

## QUARTERLY REPORT for the Quarter Ended 31 March 2011

**Magnetic Resources NL**  
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**Issued Capital:**  
**Shares - Quoted:**  
67,517,636 fully paid  
shares  
17,418,862 contributing  
shares  
**Options - Unquoted:**  
2,295,000 options  
exercisable at \$0.2709 by  
23.12.2014  
1,800,000 options  
exercisable at \$0.4607 by  
21.12.2015

**Cash:** \$3.4 million

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

## HIGHLIGHTS

### IRON ORE

#### Jubuk

- Drilling increases the strike length of coarse grained magnetite BIF to 4.1km, open along strike.
- More than 8,000m of drilling (74 holes) completed to date.
- Modelling of an initial resource to commence in May.
- Trial gravity survey demonstrates use to improve drill targeting.
- Gravity survey of the 7km strike length of potential BIF extensions around the Jubuk dome in preparation, together with surveying of an additional 16km of targets in the district.
- 193 Davis Tube Recovery determinations completed to date with encouraging results, a further 297 samples submitted for DTR testing.

#### Mt Vernon

- RC drilling of magnetic targets intersects significant thicknesses of magnetite bearing gneiss.

#### Wubin

- 2,528m air-core drilling programme completed to test hematite-goethite targets, results being assessed.

#### Sewell Rock

- 1,646m air-core drilling programme completed to test magnetic anomalies 65km SSE of Jubuk, results yet to be received.

## IRON ORE

### JUBUK (Magnetic 100%)

Magnetic Resources continues to advance exploration on its wholly owned Jubuk project near Corrigin, WA and on its other southwest iron ore projects. Following the previously reported encouraging drilling and test work results, Magnetic has successfully completed a 42-hole reverse circulation (RC) drilling programme totalling 4,382m aimed at defining an initial Inferred Resource and testing of strike extensions of the prospective coarse-grained magnetite BIF horizons, bringing the total drilling at Jubuk to 8,408m in 74 holes.

The drilling programme was undertaken in two stages commencing in late January. The first stage tested the eastern strike extensions of the BIF where the magnetic response indicated the prospective sequence extended for a further 2 kilometres to the east of the previous drilling. The second stage of the drilling focused on the previously drilled north-trending zone with the intention of improving the definition of the previous drilling; testing the western side of the magnetite BIF for a continuation of the interpreted western horizons identified to the south; and testing the southern strike extension.

Significant intersections from the recent drilling include **21m @ 30.8%Fe** from 72m in hole JRC049, **12m @ 29.5%Fe** from 76m in hole JRC035, **18m @ 29.43%Fe** from 33m in hole JRC061 and **30m @ 22.93%Fe** from 99m in hole JRC067. Drill hole locations are shown in Figure 1, with results summarised in Table 1.

