QUARTERLY REPORT for the Quarter Ended 30 June 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
2,145,000 options exercisable at $0.4607 by 21.12.2015

Cash: $2.8 million

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

HIGHLIGHTS

IRON ORE

Jubuk

- **Davis Tube Recovery testwork continues to show high grade, high quality magnetite concentrate can be produced.**
- **Gravity survey extends the magnetite target zone.**
- **Other targets upgraded by gravity surveys in the Jubuk district.**

Mt Vernon

- **Recognition of bulk tonnage magnetite potential in granite gneiss.**
- **Davis Tube Recovery concentrate averages 67.5%Fe, 1.6%SiO_2.**
- **Coarse grained magnetite indicating potential for low cost beneficiation.**
- **132m intersection open at depth.**

IRON ORE

JUBUK (Magnetic 100%)

During the quarter Magnetic Resources completed a detailed gravity survey over its Jubuk magnetite project. The gravity survey is expected to provide greater definition of target zones and to allow prioritisation of target areas for drilling. Preliminary gravity results show numerous strong responses and indicate that the magnetite zone could extend about 600m south of the drilled area, where the magnetic data indicates a narrowing and weakening response, see Figure 1.

Drilling in mid 2010 of a second prospective parallel zone, termed Marriott's, to the south of Jubuk did not intersect significant grades however it is anticipated that the gravity data will allow more effective positioning of drill holes to test this large target zone.

