleaf.

POTENTIAL CASHFLOW PERFORMANCE ($M)

	Total Capex ($M)	Opex/t	NPV* at 10% disc	IRR%
Wubin DSO	$100	$36.90	$554	115%
Wubin Mag	$1,700	$47.90	$1,093	21%
Dalwallinu	$1,600	$48.30	$819	20%
Malara	$1,030	$44.50	$540	19%
Jubuk/Quairading/ Sewell/Mt Vernon	$830	$51.41	$607	20%

- Order of magnitude estimates
- Lower tonnage case used
- Target tonnages, Potential Cash Flow and NPVs are based on drilling results, aeromagnetic and ground magnetic models, density of 3.5 and target depth of 100m

* EBIT

SUMMARY

- **>312km of iron ore potential strike extent within the South West Region of WA. Early encouraging coarse grained magnetite at Jubuk with potential greater than 100Mt**
- **Target potential of greater than 2.5 billion tonnes within all projects.**
- **Early success with hematite/goethite and pisolite at Wubin. Sinosteel have opened up nearby Koolanooka DSO/pisolite mine which has similarities to Wubin**
- **Mt Vernon and Dragon Rocks drilling planned**
- **3 gold projects with encouraging results**

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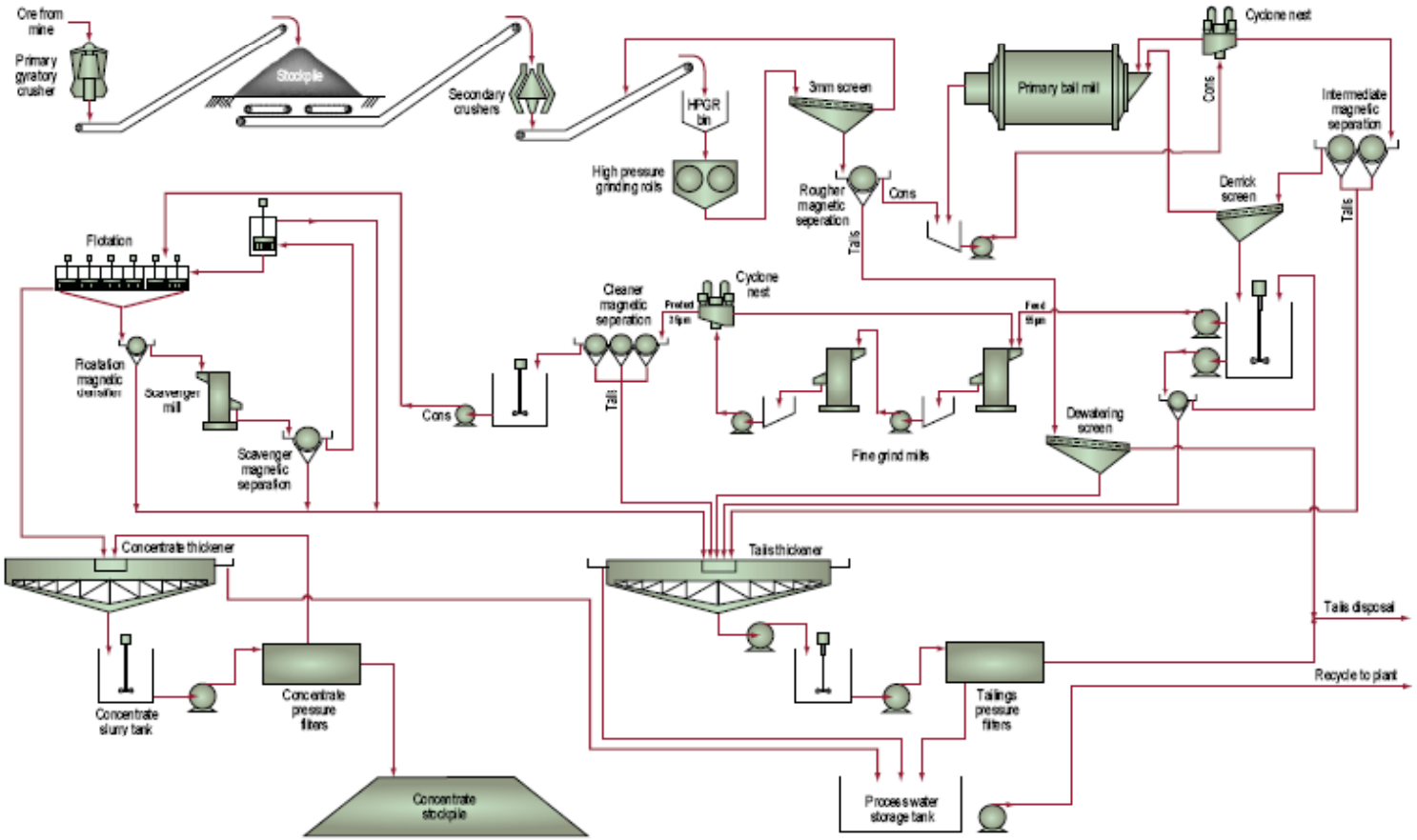
MAGNETITE TESTWORK REQUIREMENTS

