QUARTERLY REPORT for the Quarter Ended 30 September 2010

Magnetic Resources NL
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Issued Capital:
Shares - Quoted:
64,717,636 fully paid shares
17,418,862 contributing shares
Options - Unquoted:
2,295,000 options exercisable at $0.2709 by 23.12.2014

Cash: $5.1 million

Directors:
Peter Thomas
Non Executive Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

HIGHLIGHTS

IRON ORE

- **Metallurgical tests on Jubuk drill samples continue to confirm potential for a premium grade magnetite product**
- **Jubuk Scoping Study commenced by consulting engineers Engenium Pty Ltd**
- **Further drilling planned at Jubuk to test extensions and start resource definition**
- **First pass air core drilling for iron ore commenced at Wubin**

GOLD

- **Drilling of gold-in-soil anomalies at Tampia North extends area of bedrock anomalies**

IRON ORE

Jubuk

Metallurgical Testing

During the quarter Magnetic Resources released the results of metallurgical test work from consulting engineers Engenium Pty Ltd on reverse circulation (RC) drill samples and diamond core from the Jubuk magnetite project near Corrigin WA (MAU ASX release 24 August 2010). The test results show that the Jubuk magnetite banded iron formation (BIF) responds well to conventional treatment and is capable of beneficiation to produce a premium magnetite product.

Engenium has been engaged to assist Magnetic Resources in assessing the economic potential of the Jubuk iron ore project. This is a magnetite based iron project, in the early stages of drilling. As the magnetite mineral only accounts for some 30% of the mineralisation, beneficiating the material to a higher grade is essential. This beneficiation processing requires metallurgical test work so an assessment program was developed for samples from the first two stages of drilling.

Davis Tube Recovery (DTR) tests on RC drill chips (97% passing 75 microns) are summarised in Table 1. DTR is a useful test as it quantifies the quality and recovery parameters of the magnetite. This analysis is performed on exploration drill samples, as a matter of routine, but the DTR parameters for every magnetite deposit differ. The particle size for the test, and the pulverisation method to get to that size, need to be determined for each deposit. The DTR performance was very encouraging, showing a high recovery of a high grade product.

Davis Tube Product	Mass (g)	Fe %	SiO_2 %	Al_2O_3 %	P %	LOI %
Magnetics	9.82	69.69	1.36	0.90	0.002	3.17
Non Magnetics	19.55	3.91	76.79	7.72	0.054	0.78
Davis Tube Recovery	29.4%	90.0%	0.9%	5.5%	1.8%	na
Calc Head Assay		25.9%	51.6%	5.4%	0.037%	

Table1

Summary of RC DTR Results

Testing of diamond drill core was carried out on a composite sample, the analysis results of which are shown in Table 2.

Fe	SiO_2	Al_2O_3	TiO_2	Mn	CaO	P	S	MgO	LOI
20.41	55.25	7.21	0.21	0.043	1.97	0.032	0.049	1.80	-0.45

Table 2

Drill Core Composite, Head Assay (%)

This initial assessment indicated the mineralisation to be conventional in its hardness, abrasiveness and milling qualities as shown in Table 3.

Hole ID	Interval		In-situ	UCS	Abrasive	Bond Ball Mill
	From (m)	To (m)	SG	MPa	Index	Work Index
JDH01	79.80	80.00	3.35	93.4		
JDH01	93.00	93.20	3.31	80.5	0.44	17.5 kWh/t
JDH01	115.50	115.75	3.39	65.3		

Table 3

Drill Core Composite, Physical Properties

These results indicate very few issues when processing using modern equipment.

A DTR was performed on this sample to indicate an expected performance and to check the robustness of the procedure. These results are shown below in Table **4**.

