

QUARTERLY REPORT for the Quarter Ended 31 December 2016

HIGHLIGHTS

Magnetic Resources NL
ABN 34 121 370 232

ASX Codes: MAU and MAUCA

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PO Box 1388
West Perth WA 6872

Issued Capital:
Shares - Quoted:

141,538,659 ordinary shares.
20,418,862 partly paid shares (\$0.20
unpaid).

Options – Unquoted

- 4,000,000 options exercisable
at \$0.17 on or by 31 December 2017
- 150,000 options exercisable at
\$0.18 on or by 31 December 2017

Cash: \$1.78m

Directors:

George Sakalidis
Executive Director

Eric Lim
Non-Executive Chairman

Julien Sanderson
Non-Executive Director

Company Secretary
Ben Donovan

- Preliminary exploration work continued on several of the recently acquired gold tenements.
- Work included the interpretation of the 11 lines of Induced Polarisation (IP) that was carried out over a 7km length on the new projects
- New IP chargeability anomalies have been defined over five prospects HN3-HN7 mainly associated with historical gold workings, existing gold intersections, structures and shear zones interpreted from aeromagnetic and ground magnetic surveys.
- A 4-hole RC/diamond drilling programme was completed to test the northern part of the 1.3km Mt Jumbo auriferous shear zone. Assay results are pending.
- **More than 100 RC, RAB and air core drill holes plus some diamond holes are planned** to test a combination of geochemical, IP, historical drilling, old workings and interpreted structural targets once the Hawks Nest tenement is granted. The Mt Jumbo, Kowtah, Mertondale and Christmas Well tenements are granted and drilling and ground survey programmes are being planned.

Gold Projects Summaries

Mt Jumbo East

During the quarter, Magnetic Resources applied for 11sq km of tenements (P38/4317-P38/4324) covering a 6km strike length of prospective iron formations in the Mt Jumbo east area near Laverton. These iron formations are structurally complex being disrupted by a series of NE faults. The tenement applications abut Magnetics' existing tenements at Mt Jumbo where RC/diamond drilling was carried out during the quarter on mineralised shear zone targets.

Historical exploration and drilling on the newly acquired ground has identified three areas of gold mineralisation termed No Name, Horseshoe Pass and Saddle and cover a cumulative length of 800m. These prospects comprise quartz veined and sulphidised banded iron formations (BIF) in areas of cross faulting and structural complexity as highlighted in the aeromagnetic image in Fig.1. Previous drilling was carried out by CEC in 1980-89, WMC 1989-91 and Metex 1998-99.

Significant shallow historical drill intersections at the No Name prospect include 6m @ 5.8g/t Au from 10m in hole MJC09, including 3m@10g/t from 13m, 10m @ 1.2 Au g/t from 10m in drill hole MJC04, 8m @ 2.0 g/t Au from 36m in hole MJC03. These shallow intercepts remain open at depth within a flat east-dipping BIF sequence, as shown in the section on MJC03 and MJC04 in Fig.2 and the section on MJC09 AND MJC10 in Fig.3.

The BIF sequence covered by the new tenements is the same sequence which hosts the old Gladiator, Gladiator South and Murray's open pits situated some 10 km to the north. Sulphidised BIF also occurs at the nearby Sunrise Dam (>10Moz) and Westralia (>2.4Moz) deposits. The southern parts of the tenements are also just 5 km along trend from the +7Moz Wallaby gold mine and about 10km NW of the +2Moz Granny Smith mine, highlighting the prospectively of this area.

A number of circular magnetic lows have been identified adjacent to the BIF sequence which are interpreted to be granite intrusions, indicating potential for GrannySmith-Windich style gold mineralisation in both BIF and granite.

Detailed ground magnetic surveys are planned to map the complex structure and BIFS and interpreted intrusions.