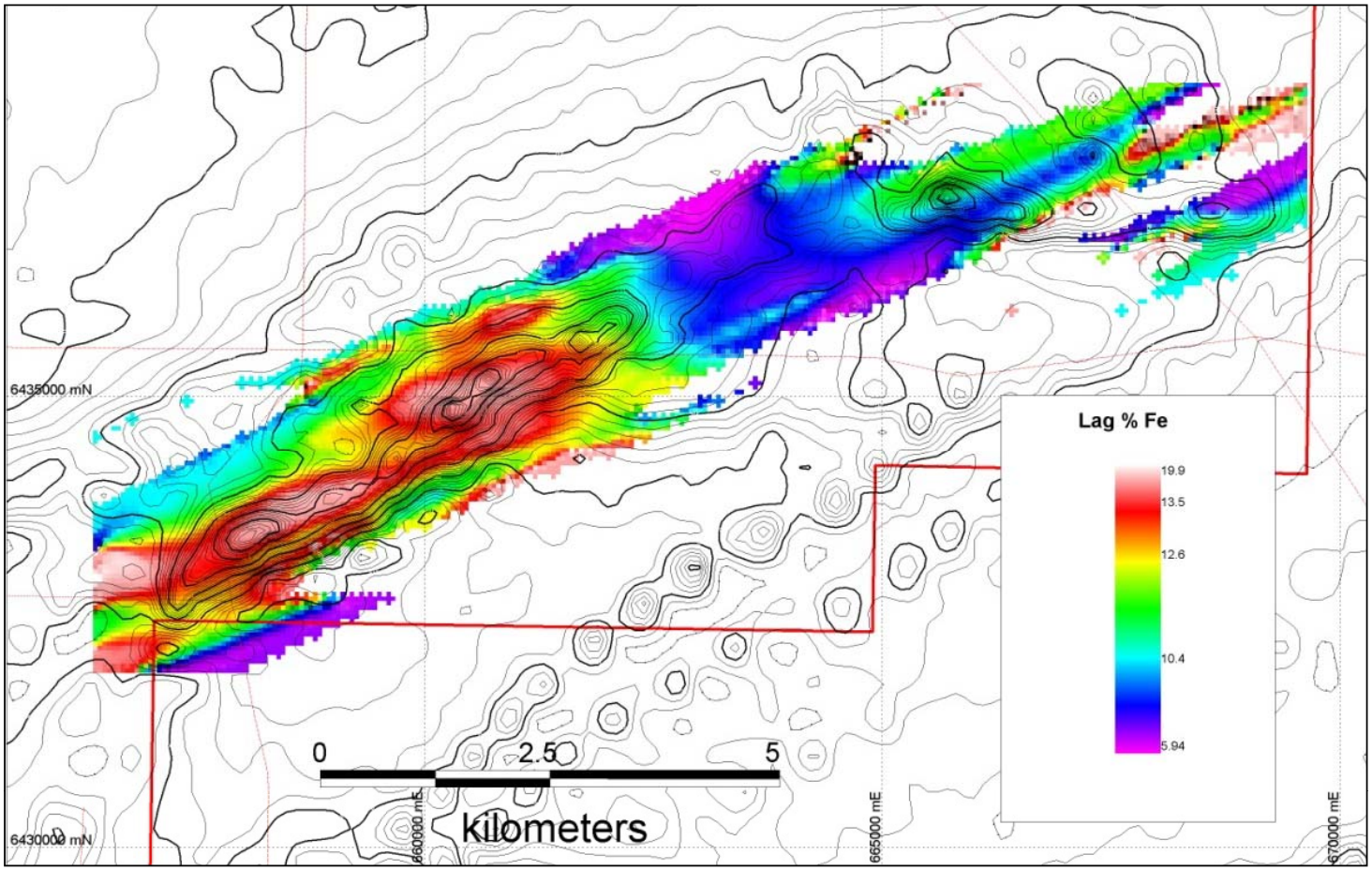
- **Rejection of silica is critical - aim is usually below ~5%**
- **Application of comminution technology**
- **Liberation (Grade/Recovery relationship) of ores at a coarsest particle size**
- **Low Intensity Magnetic Separation (LIMS) testwork**
- **Davis tube results**
  P_{80} can be 75 - 25 micron (for silica liberation)
- **Concentrate Sizing for moisture content and pelletising behaviour**