DTR PRODUCT	Wt. (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI 1000 (%)	FeO (%)
Magnetic Conc.	26.2	70.50	1.31	0.67	0.003	0.022	-3.24	30.68
Non-mag tailing*	73.8	2.66	74.35	9.52	0.042	0.059		
Recovery% to Magnetic Conc.	26.2	90.4	0.6	2.4	2.5	11.7		

*Non Magnetic fraction calculated

Table 4

Drill Core Composite, DTR Results

Following this test, a Low Intensity Magnetic Separation (LIMS) program was performed to check the performance of the mineralisation at industrial strength magnetic fields. The results, developed from the assay heads, are shown below in Table **5**.

	Mass	Fe		SiO_2		Al_2O_3		P	
	Dist (%)	Grade (%)	Dist (%)	Grade (%)	Dist (%)	Grade (%)	Dist (%)	Grade (%)	Dist (%)
Calculated head	100.0	20.03	100.0	55.96	100.0	7.29	100.0	0.050	100.0
P_{80} 212µ Non-Mags	72.4	3.18	11.5	74.04	95.8	9.71	96.5	0.042	61.4
P_{80} 212µ Mags	27.6	64.24	88.5	8.54	4.2	0.92	3.5	0.069	38.6
Grind 212µ Mags to 75µ									
P_{80} 75µ Non-Mags	2.5	6.39	0.8	79.90	3.6	2.97	1.0	0.07	3.6
P_{80} 75µ Mags	25.1	70.00	87.7	1.43	0.6	0.72	2.5	0.07	35.0

Table 5

Drill Core Composite, Two-Stage LIMS Separation Results

The performance is excellent, in line with the DTR performed on the RC chip sample. Additional samples derived from the RC drilling have been submitted for DTR testing. These samples include samples from the weathered profile, in order to assess potential recoveries and quality of product from the oxidised BIF overburden.

The early testwork has shown that the Jubuk mineralisation responds to conventional treatment and that the mineralogy of the ore mineral makes it capable of producing a premium product.

Scoping Study

Following the excellent initial test results, Engenium has been commissioned to prepare a scoping study for the Jubuk project. The study will assess the processing and infrastructure options and evaluate a future operation producing a premium product at an economic scale. It is anticipated that the study will be completed during the December quarter.

Drilling

Magnetic is planning a 30-hole, 3500m drilling program, increasing the total number of holes drilled at Jubuk to 55. The drilling will test the previously unrecognised western fold limb, test the known strike extensions of the BIF and commence resource definition drilling. The proposed drill hole locations are shown in Figure 1. A substantial percentage of the drilling will be collared on the western side of the magnetite BIF horizon to assess the continuity of the western limb as shown in the cross section in Figure 2. Further drilling, including diamond coring, will be required to define a resource. Subject to permitting and access during harvest time, it is anticipated that the proposed drilling will commence during the December quarter.