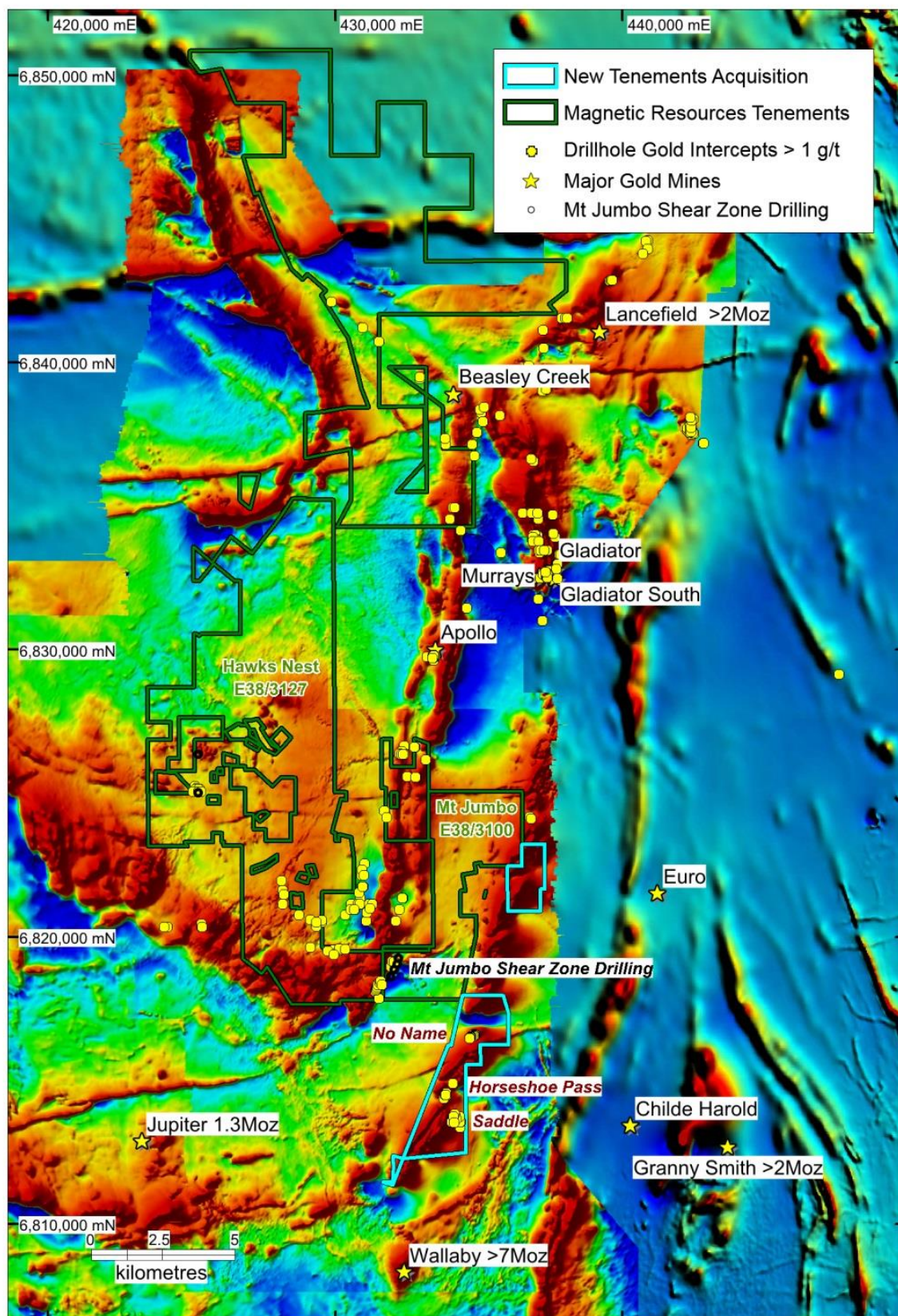


Fig 1. Mt Jumbo Aeromagnetic Image Showing Magnetic Resources' Tenements and New Mt Jumbo East Applications