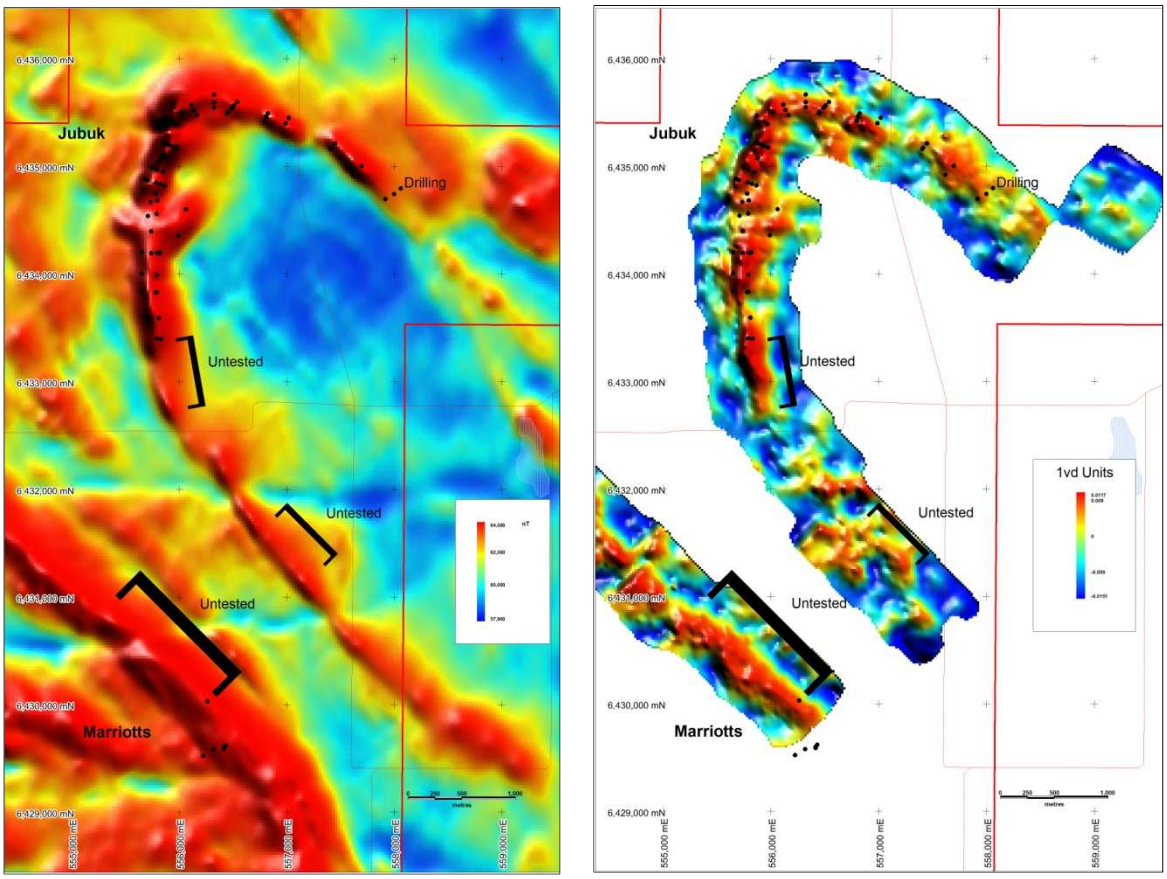

Figure 1
Jubuk Gravity Results (right) compared to Jubuk Magnetic Results (left), Showing Untested Targets.

The gravity survey is being extended to the south along both prospective horizons and will be subject to intensive processing and interpretation in conjunction with the airborne and ground magnetic data previously collected by Magnetic Resources.

The new gravity target zones add a further 2.7km to the existing 4km strike of known magnetite mineralisation and have the potential to add significant tonnages to the Jubuk mineralisation. Drilling of these priority targets will commence upon completion of the necessary permitting. Davis Tube Recovery (DTR) test work on the Jubuk mineralisation continues to indicate a premium quality magnetite product of the type sought by a range of international consumers.

MT VERNON

Magnetic Resources is very encouraged by the quality of Davis Tube Recovery test results from Mt Vernon received during the quarter, specifically the low SiO_2, Al_2O_3 and P contents. The testwork of fresh rock samples from drillhole MVRC12 has generated concentrates averaging 67.5%Fe, 1.6%SiO_2, 0.77%Al_2O_3 and 0.02%P. The gangue content, with the majority of sulphides, was removed from the primary feed by the Davis Tube.

Ten magnetic targets were identified from regional aeromagnetics (Figure 2) of the Mt Vernon prospect and modelled based on the ground magnetic survey completed over the area (Figure 3). An RC drilling programme testing six of the magnetic targets was completed in February 2011. This drilling tested the shallower targets and received $100,000 of funding from the WA Government's Exploration Incentive Scheme.

The drilling intersected substantial widths of low grade coarse-grained magnetite-bearing gneiss, including **132m @ 13.3%Fe (MVRC11) from 18m to end of hole at 150m, indicating the mineralised zone is open at depth**. The broad nature of the magnetic anomalies and the wide magnetite intersections obtained in the initial drilling indicate potential for bulk tonnage mineralisation at Mt Vernon.

Nineteen samples from the drilling were submitted for Davis Tube Recovery testwork to determine the extractable magnetite contents. The samples included nine samples from the weathered portion of the intersection of drill hole MVRC11 (15-42m), and ten fresh rock samples from hole MVRC12 (117-150m).