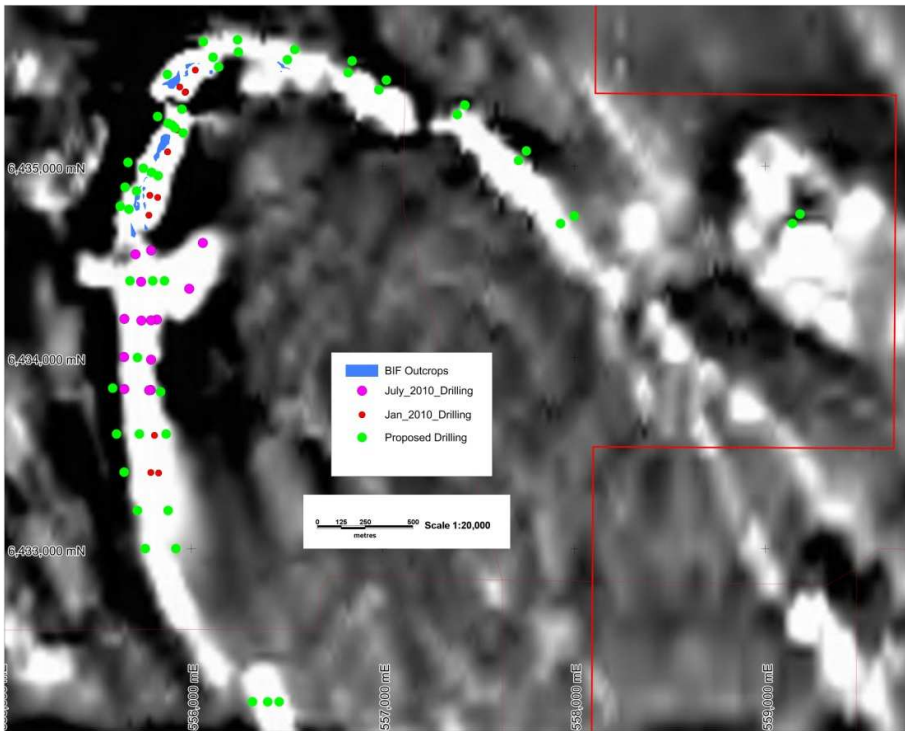

Figure 1
Jubuk Proposed Drilling on Greyscale Aeromagnetic Image

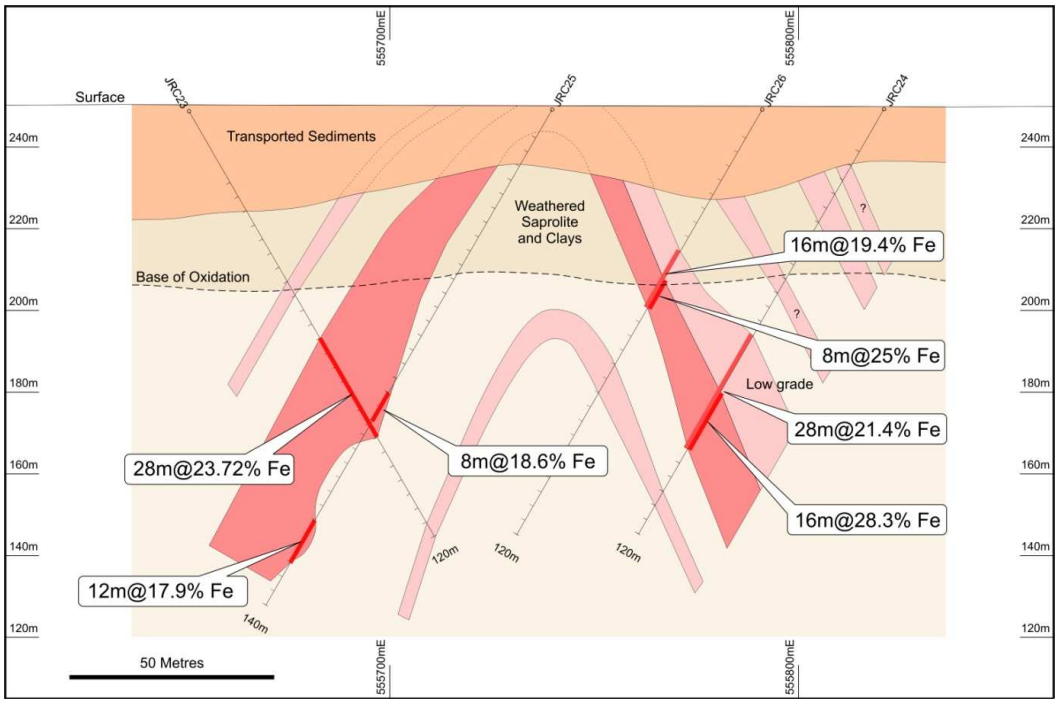

Figure 2
Jubuk Drill Section 6434200N

Wubin

Within the Wubin project numerous outcrops with containing significant iron grades have been identified in rock chip sampling of aeromagnetic targets, as shown in Figure 3. Access agreements have been negotiated with the majority of the relevant landowners and permits obtained to carry out preliminary air-core and RC drilling programs. The location of the proposed drilling is shown in Figure 4.