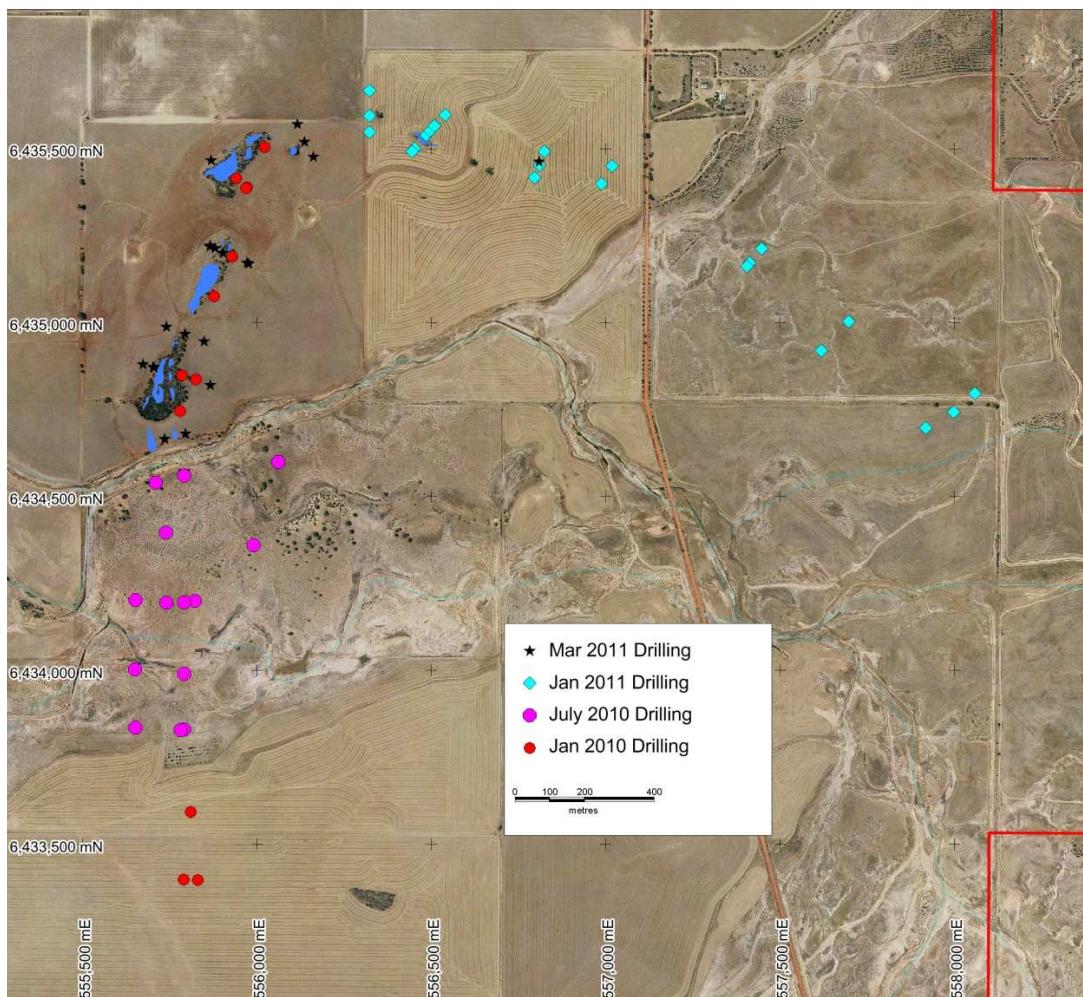


Figure 1  
Jubuk Drilling Locations

Table 1  
Jubuk RC Drilling Results

Hole Number	Coordinates		Dip	Azimuth	From m	To m	Interval m	Fe %
	E	N						
JRC032	557917	6434697	-60	230	44	52	8	20.3
JRC035	557697	6435002	-60	220	76	88	12	29.5
JRC037	557447	6435213	-60	220	45	57	12	24.1
JRC038	556484	6435539	-60	220	6	21	15	17.5
JRC039	556496	6435551	-60	220	6	9	3	20.1
JRC043	556322	6435595	-60	0	0	18	18	21.9
					87	99	12	15.3
JRC044	556322	6435547	-60	0	75	78	3	27.5
JRC045	556452	6435500	-55	40	9	15	6	17.8
					27	33	6	17.7
JRC047	556823	6435492	-60	20	9	33	24	22.0
JRC049	556796	6435416	-60	20	72	93	21	30.8
JRC052	557412	6435171	-60	50	48	60	12	27.9
JRC054	555865	6434822	-60	295	78	90	12	21.6
					114	129	15	22.6
JRC055	555793	6434969	-60	300	27	36	9	16.9
JRC056	555847	6434947	-60	300	18	45	27	18.9
		including			18	27	9	24.4
					93	102	9	24.2
JRC057	555740	6434990	-60	100	3	15	12	20.6
JRC060	555970	6435174	-60	300	69	99	30	21.7
		including			69	87	18	25.9
JRC061	555903	6435202	-90	0	21	51	30	21.6
					33	51	18	29.4
JRC064	555868	6435468	-80	135	81	90	9	20.7
JRC066	556136	6435522	-60	330	3	9	6	33.3
JRC067	555975	6435171	-80	300	99	129	30	22.9
		including			102	111	9	33.9
JRC068	555864	6435220	-90	0	54	60	6	23.6
JRC069	555701	6434873	-90	0	9	15	6	22.8
JRC070	555734	6434667	-60	270	6	15	9	27.2
					69	84	15	18.2
					111	117	6	19.9
JRC071	555794	6434682	-60	270	9	24	15	22.3
					117	126	9	19.3

3m composite samples. Fe determined by fused disc XRF

Significantly, the drilling has extended the strike length of BIF drilled on 200m line spacing to 4.1km, open in both directions along strike. The drilling has shown the target BIF to comprise multiple coarse grained magnetite-rich horizons ranging in thickness from 3m to 15m, with up to 12 magnetite-rich horizons evident. A typical cross section is shown in Figure 2. Geological interpretation indicates that the BIF is both faulted and folded, with further interpretation of the structure and continuity of the BIF in progress. Modelling and initial resource estimation is scheduled to commence in May.