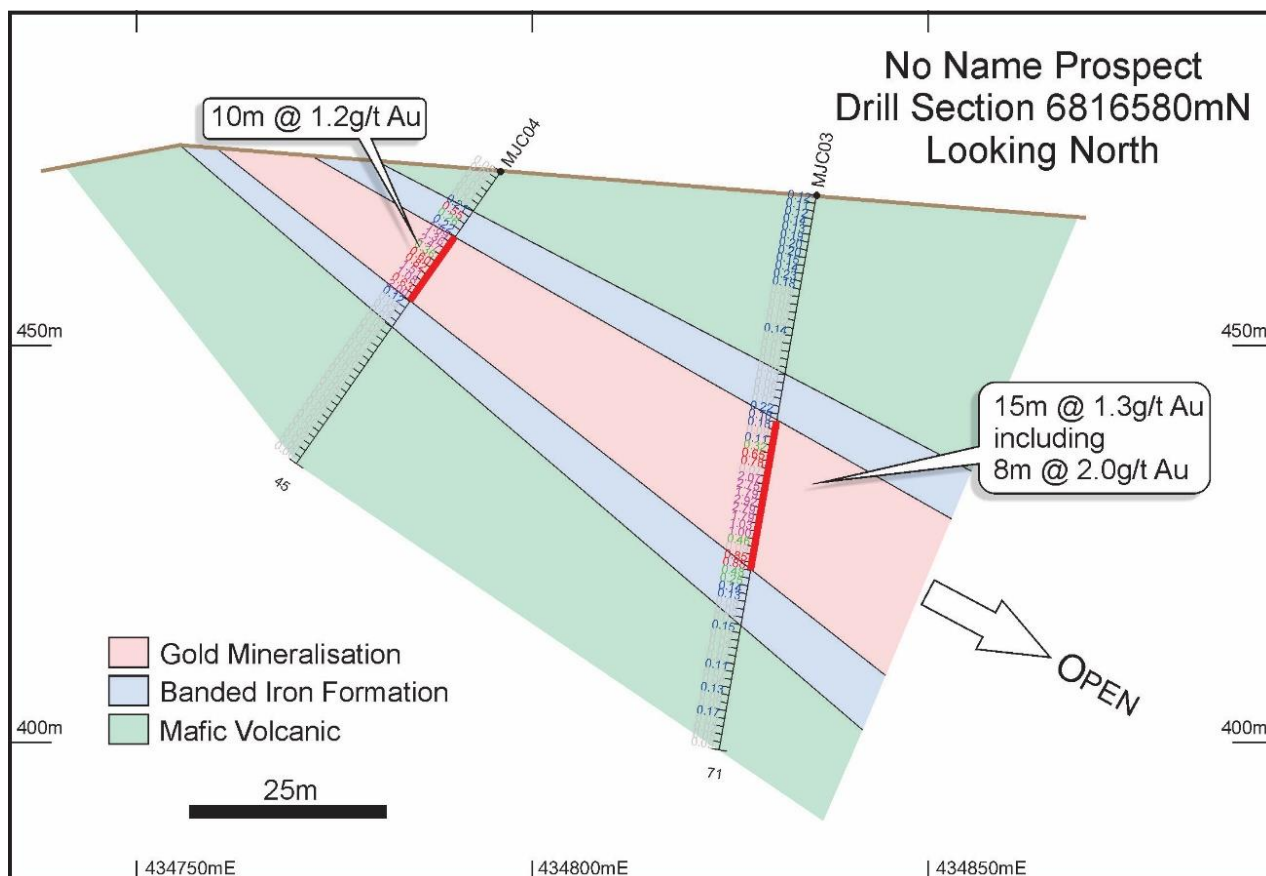


Fig 2. No Name Drill Section 6816580N

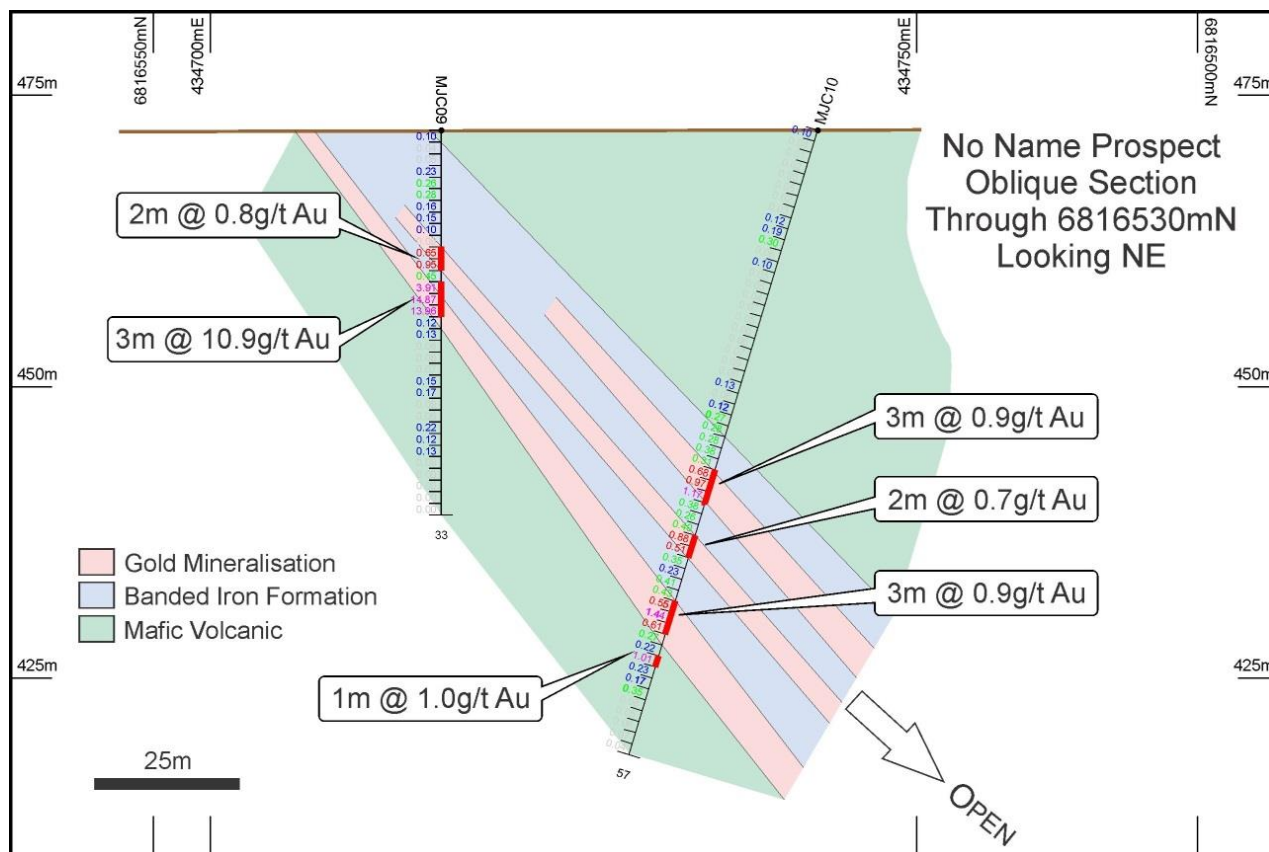


Fig 3. No Name Oblique Section Through 6816530N

Mt Jumbo

The Mt Jumbo tenement was granted during the quarter with Magnetic undertaking some step out drilling down dip and along strike from known gold mineralisation along the northern part of a 1.3km-long NNE shear target zone. This shear zone is interpreted to form a splay off the main NS fault that passes adjacent to Wallaby. Historical drilling (Normandy Exploration, Mt Ajax Interim Report Oct 1996 to April 1997) of over 78 RC and diamond