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The Manager  
Companies Announcements Office  
Australian Securities Exchange  
20 Bridge Street SYDNEY NSW 2000



## ASX ANNOUNCEMENT

### RESOURCE DRILLING OF A 280–500 M TONNE EXPLORATION TARGET TO COMMENCE AT CANEGRASS PROSPECT, WA

#### HIGHLIGHTS

- *Recent geophysical and drilling results have confirmed the presence of three thick magnetite-rich iron mineralised zones at Canegrass.*
- *Davis tube tests show that concentrates containing over 50% iron can be readily produced from these zones.*
- *Planned metallurgical testwork should provide opportunities for targeting a range of commercial opportunities.*
- *Resource evaluation drilling will commence as soon as possible to test the exploration target of 280–500 million tonnes.*

#### CANEGRASS IRON ORE PROSPECT

WESTERN AUSTRALIA  
(Maximus 100%)

#### SUMMARY

The Canegrass magnetite iron ore prospect is located about 60 kilometres southwest of Mount Magnet in Western Australia (Figure 1). The large scale of the Canegrass prospect, with magnetite concentrations over an area more than 20 km long and up to 3 km wide, requires systematic, progressive focussing to evaluate its iron ore resource potential. This announcement aims to outline recent significant progress on understanding of the ore potential and planning the next stage of exploration.

Preliminary drilling programs involving 2,000 m of diamond drilling and 5,000 m of RC drilling were recently completed. RC samples have been submitted and a few assay results have been received and evaluated. An additional announcement will be released when all assays are to hand. The drilling has

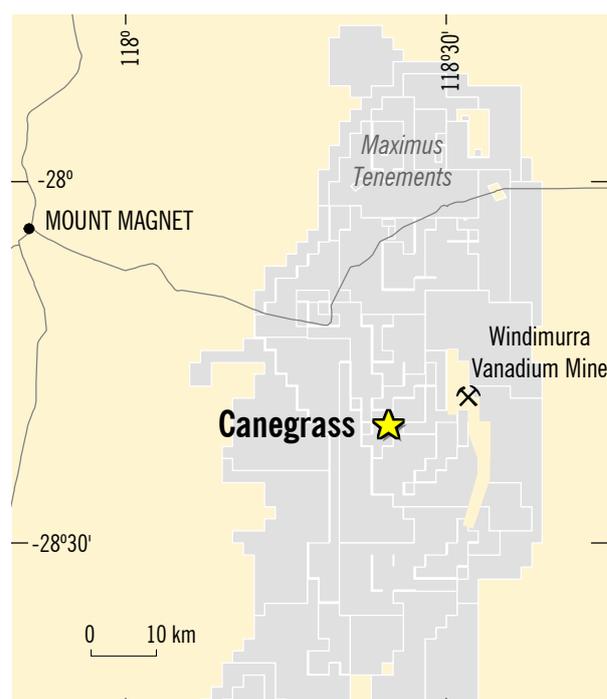


Figure 1 Regional location of the Canegrass Prospect.

confirmed the presence of three thick (up to 50 metres), magnetite-enriched zones that will provide a focus for closer spaced RC drilling to establish ore continuity and define an inferred resource. An exploration target of between 280 and 500 million tonnes has been outlined in two areas, Block 3 South and Block 3 North (Figure 4).

The exploration target outlined in Block 3 (Figure 4) is only a small part of the global resource potential which

was estimated at 1.7 to 3.0 billion tonnes in an ASX announcement on 9 May 2008.

A key finding from the work is the relatively shallow dip of target units of about 20 degrees which enhances the near-surface tonnage potential per vertical metre.

The magnetite-rich zones readily produce magnetic concentrates with over 50% iron from preliminary standard Davis Tube tests. Variations in the composition of iron-rich units should provide a range of commercial opportunities. These include high iron and vanadium with moderate titanium for a vanadium rich product and high iron with moderate titanium and vanadium for an iron-rich product.