Outcrop in the area occurs mostly as laterite duricrust or lateritised outcrops; a total of 278 sample analyses have now been received from the rock chip (ASX releases of 6 May 2010 and 11 June 2010). 36 (13%) of the samples contain greater than 50% Fe with a maximum value of 59.5% Fe, ranging from 0.8%Fe to 59.5%Fe.

A 2,000m air-core program has commenced, with a 3,000m RC drilling program scheduled to commence in November. Several additional areas approved for drilling are under cultivation and drilling in these areas will be deferred until after harvesting is completed.

Mt Vernon

A landowner access agreement has been negotiated covering the western portion of the tenement containing a series of complex and intense magnetic anomalies.

Ten major magnetic anomalies have been identified and modelled based on the ground magnetic survey completed previously, most of the targets are interpreted to occur at

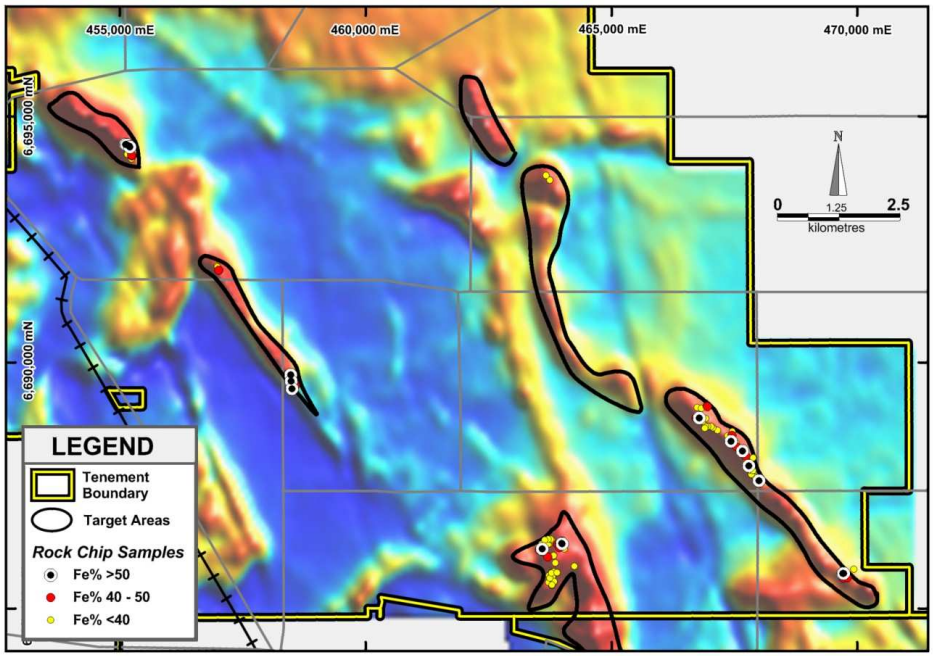

Figure 3
Wubin Target Areas on Aeromagnetic Image

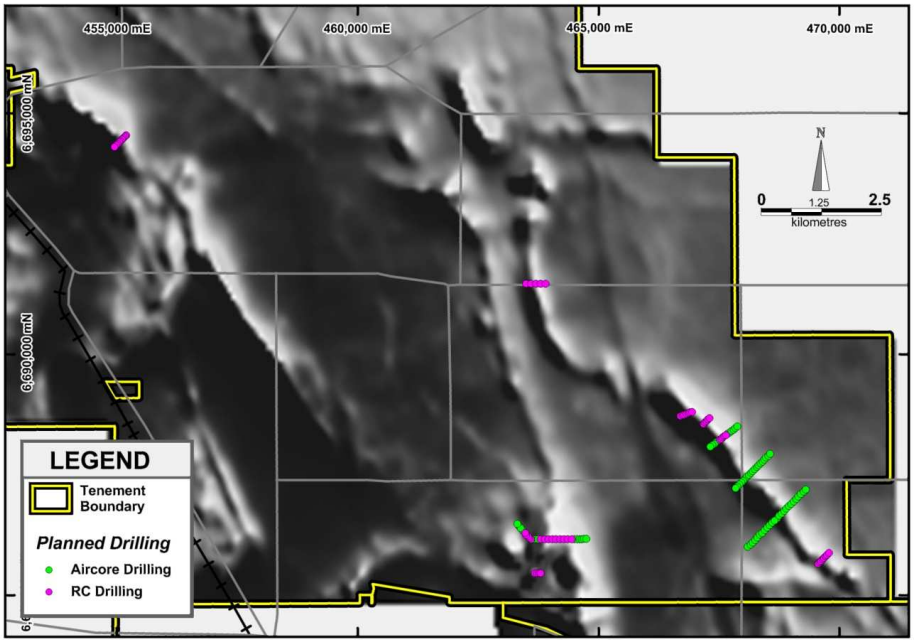

Figure 4
Wubin Proposed Drilling on Greyscale Aeromagnetic Image

