



magnetic resources^{NL}

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EXPLORATION UPDATE

Highlights

- **An attractive 15km-long iron ore target identified at Jubuk in an area of good infrastructure near Corrigin.**
- **A new gold anomaly at Dourdi near Lake King.**
- **An additional gold anomaly in shallow drilling in the northern part of Tampia North.**
- **An 11km-long gold anomalous corridor at Holland Rock near Lake Grace, along strike from known mineralisation.**
- **A 3.5km x 400m gold anomaly identified from historical sampling at Lake Grace, with limited evidence of follow-up.**

Magnetic Resources is continuing to test gold, iron, nickel and uranium targets on its extensive holdings in the wheatbelt (southern Yilgarn Craton) region of WA. Magnetic has substantially reduced these holdings as it focuses on the best targets and further tenement rationalisation is expected. Efforts are being made to farm out a number of projects as this process continues. Potentially significant results are summarised as follows:

GOLD

Tampia North (Magnetic 80%, earning up to 100%)

Geochemical sampling to complete first-pass coverage of a 60km strike length of the Tampia Shear Zone has been resumed following completion of cropping on farm land. Shallow geochemical drilling of aeromagnetic targets for gold and iron returned up to 100ppb gold (0.1g/t Au) in weathered metasediments adjacent to an interpreted granite stock to the north of the previously identified gold anomalies. Follow-up of this encouraging result is planned.

Dourdi (Magnetic 80% earning up to 100%)

Geochemical sampling has identified anomalous gold values up to 15x background coincident with an interpreted shear zone. When mapping of this area has been

completed in the near future, further sampling is to be carried out to test the extent of the anomalism along this interpreted structure which extends for some 10km within the Magnetic tenement.

Joe's Joint (Magnetic 80%, earning up to 100%)

First-pass geochemical sampling over a 20km-long interpreted greenstone sequence has identified a number of weak gold and multi-element trends. A programme of follow-up shallow RAB drilling has been carried out with sample analyses in progress.

Rock Dam Hill (Magnetic 80%, earning up to 100%)

First-pass geochemical sampling of interpreted greenstone sequences has returned values up to 300ppm copper in weathered rock. Follow-up sampling is planned together with shallow drilling of two iron targets.

No 7 Tank (Magnetic 80%, earning up to 100%)

Weakly anomalous gold values (up to 5x background) have been identified in geochemical drilling of aeromagnetic targets where an interpreted shear zone transects a greenstone sequence. Further geochemical drilling is planned, to investigate the extent of the anomalism.

Lake Grace (Magnetic 100%)

Magnetic has applied for an 81sq km exploration licence over an interpreted shear zone north of Lake Grace. Historical sampling results show a 3.5km x 400m gold-anomalous zone with values up to 60x background in soil and limited evidence of follow-up testing. Upon grant of the tenement, further testing of this gold anomaly is planned.

Holland Rock (Magnetic 100%)

As reported in the September 2008 quarterly report, Magnetic has identified an 11km-long gold-anomalous corridor coinciding with an interpreted shear zone. This previously unrecognised anomaly is situated along strike from Dominion Mining's Lake Magenta gold prospect some 11 km to the south-east.

IRON

Koonadgin (Magnetic 80%, earning up to 100%)

A ground magnetic survey is in progress over a strong 8km-long aeromagnetic anomaly, interpreted to be related to a soil covered banded iron formation. Dependant upon the results of the survey, a programme of scout RAB drilling is planned, to test the potential; for both hematite and magnetite iron ore.

Tarin Rock (Magnetic 100%)

Banded iron formations interpreted from aeromagnetics have been confirmed by scout roadside sampling, returning anomalously high iron values up to 20%Fe in laterite. Further sampling and shallow drilling is planned, to assess the extent and nature of the iron-rich horizons.

Dampling Spring (Magnetic 100%)

As previously reported (ASX release 11 September 2008), anomalous iron values up to 22%Fe have been obtained in laterite samples on a 10km-long aeromagnetic target, interpreted to be banded iron formation or magnetite-rich gneiss.

Harris (Magnetic 100%)

A 40sq km exploration licence has been applied for over a strong 3km-long aeromagnetic anomaly prospective for weathered iron formation.