MAGNETITE PLANT PROCESSING FLOWSHEET

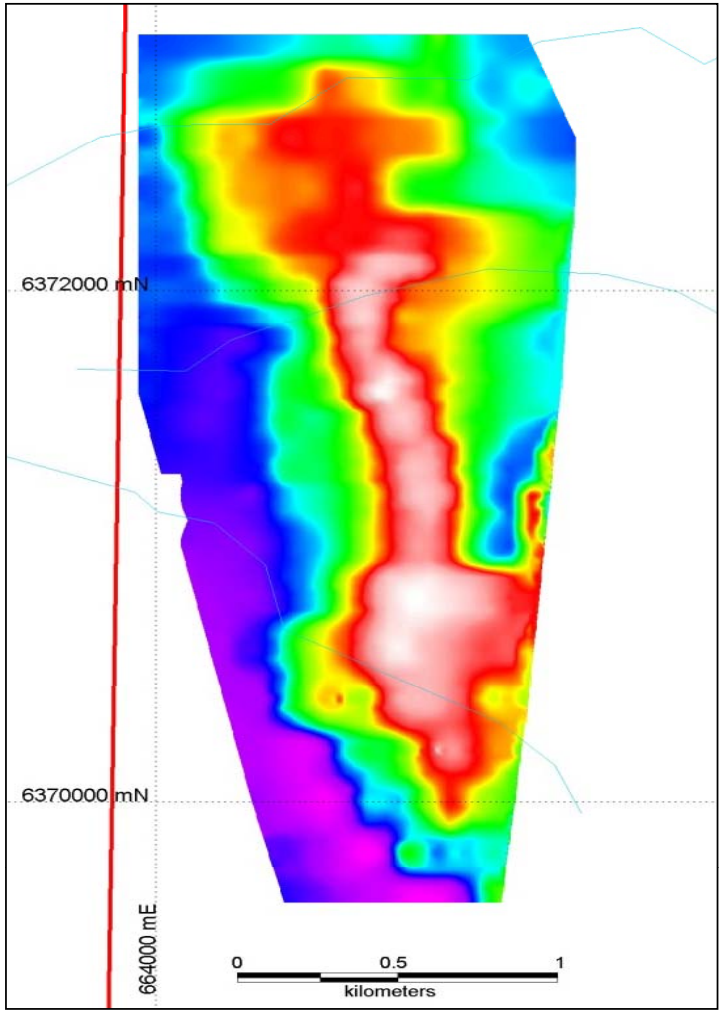


DAMPLING SPRING IRON

GROUND MAGNETICS AND SAMPLING

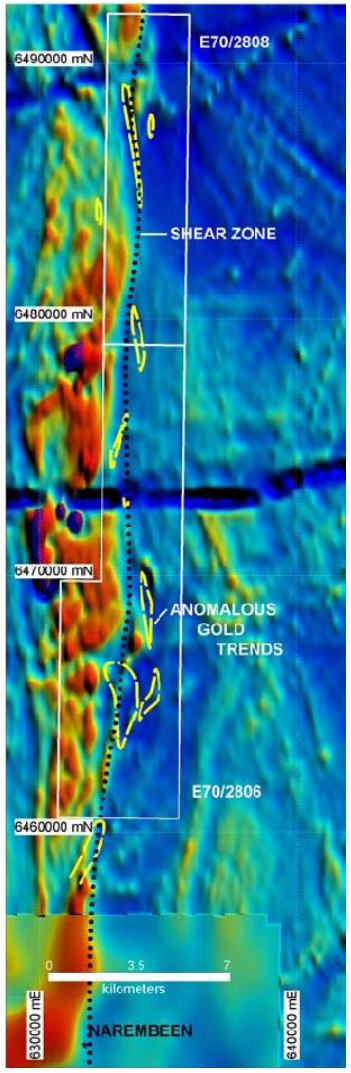


HARRIS IRON
GROUND MAGNETICS



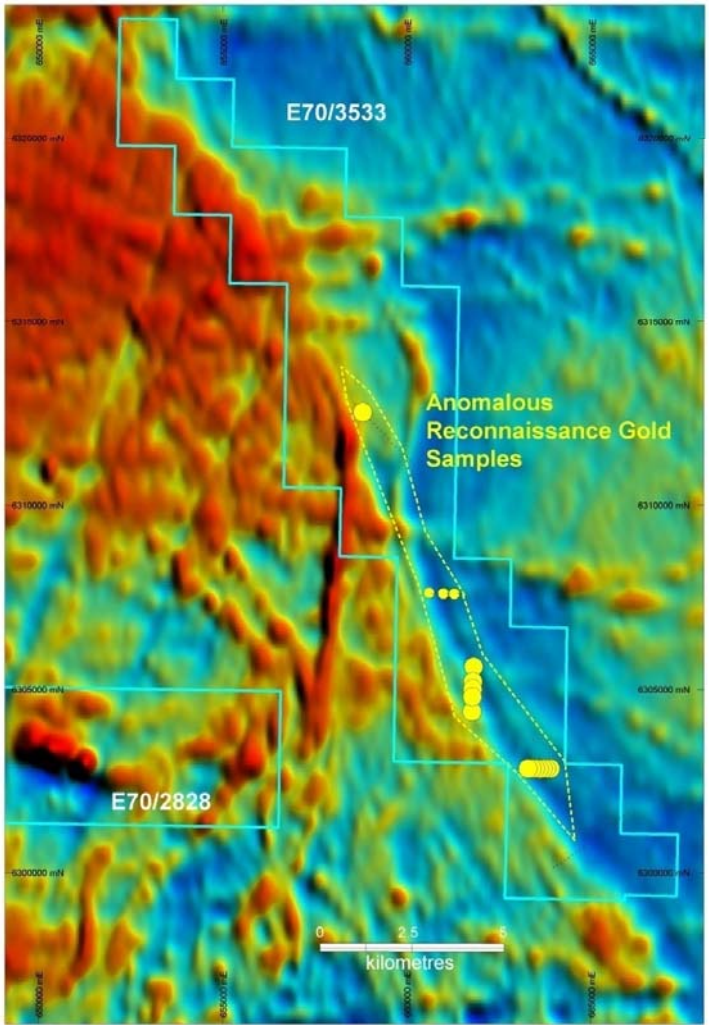
TAMPIA NORTH JV GOLD

- **Pacific Ore earning 51% by spending $550,000 in 3 years**
- **Three separate projects covering 320sq km**
- **Magnetic are the operators**