holes was completed along shear zone. The average depth of the historical holes is only 90m. Many new recent discoveries have been made by deeper drilling of mineralised targets. Historical gold intercepts include: 2m @ 4.6g/t from 110m in hole AXC064, 15m @ 2.4g/t from 97m in hole AXC0134 and 4m @ 7.2 g/t from 104m in hole AXC048. IP has identified a medium strength chargeability anomaly and overlying conductive zones associated with the gossanous Fe rich shear zone (Figures 4 and 5).

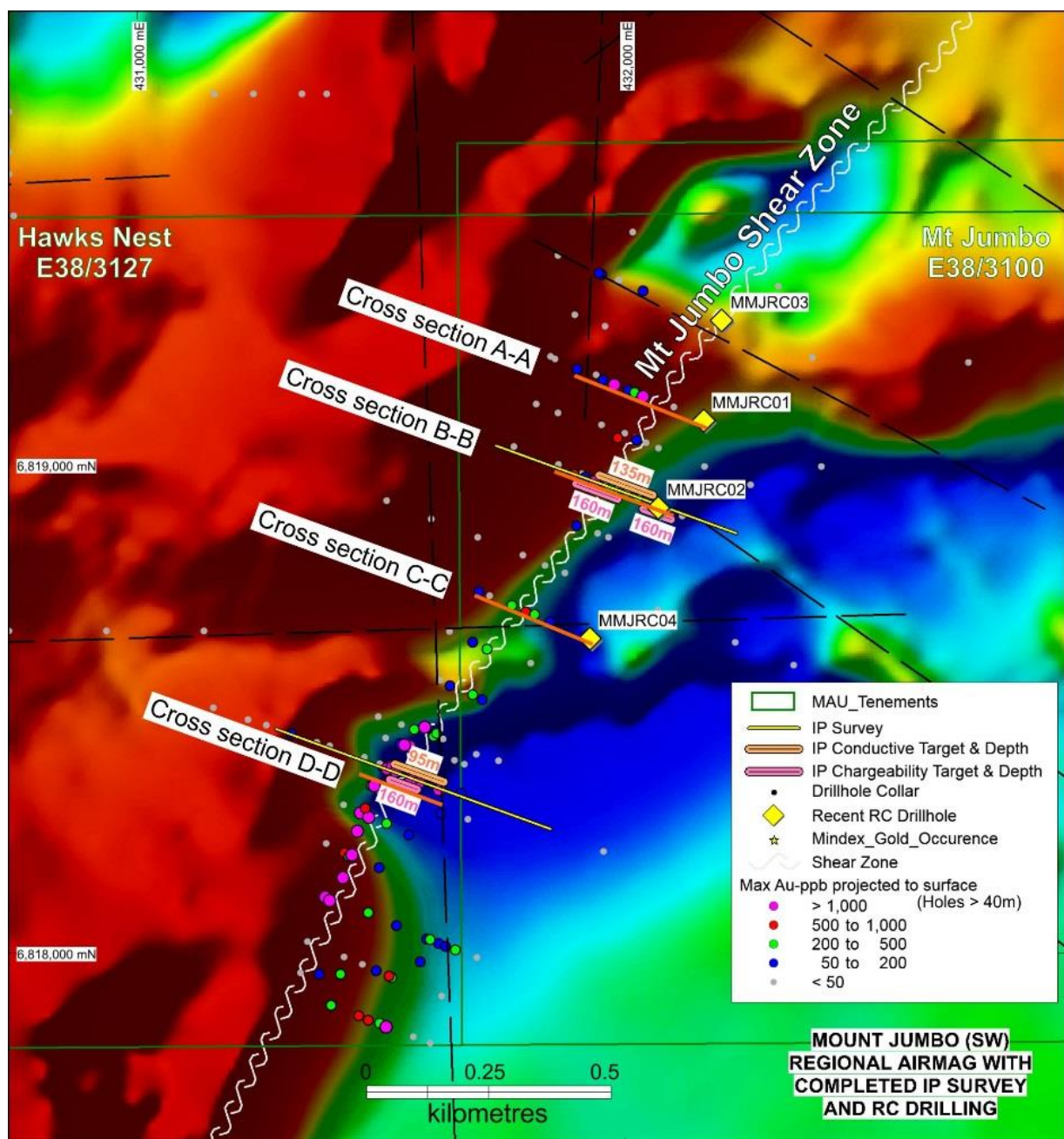


Fig 4. Mt Jumbo Regional Aeromagnetics with Completed IP Survey and RC/Diamond Drilling