significant depths ranging from 40m to 400m. Reconnaissance of the target areas shows seven of the targets are covered by aeolian sand. Seven samples collected from the target sites and surrounding area have iron contents ranging from 22.8%Fe to 50.6%Fe; most were of surface lateritic detritus. Possibly most significant was a sample of outcropping coarse-grained magnetite-bearing granite gneiss which assayed 49.1% Fe which is not associated with a magnetic anomaly as shown in Figure 5.

Magnetic is planning a reverse circulation drilling program to complete first pass testing of the magnetic targets for statutory approvals are received and after harvest completion. This program has received $100,000 of EIS funding from the West Australian Government.

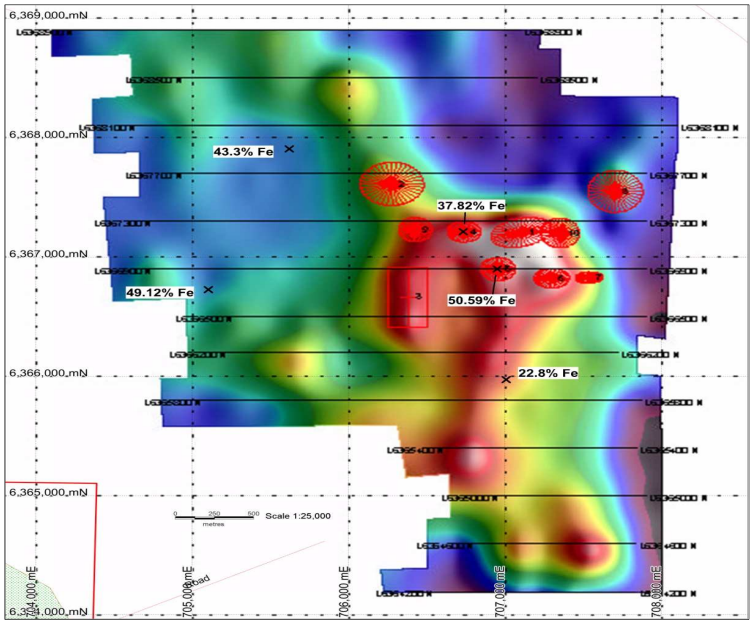

Figure 5

Mt Vernon Ground Magnetic Image, Targets and Rock Chip Sample Locations

Other

Land access agreements are being negotiated at the Jitarning and Sewell projects, part of Magnetic's extensive holdings for iron ore (see Figure 6), in preparation for sampling programmes over identified targets.