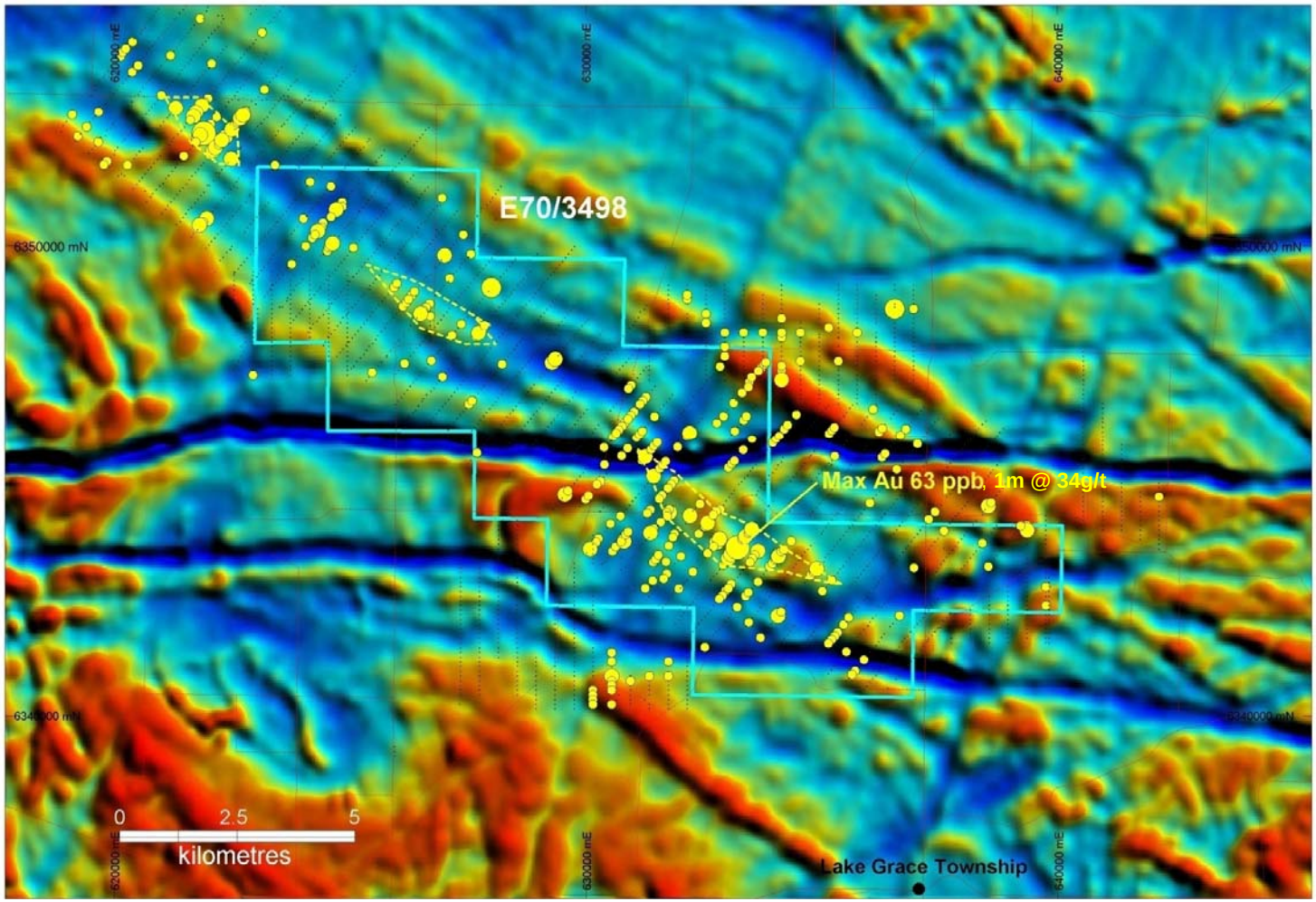
HOLLAND ROCKS JV GOLD

RECONAISSANCE SAMPLING



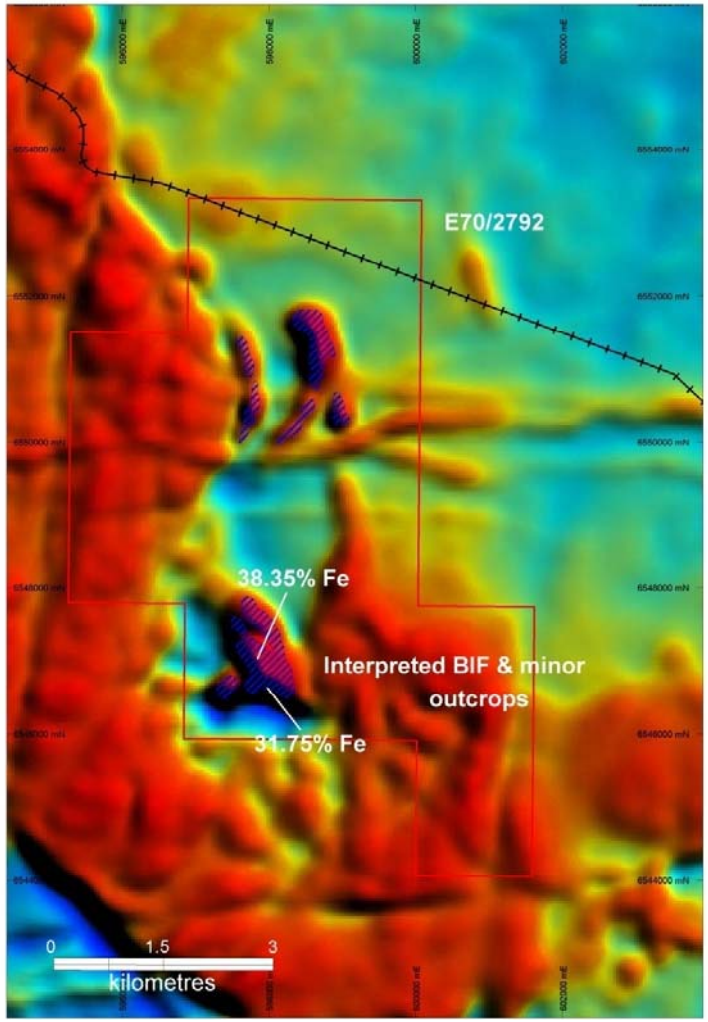
LAKE GRACE JV GOLD

HISTORICAL SAMPLING



NUNGARIN IRON

AEROMAGNETICS AND SAMPLING



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