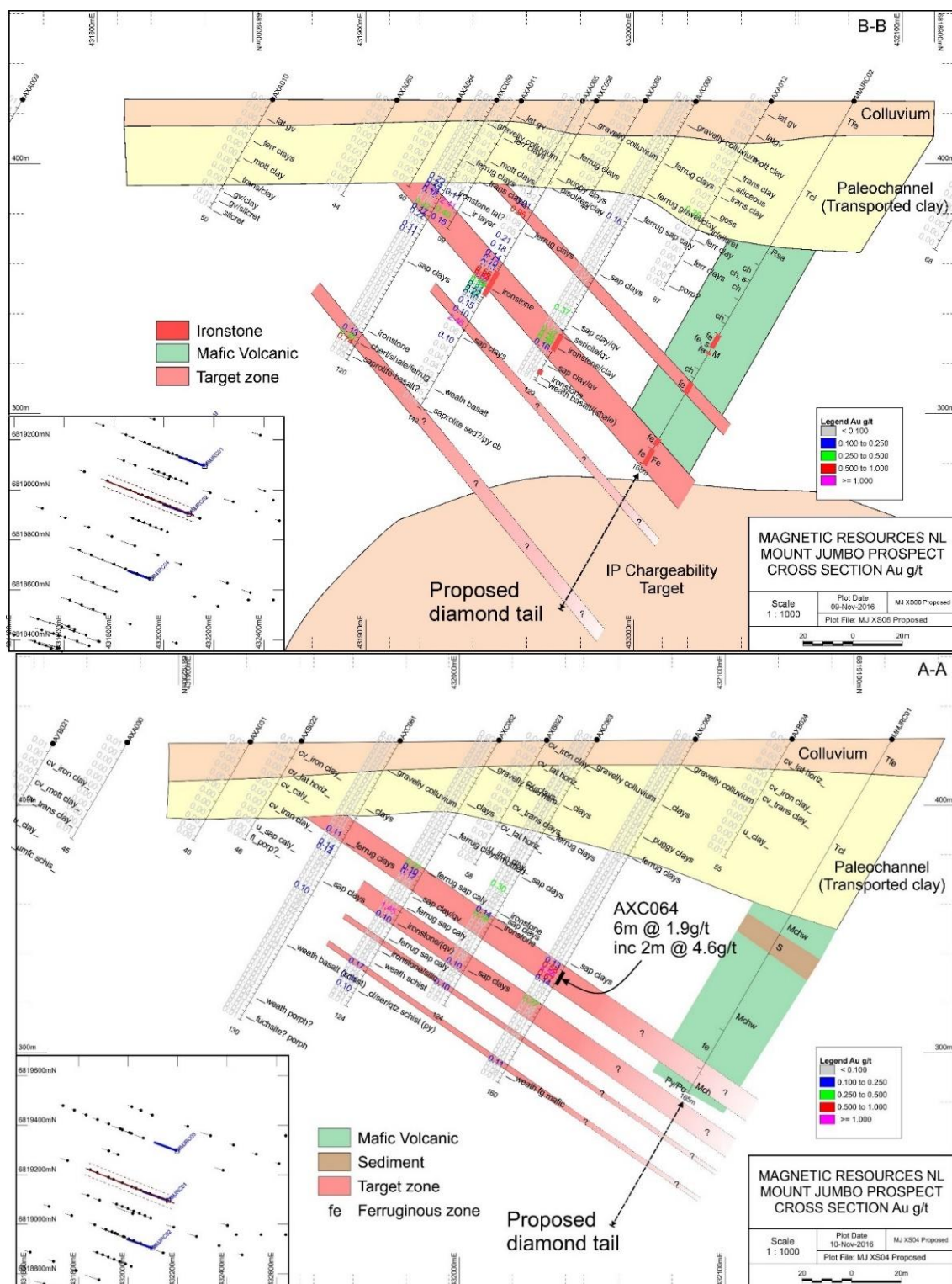


Fig 5. Cross Sections Showing New Drillholes MMJRC/D01 and 02

The mineralised gold zones are associated with ironstone/gossan and sulphide-bearing carbonaceous shale which are open down dip. A medium strength IP anomaly extends the prospective zone down dip and to the east. Four RC drill holes (total 667m) were completed during the quarter, two with diamond tails (total 135.2 m). The drilling intersected a deeply weathered sequence of altered mafic volcanics, ironstones, pyritic carbonaceous shales and ultramafics, with two of the holes bottoming in a massive carbonate unit. Assaying of RC and core samples is in progress (Figure 5).