Jubuk (Magnetic 100%)

Reconnaissance sampling of a strong 15km-long aeromagnetic anomaly has confirmed the presence of weathered bonded iron formation with iron value up to 43.9%Fe (average 36.9%Fe from 11 samples). Further sampling together with shallow drilling is planned upon grant of the tenement, to assess the iron ore potential of this strategically located prospect near Corrigin.

Norpa (Magnetic earning up to 90%)

Preliminary sampling has identified weathered iron formation close to a railway line with a maximum iron value of 43.7%Fe (average 32.8%Fe from seven samples). Shallow RAB drilling has been carried out to assess this occurrence with sample analysis in progress.

NICKEL**Mt Stuart (Magnetic 80%, earning up to 100%)**

A 2km-long weakly anomalous nickel-copper zone has been identified, coincident with a moderate aeromagnetic trend. Negotiations to gain access to the farming property are in progress.

Lake Gulson (Magnetic 80%, earning up to 100%)

Anomalous nickel values in soils have been identified, coincident with a series of discrete aeromagnetic features possibly associated with ultramafic rocks. The tenement is contiguous along strike from Western Areas' Nickel Hill nickel prospect and warrants further assessment.

Gibb Rock (Magnetic 80%, earning up to 100%)

Preliminary geochemical drilling has been carried out over a 1 km-long strong, discrete soil-covered aeromagnetic anomaly. Analysis of drill samples is in progress.

Diggers East (Magnetic 100%)

Access has been cleared to a remote aeromagnetic target interpreted to be associated ultramafic rocks overlying a granite dome. Geochemical soil sampling of this arcuate, 10km-long target sequence is in preparation.

URANIUM**Lake Seabrook (Magnetic 80%, earning up to 100%)**

The tenements cover a salt lake system with associated uranium radioactive anomalies. Ground radioactive surveys and preliminary sampling have confirmed anomalous uranium levels up to 40ppm U in lake sediments. Further work is warranted to assess the potential for roll front style uranium mineralisation in paleo channels associated with salt lake system.

Yerritup (Magnetic 80%, earning up to 100%)

Mapping and sampling of a strong 1km-long uranium radiometric anomaly is in preparation.

Boydells (Magnetic 80%, earning up to 100%)

A small (400m diameter) but strong uranium radiometric anomaly associated with a drainage system is considered to warrant testing for roll front mineralisation.

26 Mile Rock (Magnetic 80%, earning up to 100%)

Anomalous uranium values up to 5x background have been obtained in soil, surface lag and lake sediments from a salt lake system with associated airborne radiometric anomalies. Further work is being planned, to assess the potential for roll front mineralisation in the drainage channels.

MAGNETIC JOINT VENTURE

Magnetic Resources has earned an 80% interest in a large package of tenements in the wheat belt region of Western Australia comprising the Magnetic Joint Venture with Image Resources. The tenements cover a mix of aeromagnetic and radiometric targets considered to be prospective for gold, iron, nickel or uranium.

Under the terms of the joint venture, Magnetic had the right to earn an 80% interest in a package of 64 exploration licences totaling some 6,700sq km by expenditure of \$2 million before April 2009. Upon completing that expenditure within that time, Magnetic had the right to elect to earn a further 20% interest by spending a further \$1 million by April 2012, with Image retaining a 1% royalty interest.

In recognition of the current extraordinary market conditions, Magnetic and Image have agreed to vary the terms of the joint venture by:

1. extending the period in which the expenditure to earn the additional 20% must be incurred from April 2012 to April 2014;
2. allowing Magnetic to earn the additional 20% interest in any joint venture tenement by expending, or procuring the expenditure of, not less than \$60,000 on that tenement.

The right under point 2 above is in addition to Magnetic's right to earn an interest in the entire package of tenements under the joint venture.

As foreshadowed in Magnetic's IPO prospectus in February 2007, Magnetic has undertaken a programme of first-pass exploration on this extensive and largely unexplored tenement package with the aim of identifying the most prospective areas for further investigation. To date, the joint venture tenement package has been reduced to 18 exploration licences covering 1,462sq km on which targets for gold, iron, nickel or uranium have been identified, with further rationalisation envisaged.

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

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The information in this report is based on information compiled by Roger Thomson BSc, ARSM, MAIG who is a member of the Australasian Institute of Mining and Metallurgy. Roger Thomson is a director of Magnetic Resources NL. Roger Thomson 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'. Roger Thomson consents to the inclusion of this information in the form and context in which it appears in this report.