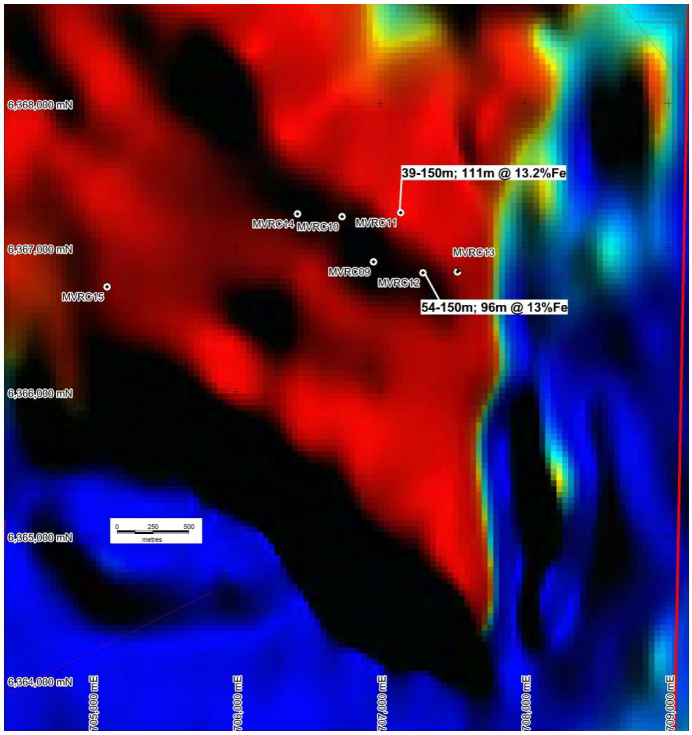

Figure 2
Mt Vernon Regional Magnetic Anomaly with Drillhole Locations

The drill samples were pulverised to minus 75 microns with the results of the DTR testwork shown in Table 1. The fresh rock samples, from MVRC12, recovered approximately 46% of the contained iron creating a concentrate averaging 67.5% Fe with low SiO_2 and Al_2O_3 assays of 1.6% and 0.77% respectively. Significantly, the high P content in the primary feed (average 0.88%P) was removed from the concentrate by the separation process. The sulphur content was enriched in the concentrate and will be further assessed in future test

work. The iron content in the weathered profile of MVRC11 is slightly enriched and the magnetite is entirely oxidised to hematite or goethite with no recoverable magnetic portion.

A detailed gravity survey has been completed over the area (Figure 3) to define areas of greater density and hence magnetite content. This data will now be integrated with new detailed ground magnetic data. A detailed interpretation of both sets of data will be completed to identify further drilling targets to investigate the bulk tonnage potential of this complex of coincident magnetic and gravity anomalies.

Table 1
Mt Vernon Davis Tube Recovery Results

	HEAD ASSAYS					CONCENTRATE ASSAYS						
SAMPLE DESCRIPTION	**Fe %**	**SiO_2 %**	**Al_2O_3 %**	**P %**	**S %**	**Mass Rec %**	**Fe %**	**SiO_2 %**	**Al_2O_3 %**	**P %**	**S %**	**Fe Rec %**
MVRC11 15-18	23.01	36.5	13.4	0.574	0.038	0.71						
MVRC11 18-21	17.52	39.5	17.5	0.946	0.026	0.29						
MVRC11 21-24	19.34	40	15.2	1.015	0.046	0.66	Not					
MVRC11 24-27	22	41.2	10.5	0.434	0.027	0.45	Sufficient					
MVRC11 27-30	19.62	43.6	12.2	0.439	0.018	0.15	sample					
MVRC11 30-33	17.62	43.3	12.95	0.795	0.007	0.03	recovered					
MVRC11 33-36	12.68	48.8	14.25	0.859	0.008	0.14	for further					
MVRC11 36-39	12.76	48.2	14.3	0.84	0.028	0.93	analysis					
MVRC11 39-42	12.96	46.9	14.45	0.775	0.036	3.58						
MVRC12 117-120	13.76	44.3	13.75	0.87	0.311	10.18	68.04	1.14	0.71	0.013	0.809	50.36
MVRC12 120-123	13.29	44.4	14.05	0.874	0.314	9.43	67.87	1.59	0.74	0.019	0.703	48.15
MVRC12 123-126	12.98	44.4	13.85	0.865	0.329	8.14	68.15	2.91	0.68	0.038	0.136	42.74
MVRC12 126-129	13.58	43.8	13.9	0.91	0.322	9.76	68.84	1.87	0.75	0.025	0.139	49.49
MVRC12 129-132	13.77	44.1	13.7	0.872	0.317	9.70	67.82	1.32	0.72	0.017	0.91	47.80
MVRC12 132-135	12.47	44.9	14.4	0.908	0.329	8.24	66.16	2.32	1.04	0.027	1.07	43.74
MVRC12 138-141	14.02	44.1	13.6	0.831	0.319	9.83	66.89	1.26	0.71	0.018	1.46	46.91
MVRC12 141-144	13.68	43.8	13.85	0.938	0.358	10.47	66.82	1.3	0.8	0.015	1.325	51.14
MVRC12 144-147	15.06	42.7	13.05	0.896	0.369	9.83	66.13	0.99	0.73	0.016	1.85	43.17
MVRC12 147-150	14.96	43.4	13.2	0.813	0.331	9.87	68.46	1.25	0.81	0.012	0.607	45.15