Planning for resource evaluation RC drilling is now in progress. Applications for Mines Department drilling approvals and Aboriginal heritage clearances for further exploration are being prepared.

### EXPLORATION RESULTS

#### Recent Exploration Results

Two of three diamond drillholes planned to test gravity peaks (ASX announcement 9 May 2008), MND1 in Block 1 and MND2 in Block 3 (Figure 2), intersected abundant magnetite (summarised in Quarterly report to 30 June 2008). MND1 intersected two such intervals with abundant magnetite (Zones 2 and 3), but was terminated before testing a third (Zone 1) near the base of the magnetite rich Canegrass layered sequence. Abundant magnetite was intersected over a single thick interval in MND2 and may be correlated with one of three main intervals intersected in Block 1, but evidence to date suggests that it represents a separate unit higher in the layered sequence – Zone 5 at Block 3 North.

Two additional diamond drillholes (MND3 and 4) were planned following geological logging from MND1

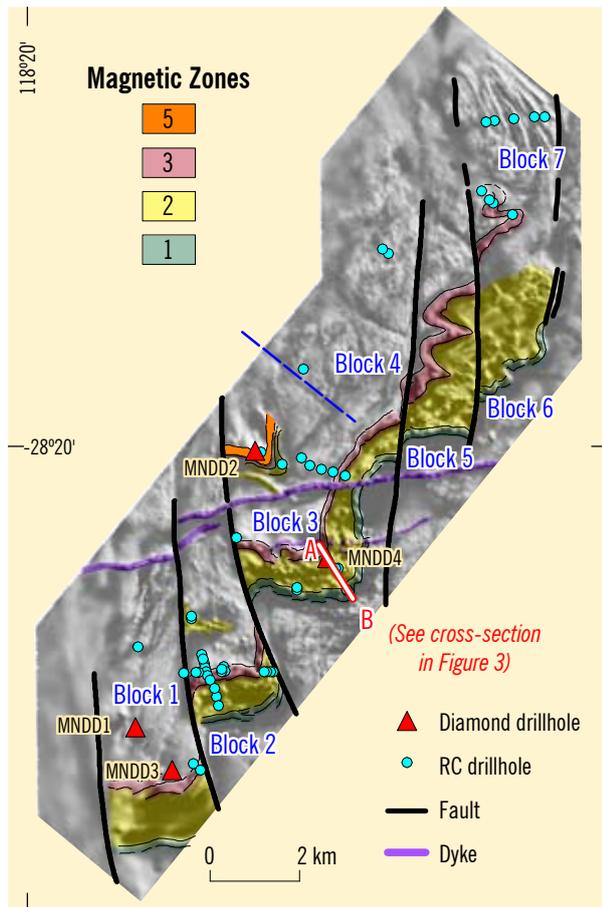


Figure 2 Canegrass Prospect area showing Fault Blocks and mineralised zones together with recent diamond and RC drillhole locations.