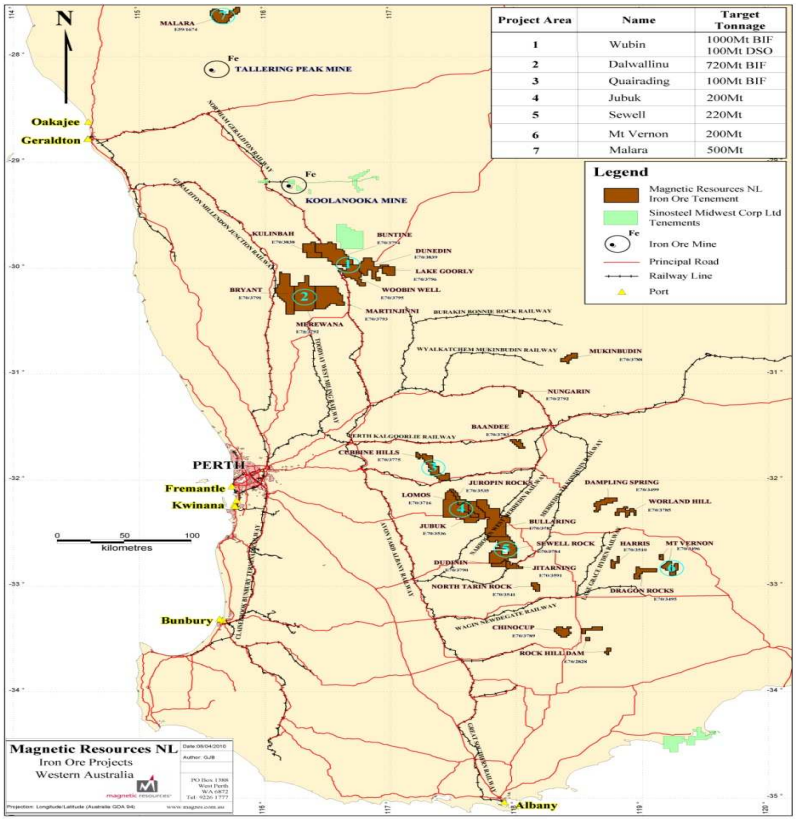

Figure 6

Location Map, Iron Ore Tenements

GOLD

Tampia North (Magnetic 80%, diluting)

The Tampia North tenements, where Magnetic holds an 80% interest with rights to earn a 100% interest from Image Resources, cover a 30km strike length of an interpreted shear zone where gold anomalies and indications of gold mineralisation have been outlined by geochemical sampling and shallow drilling. The tenements are subject to a farm-in agreement with Pacific Ore Ltd under which Pacific Ore may earn a 51% interest from Magnetic.

A soil sampling program defined several gold target areas with the southern targets tested by a 49-hole, 890m air core drilling programme over both the gold anomalism and peripheral zones where pathfinder elements As and Mo show anomalism. The northern targets were not tested due to inclement conditions.

The air core drilling defined a 600m-long gold anomaly (100ppb Au threshold) in weathered bedrock. The bedrock anomaly is interpreted to be a supergene enrichment zone and remains open along strike. A second bedrock anomaly, with a peak result of 4m @ 137ppb Au from 24m in drill hole TNAC046, has been identified nearby and remains open to the north as shown in Figure 7.

The bedrock anomalies correlate with gold-in-soil anomalies outlined by Pacific/ Magnetic's sampling.

A single historical diamond drill hole into the larger bedrock anomaly intersected the supergene zone but does not appear to have tested the source of this bedrock anomaly. Further air core drilling is planned in order to define the full extent of the bedrock anomalies and to assess the potential of the source of these anomalies.