3m composite samples. Fe determined by fused disc XRF

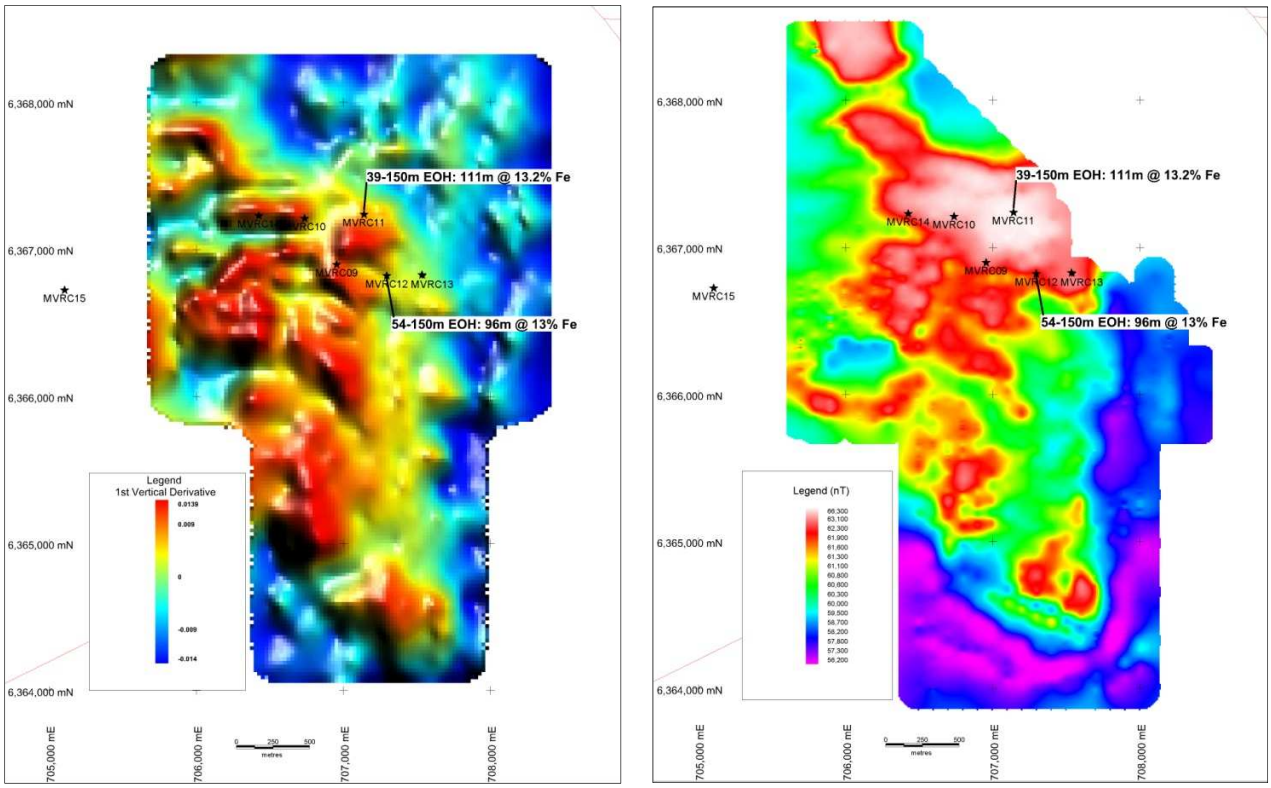

Figure 3
Mt Vernon Gravity (left) and Ground Magnetic Data (right) with Drillhole Locations

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 (Figure 4) has been modelled indicating a significant magnetic character, interpreted to be caused by magnetite.

Drilling in the primary target did not intersect significant iron contents or magnetic material and failed to explain the magnetic anomaly. This is thought to be due to remnant magnetic effects displacing the source of the anomaly. A detailed gravity survey has been conducted to refine the target area as shown in Figure 4. The magnetic and gravity data is being re-assessed to either explain the anomaly or define further drilling targets.