Marabou (Hawks Nest 7)

The Marabou shear zone is over 2.3km long and is well defined by a ground magnetic survey completed and is interpreted to continue to the SE and link into the Beasley Creek Gold Mine mined by Western Mining. Within the 2.3km shear zone there is a strongly anomalous intersection of 2m @110g/t from 35m in drill-hole LJA0035. The gold zones are defined by quartz veins and disseminated sulphides. An IP survey completed shows strong chargeability zones down dip from this gold intersection which are planned for future drilling (Figures 6 & 7).

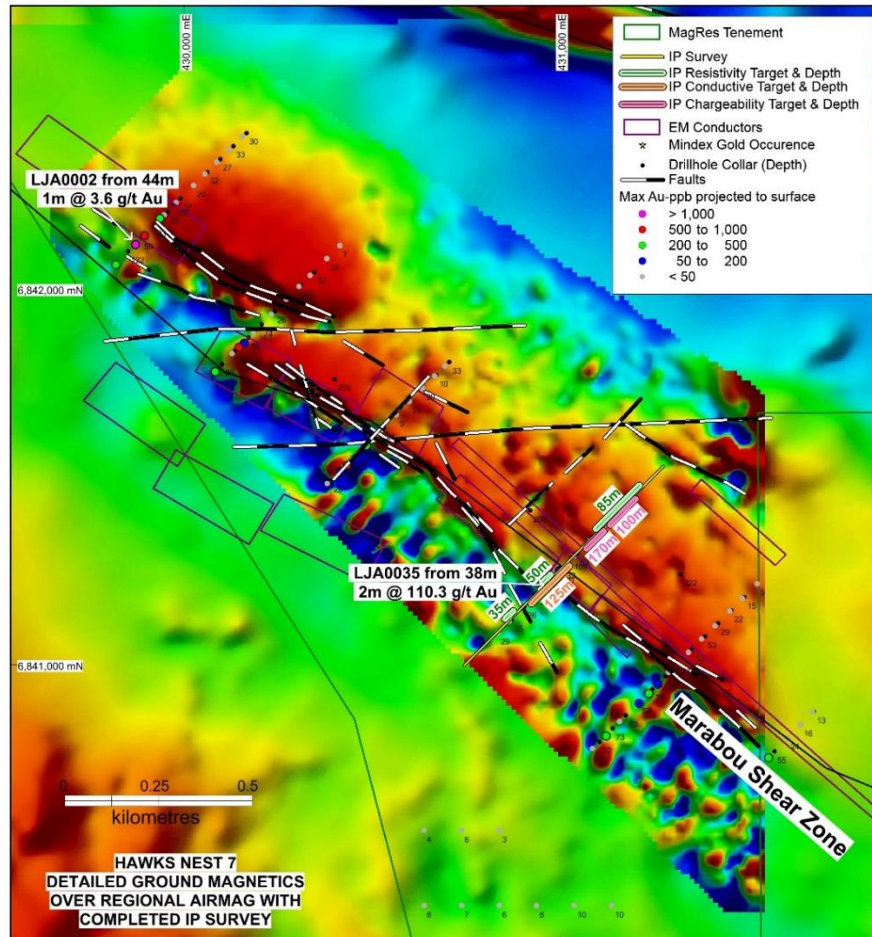


Fig 6. Detailed Ground Magnetics, Completed IP, Historical Drilling and Interpretation.

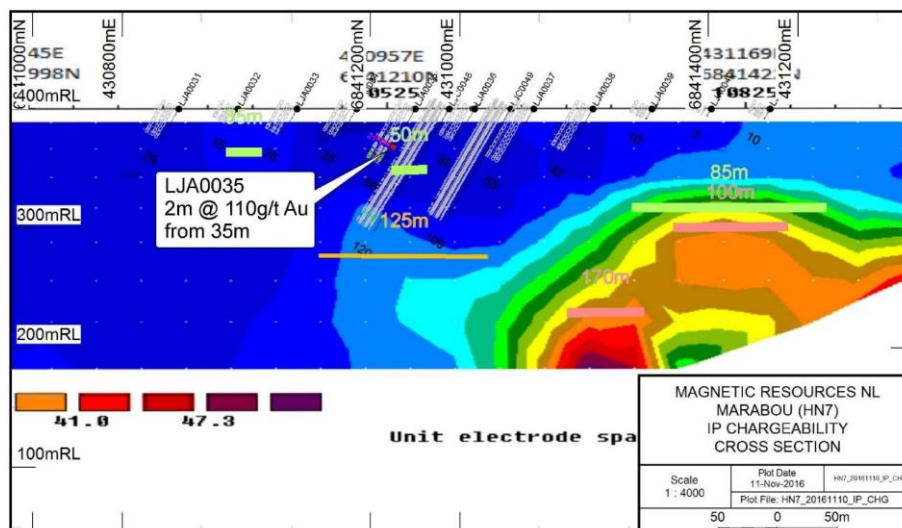


Fig 7. IP Chargeability Cross Section Showing Targets

Hawks Nest 3

There is extensive sericite alteration of porphyry and unusual rock types including dolomitic rocks within this target. There is also an extensive supergene zone at 30–40m depth over 400m x 300m with 17 historical drill holes having grades above 1g/t Au, with a high value of 1m @ 13g/t Au. Two long IP lines designed to define any deeper mineralisation source below the supergene zone have defined a strong chargeability anomaly which is planned to be tested by a 200m deep drill hole (Figures 7 & 8).