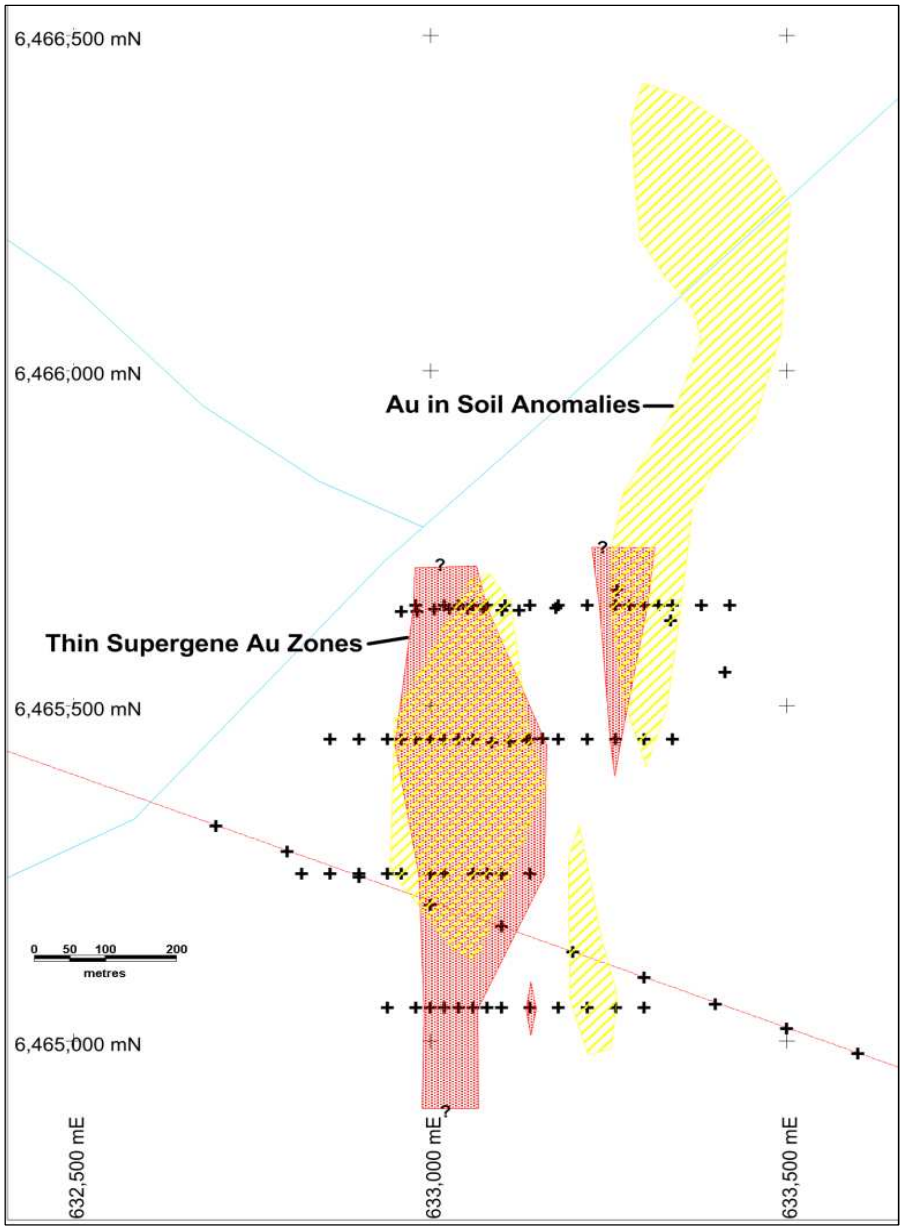

Figure 7
Tampia North Soil and Bedrock Geochemistry.

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

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The information in this report is based on information compiled or reviewed by Allan Younger (Dip Applied Geol), who is a member of the Australasian Institute of Mining and Metallurgy. Allan Younger is a consultant to Magnetic Resources NL. Allan Younger 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'. Allan Younger consents to the inclusion of this information in the form and context in which it appears in this report.

Magnetic Resources is targeting iron ore deposits ranging in size from 220Mt to 1000Mt within its various project areas (see inset in Figure 6) based on interpretation of geophysical data using an assumed specific gravity of 3.5 and projecting the targets to an average depth of 100m below surface. 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 determination of a mineral resource.