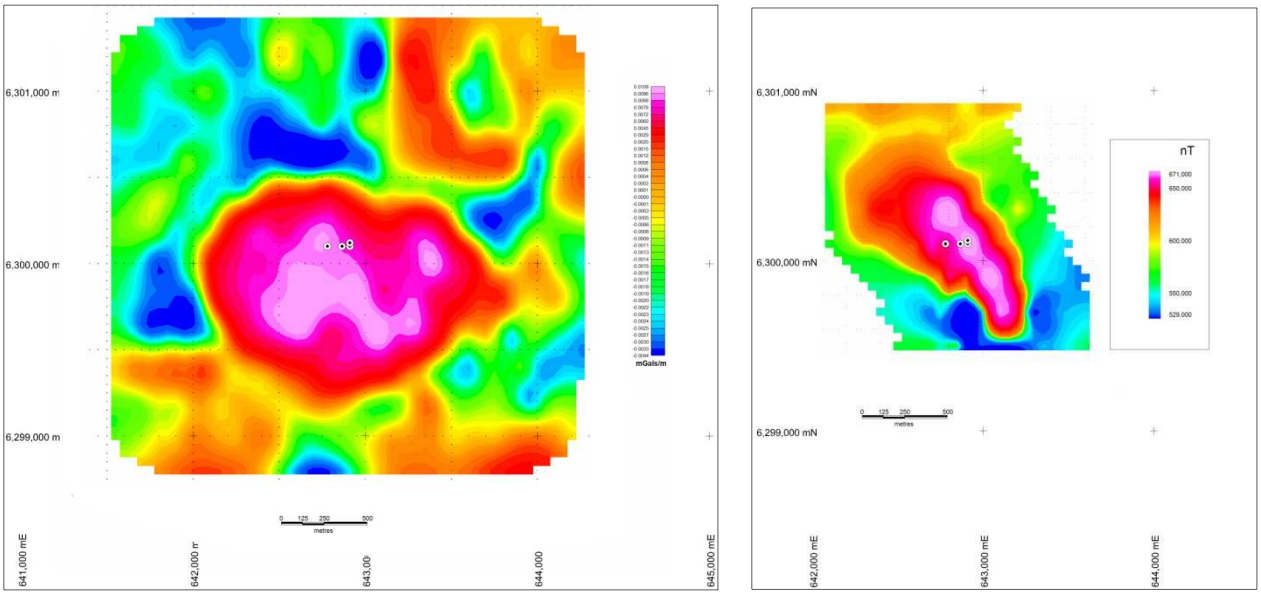

Figure 4
Rock Dam Hill Gravity Anomaly (left), Ground Magnetic Anomaly (right) with Drillhole Locations

DALWALLINU AREA

Land access agreements have been signed with numerous landowners in the area. The agreements will allow follow-up of both airborne magnetic anomalies with iron ore potential together with areas of anomalous alumina in surface samples which could indicate areas of near surface bauxite concentrations. Initial ground magnetic surveys have been completed in several areas and have been used to prioritise targets for drilling. One of the more significant magnetic anomalies identified to date is shown in Figure 5. Statutory approvals for drilling are pending.

SEWELL ROCK

A 59-hole 1,646m aircore drilling program has been completed to test the source of magnetic anomalies identified from Magnetic's aeromagnetic surveys (Figure 6) and situated some 65km SSE of Jubuk.

Review of the geological logging and analytical results indicates that no substantial thicknesses of near-surface iron concentrations were intersected nor were the sources of the magnetic anomalies identified. Some of the magnetic target zones are interpreted to be mafic lithologies of possible intrusive origin.