Magnetic has now completed 193 Davis Tube Recovery (DTR) determinations on RC drill samples from the earlier drilling programmes. The test results continue to show the potential for the project to produce a high-grade concentrate. Of these samples, 49 have been sourced from the weathered profile and 144 from fresh rock. Most samples represent 4m composites samples. Table 2 summarises the weighted averages of the feed and concentrate grades and apparent recovery rates.

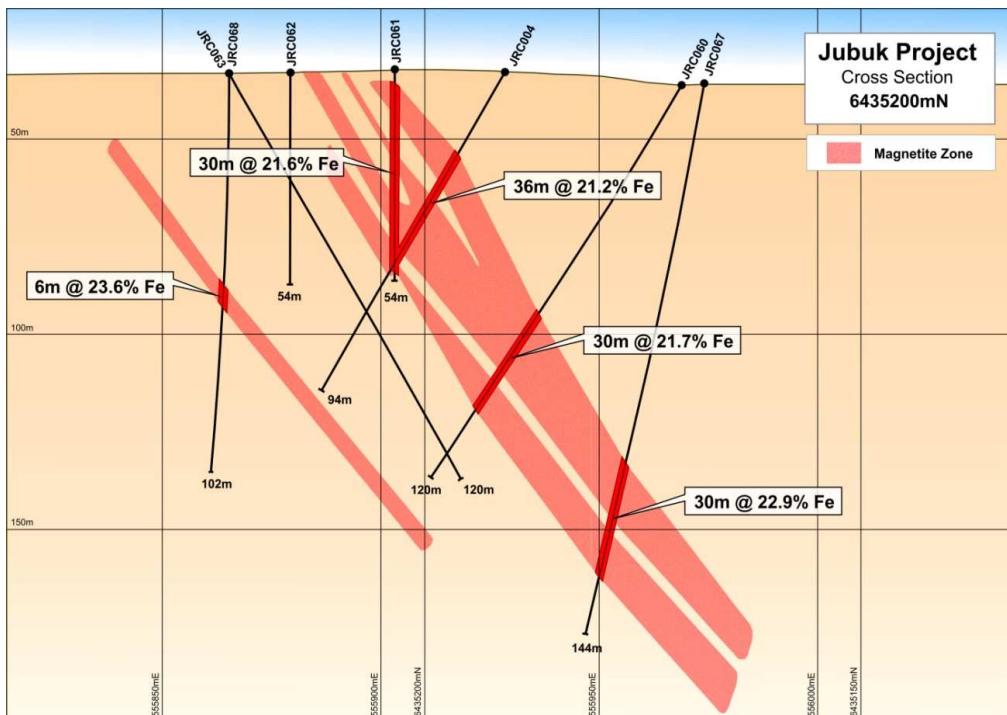


Figure 2  
Jubuk Cross Section 6435200mN

Table 2  
DTR Testwork Summary

	Feed Grades %				Concentrate Grades %				Wt Rec% Fe
	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	
<b>Weathered</b>	21.7	51.4	9.1	0.02	68.9	1.4	1.1	0.01	61.3
<b>Fresh</b>	24.5	49.1	6.4	0.03	69.7	1.1	1.0	0.00	77.7

Whilst the recovery rate is lower within the weathered profile, the material from this zone produces a concentrate of very similar quality to the concentrate derived from fresh rock. A further 297 samples for DTR determinations are currently being processed.

Given the encouragement to date in extending the strike length of the mineralisation, Magnetic has completed an orientation gravity survey at Jubuk to examine methods by which it can further improve its drill targeting. The gravity survey has clearly defined the Jubuk BIF and has demonstrated the value of the gravity method in assisting the interpretation of the geometry of the iron formation. As a result the entire 7km strike length around the Jubuk dome will be surveyed by gravity, together with six separate targets totalling a further 16km of strike in the vicinity of Jubuk. The gravity surveys are expected to start in May and it is anticipated that further drilling will be carried out as a result of these surveys.