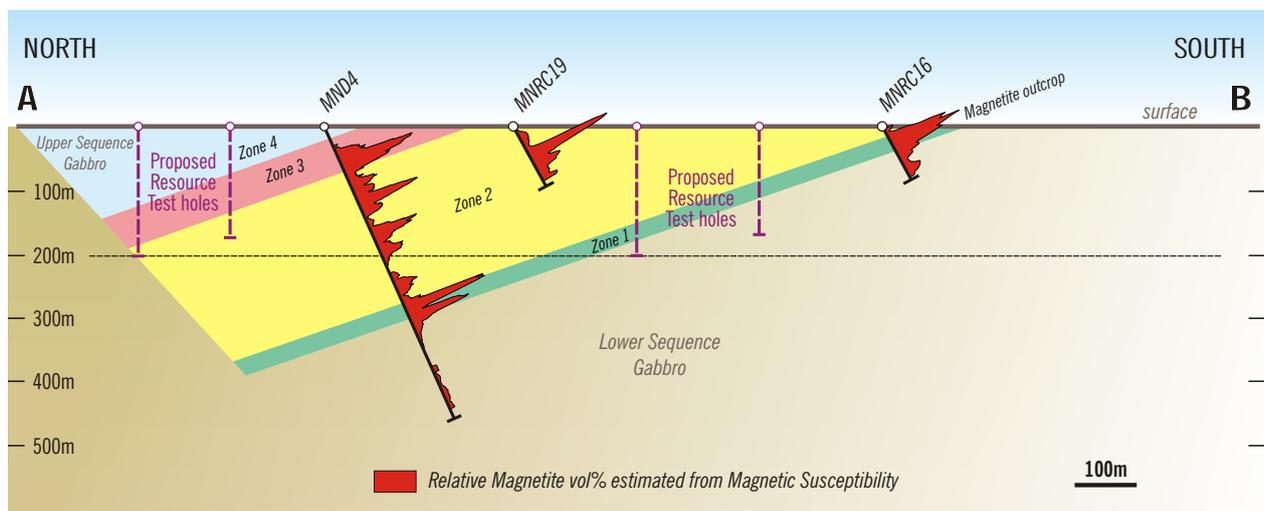


Figure 3 Schematic cross section through holes MND4, RC19 and RC16 at the Block 3 South Prospect.

and reprocessed airborne magnetic data (Figure 2). MND4 was designed to test a fold structure in Block 3 (Figure 3). They achieved what are believed to be complete or near complete intersections of Zones 1–3 in Block 1 (1.2 km from MND1) and the southern part of a redefined Block 3 respectively (Block 3 South). Note that these similar intersections in Blocks 1 and 3 are about six kilometres apart.

An RC drilling program with “the objective to understand the distribution of magnetite and its iron, titanium and vanadium contents over the larger Canegrass area” was described previously (ASX announcement 25 June 2008). This program, which was planned before completion of MND1 and recent refinements of airborne magnetic data, was progressively amended as new information became available.

Drilling was completed on six broadly spaced RC traverses, distributed over the length of the prospect (Figure 2). Recent reviews of the data indicate that this drilling has provided useful information on Zones 2, 3 and 5, but limited additional information on Zone 1. Approval of extensions of these traverses and additional traverses to improve this coverage will be sought in addition to the resource evaluation holes in the next round of drilling. Although some assay results from this drilling are now being received they are yet to be validated or assessed and an additional announcement will be released when all assays are to hand. No assays are yet available for the diamond drill holes.

### Metallurgical Work

Magnetic concentrates of over 50% iron were readily achieved with preliminary, standard Davis Tube tests. These were completed on bulked samples containing 20 to 40% iron from Zone 1 in RC16 (previously reported), Zone 3 in RC42 and Zone 5 in RC38. Best recovery is achieved in bands of fairly massive coarse grained magnetite.

Lower recovery of magnetite in standard tests may be due to presence of finer grained, disseminated magnetite or locally higher iron contents in silicate minerals in the gabbro. Evaluation of the effect of such variations requires more sophisticated magnetic separation tests than have been completed to date. Geological logging and petrologic studies now in progress will provide guidance for design of these tests.

A program of more sophisticated metallurgical tests is planned to determine how extraction of saleable products based on the three valuable metals (iron, vanadium, titanium), that are enriched to varying degrees in the Canegrass magnetite zones, can be

achieved cost effectively. This involves an assessment of current and emerging markets for these commodities and their various combinations, as well as trialling of technical options available for their concentration and separation. This work will go well beyond the basic tests completed so far on magnetic separation of magnetite from the host rock.

### Exploration Targets and Evaluation Drilling

Maximus’ understanding of the distribution of magnetite mineralisation at, near, and beneath the surface at Canegrass has been greatly increased by: integration of improved airborne magnetic data, results of geological logging, geophysical measurement of drill samples and assays of some recent samples and some from previous programs.