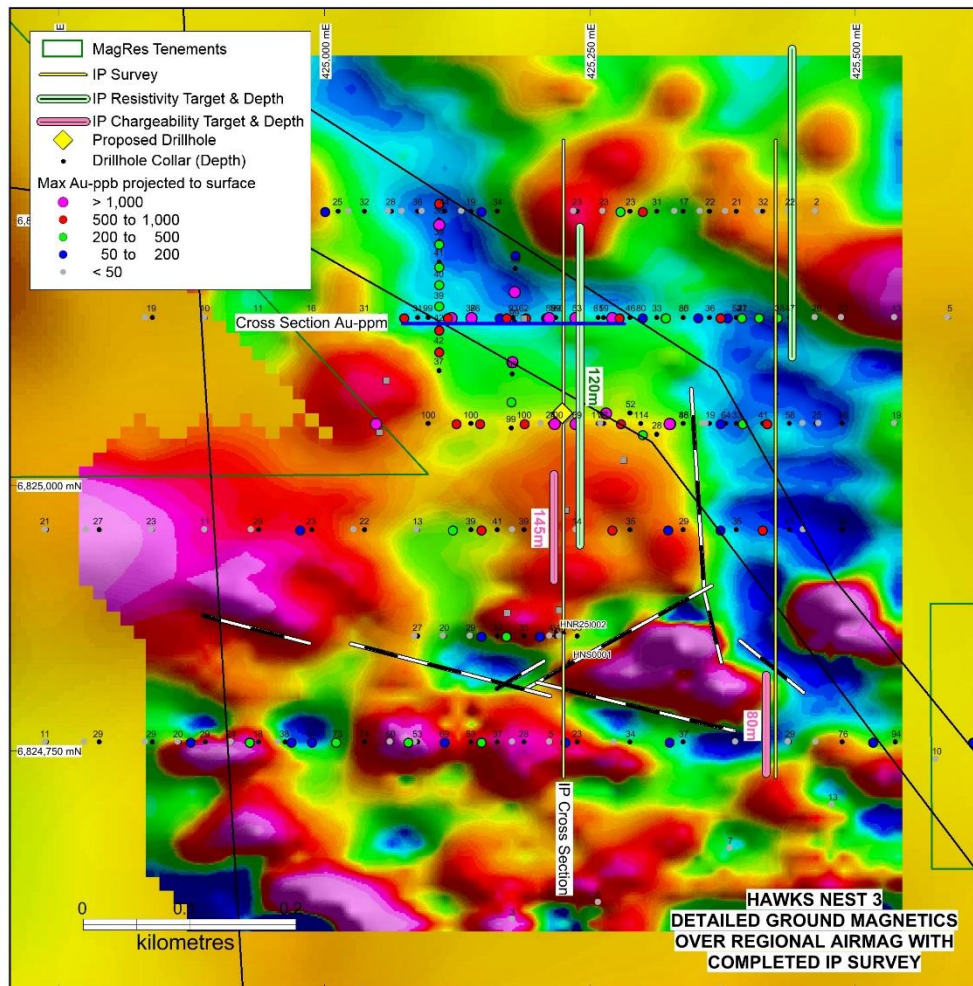


Fig 7. Detailed Ground Magnetics, Completed IP, Historical and Proposed Drilling and Interpretation.

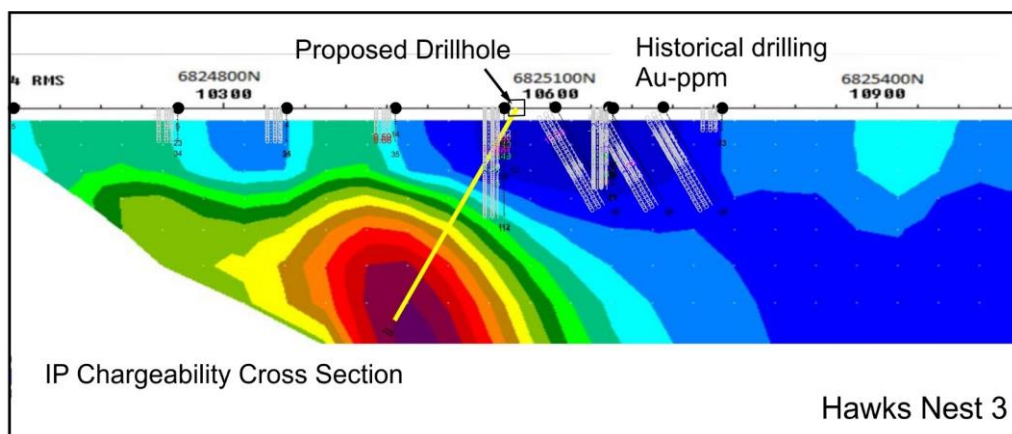


Fig 8. IP Chargeability Cross Section Showing Targets

Hawks Nest 4

Well defined mafic units with WNW structures with shallow workings. HNR17 rock chip had a high value of 51.7g/t within an ironstone.