## MT VERNON

Ten magnetic targets have been identified and modelled based on the ground magnetic survey completed over the regional aeromagnetic anomaly at Mt Vernon, see Figure 3. Ground reconnaissance shows seven of the targets are covered by aeolian sand. Seven samples, mostly of surface lateritic detritus, collected from the target sites and surrounding area have iron contents ranging from 22.8%Fe to 50.6%Fe. Possibly most significant was a sample of outcropping coarse-grained magnetite-bearing granite gneiss which contained 49.1%Fe which is not associated with a magnetic anomaly.

An RC drilling programme to test six magnetic targets was completed in February. This drilling tested the shallower targets and the coarse-grained magnetite-bearing granite gneiss. This programme has received \$100,000 of funding from the WA Government's Exploration Incentive Scheme. The drilling intersected substantial widths of low grade magnetite-bearing gneiss, including **132m @ 13.3%Fe** from 18m. The complex character of the magnetites and the difficulty of modelling the magnetic responses suggests that the drilling was inconclusive in identifying the best targets. A gravity survey and further drilling is being planned in order to fully test these targets. Significant results are summarised in Table 3.

Table 3  
Mt Vernon RC Drilling Results

Hole Number	Coordinates		Dip	Azimuth	From m	To m	Interval m	Fe %
	E	N						
MVRC09	706953	6366900	-90	0	0	33	33	15.2
MVRC10	706735	6367213	-90	0	9	27	18	14.4
MVRC11	707140	6367240	-80	215	18	150	132	13.3
Including					78	147	69	13.6
MVRC12	707295	6366824	-90	0	15	114	99	14
Including					15	48	33	16.7
MVRC13	707534	6366830	-90	0	21	45	24	14.6

3m composite samples. Fe determined by fused disc XRF

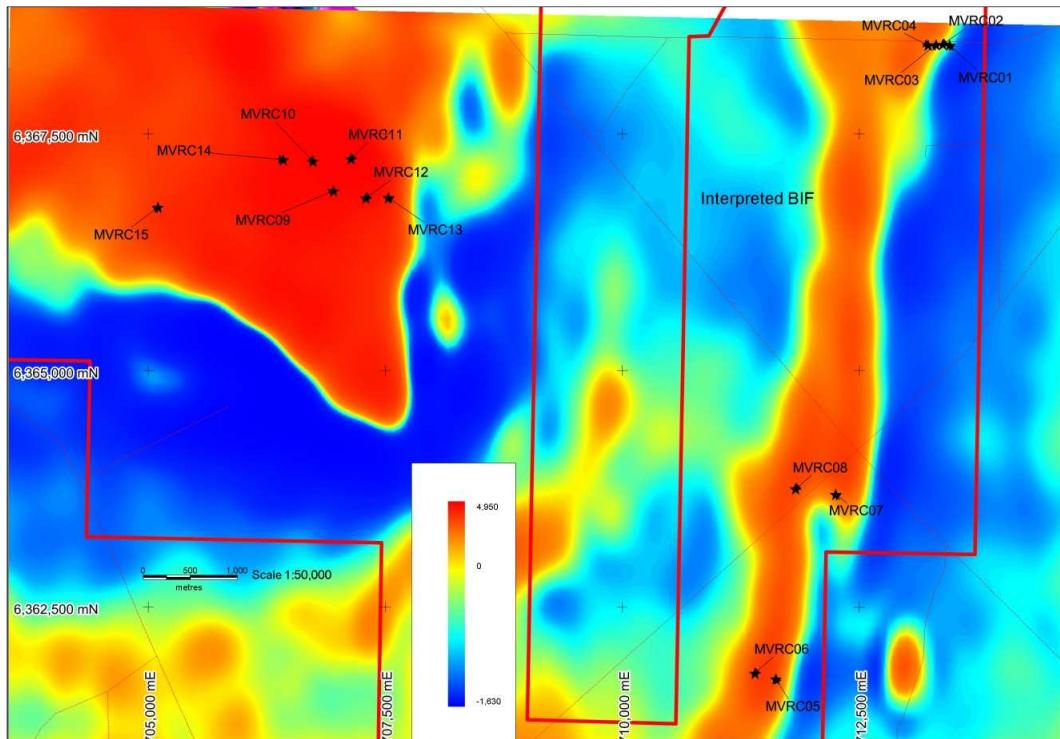


Figure 3  
Mt Vernon Drilling Locations

## ROCK DAM HILL

A 5-hole RC drilling programme tested a significant magnetic anomaly and a combined copper and magnetic anomaly target, 40km south of Lake Grace. Both targets are obscured by sand cover. The magnetic anomaly shown in Figure 4 has been modelled and interpreted to be caused by magnetite.