A program of resource evaluation drilling will focus initially on two areas in Block 3 (Block 3 South and Block 3 North). Available data indicate that closer spaced drilling on a 200 to 400 m pattern is likely to confirm presence of continuous zones with abundant magnetite between the near-surface and 200 m depth (Figure 4).

Proposed tests of Zones 1 and 3 at Block 3 South will be over a strike length of about 2.4 km and a total width of about 1.3 km (Figure 3). Based on a north dip of 20 degrees, a strongly mineralised interval of 20–40 m in each zone and a density of about 3.4 tonnes per cubic metre indicates an exploration target of 200 to 400 million tonnes of iron ore containing about 30–40% iron, based on results to date.

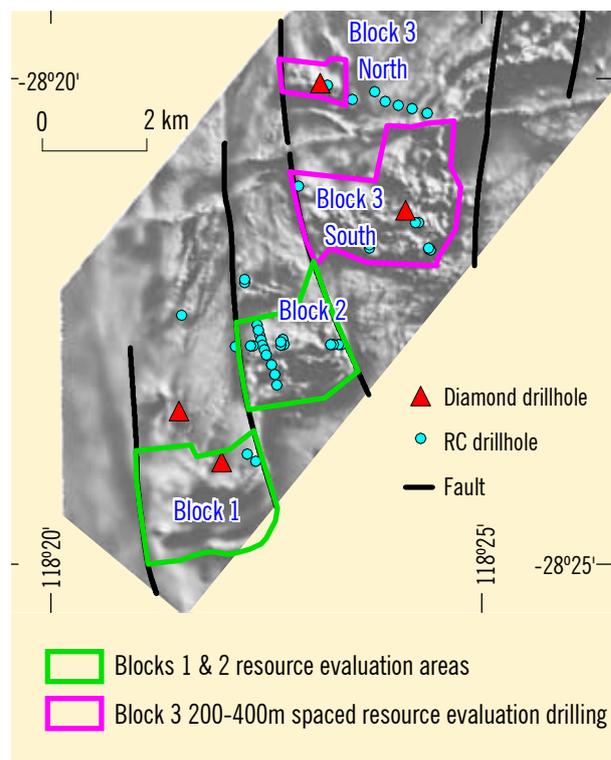


Figure 4 Plan of resource evaluation exploration target areas.

Proposed traverse drilling to test Zone 5 at Block 3 North will cover a strike length of about 1.2 km, targeting a thick magnetite rich intersected in MND2 and MNRC38 (see ASX announcement 25 June 2008). This unit is believed to have a moderate north dip, but this is yet to be confirmed. Based on a north dip of 20 degrees, testing to 200 m over a 600 m width will be required. Using the above criteria and consistent 40–50 m thickness of the magnetite rich unit confirmed in the above drillholes, an exploration target of about 80–100 million tonnes containing about 30–40% iron is indicated in this small Block 3 North area. Note that this is a revised target estimate, based on more data, to that released on 25 June 2008.

It is emphasised that the potential quantity and grade of the Block 3 North, Block 3 South mineralisation and the global potential announced on 9 May 2008 are partly conceptual in nature and there has not yet been sufficient exploration to define a Mineral Resource. Furthermore, it is also uncertain if further exploration will result in the determination of a larger, smaller or any Mineral Resource.

Further broad spaced reconnaissance traverse drilling will be completed on traverses in Blocks 1, 2, 4, 5 and 6. Applications for Aboriginal heritage clearances and Mines Department work program approvals are required for the above evaluation and reconnaissance drilling and are being prepared. It is hoped that the evaluation drilling will get underway in late September or October 2008.

**Dr Kevin Wills**  
Managing Director  
25 August 2008



*Gary Maddocks (right), Exploration Director and Brendan Coleman (left), Consultant Geophysicist, during a recent field trip to Canegrass Prospect.*

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The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr K Wills, who is an employee of Maximus Resources Limited, and a fellow of the Australasian Institute of Mining and Metallurgy. He has more than five years of relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report in the form and context in which it appears. He qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".