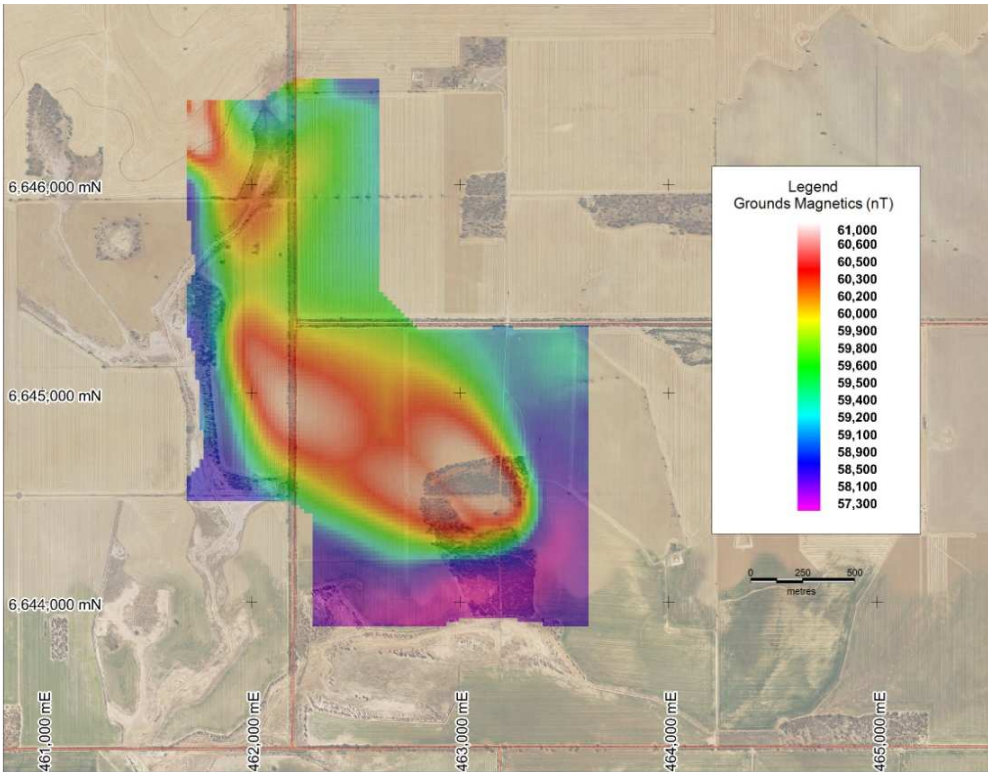

Figure 5
Dalwallinu Ground Magnetics on Air Photo Background

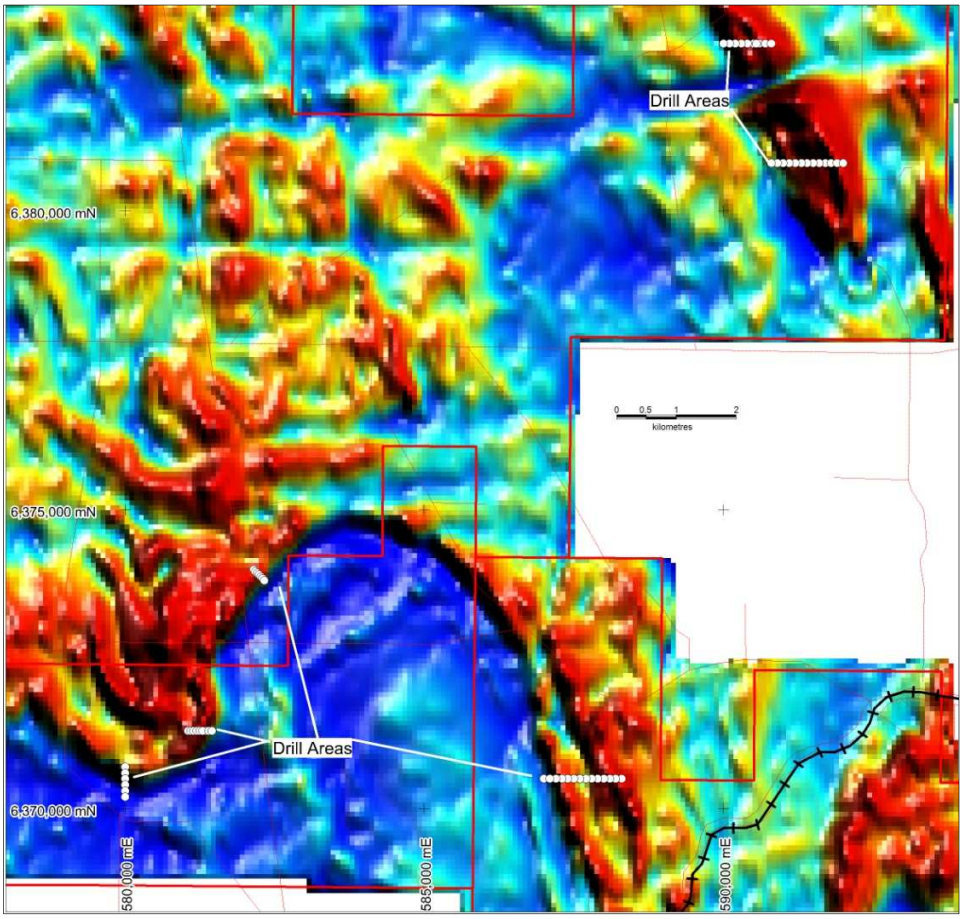

Figure 6
Sewell Rock Aeromagnetic Image with Drillhole Locations

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.