The secondary magnetic anomaly and copper target is situated 8km to the east, a result of 301ppmCu was obtained in shallow geochemical drilling. This geochemical anomaly is coincident with a substantial west northwest trending magnetic feature.

Drilling of the primary target did not intersect significant iron contents or magnetic material and did not explain the magnetic anomaly. It is considered that remnant magnetic effects may be causing an apparent displacement of the source of the anomaly, so a gravity survey is being planned in order to improve drill targeting.

Drilling at the second magnetic target intersected metamorphosed ultramafic rocks with disseminated pyrrhotite, with a best result of 24m @ 325ppm Cu and 530ppm Ni from 33m in drill hole RDRC05, thereby explaining the magnetic anomaly and geochemistry at that site.

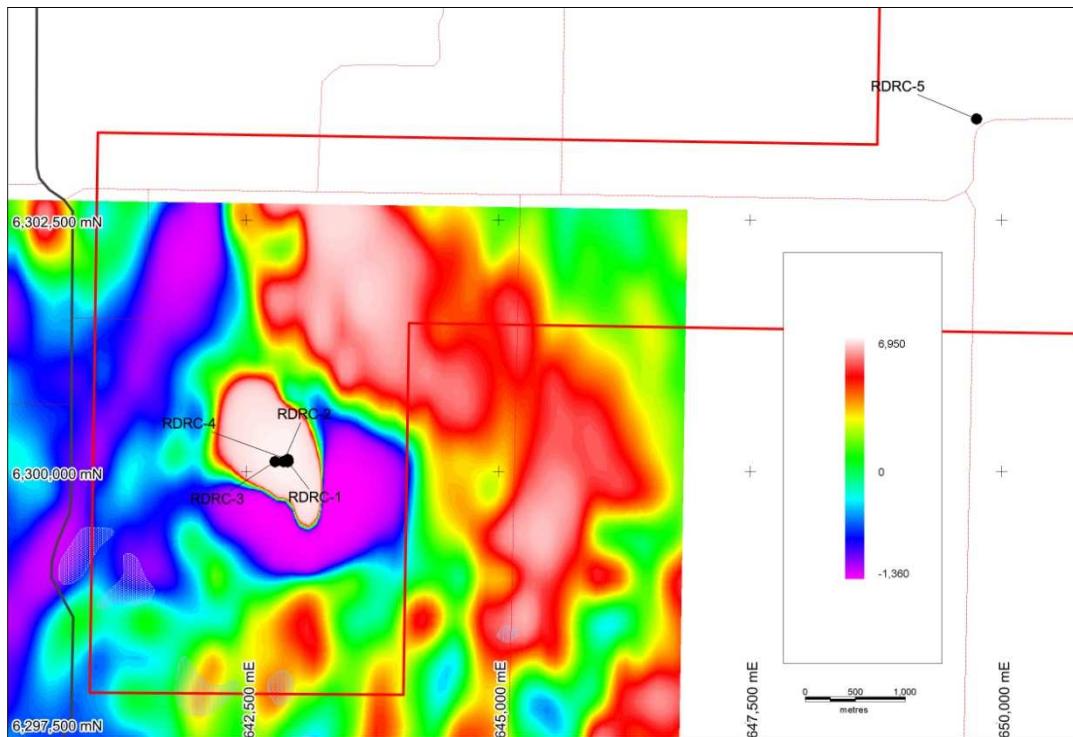


Figure 4  
Rock Dam Hill Magnetic Targets and Drilling Locations

## WUBIN

A 147-hole, 2,528m air-core drilling program was completed in March in the Wubin project area testing for near surface hematite-goethite enrichments. Analytical results have just been received and are being assessed. Areas targeted included those associated with magnetic anomalies and areas of ferruginous enrichment identified from photo-interpretation and regolith mapping, potentially hosting equivalents of channel-style iron deposits.

While final results are not available for all samples, review of the available results and geological logging indicates that no substantial thicknesses of near-surface iron concentrations have been intersected to date. Gravity surveys are being planned for several of the areas within the Buntine area to develop a better understanding of the source of the magnetic anomalies prior to drilling.

In the Wubin Well area anomalous copper values were intersected, including 18m @ 940ppm Cu and 9.5ppm Mo; from 12m in drill hole BUNAC104 within weathered mafic rocks. Adjacent drill hole BUNAC144, 100m to the east terminated in sediments containing 309ppm Cu. The significance of these results is being assessed.

## DALWALLINU

Land access agreements have been signed with numerous landowners in the area. These agreements will allow follow-up of both airborne magnetic anomalies for iron ore. Initial ground magnetic surveys have commenced in several areas and will be used to prioritise target areas for drilling. In addition, areas of anomalous alumina identified from surface sampling will be investigated for bauxite potential.

## SEWELL ROCK

A 60-hole, 1,646m air-core drilling program has been completed to test the source of magnetic anomalies identified from Magnetic's aeromagnetic surveys and situated some 65km SSE of Jubuk. The target areas, shown in Figure 5, comprise soil covered agricultural land where samples of iron-enriched lateritic detritus have returned values up to 50.3%Fe. The drilling is targeted to identify areas of possible iron enrichment or magnetite mineralisation. Analytical results have yet to be received.

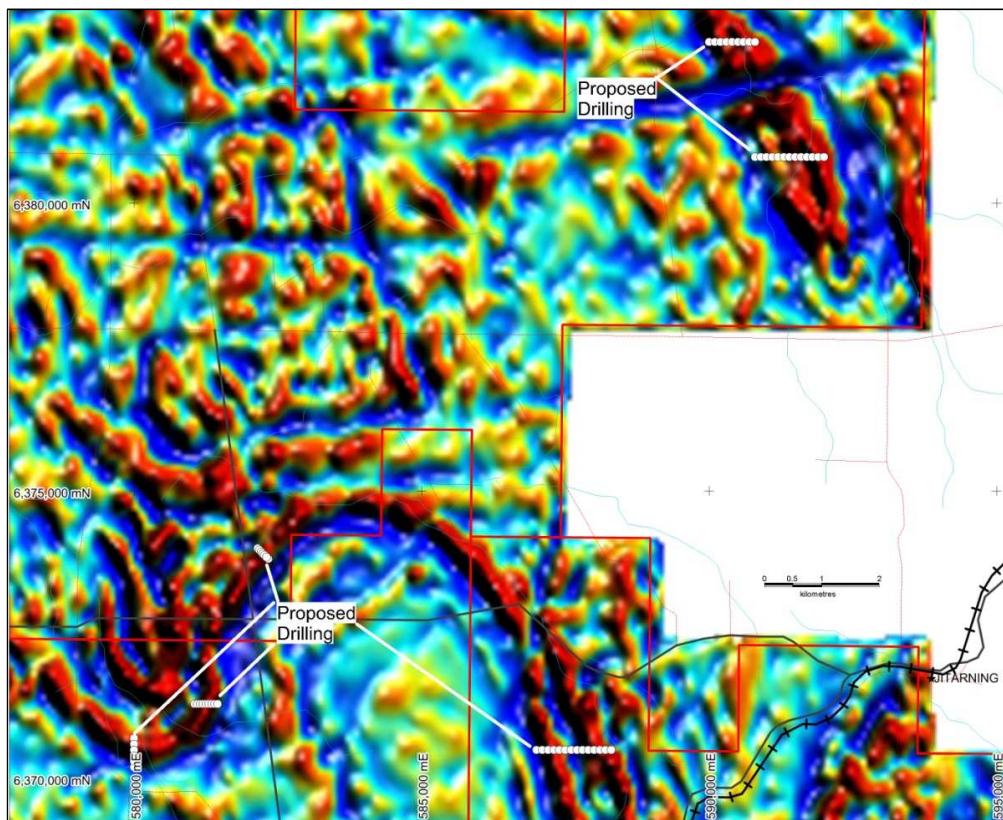


Figure 5  
Sewell Rock Proposed Drilling Locations on Aeromagnetic Image

For more information on the company visit [www.magres.com.au](http://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.