IP lines designed to test for deeper mineralisation have located a strong chargeable zone associated with the steeply dipping ironstone. This combined Ironstone and IP target will be tested with a 200m hole (Figures 9 & 10).

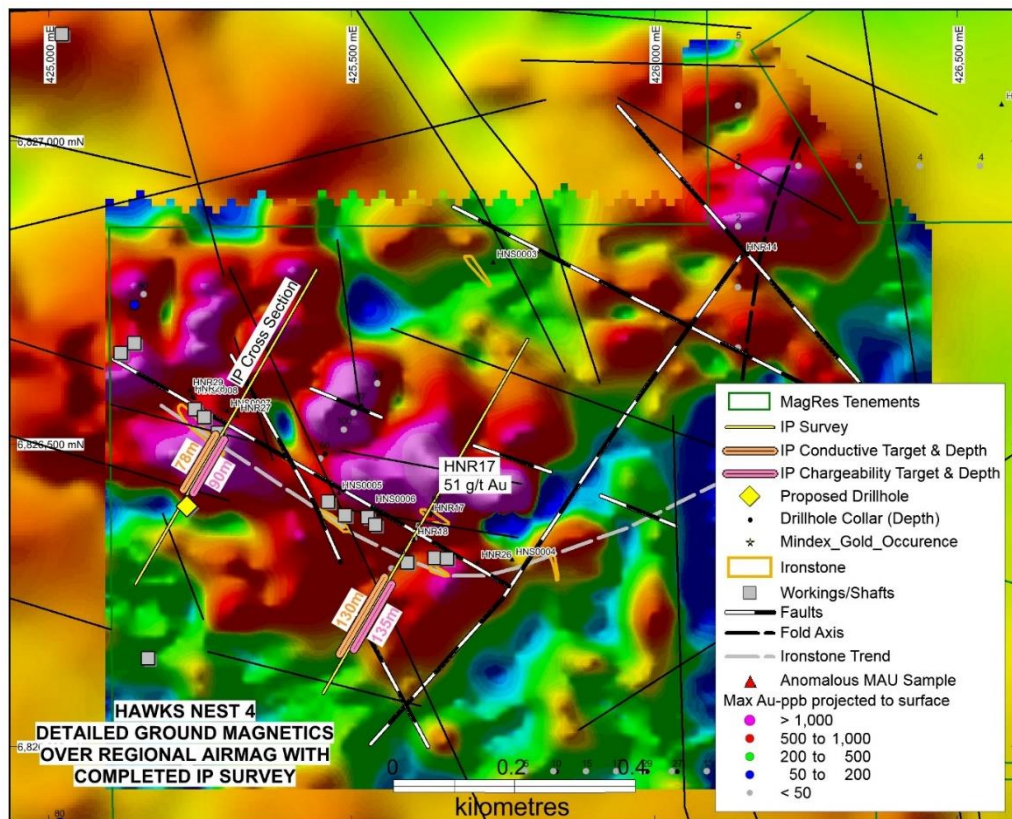


Fig 9. Detailed Ground Magnetics, Completed IP, Historical 7 Proposed Drilling and Interpretation.

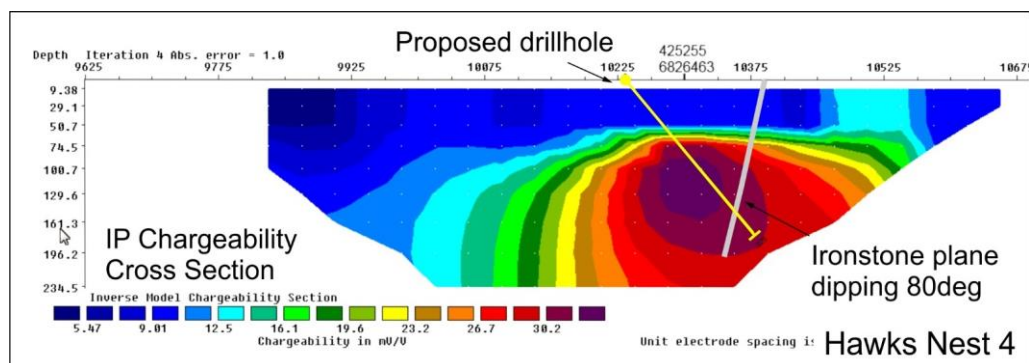
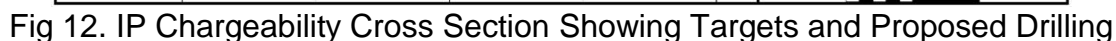
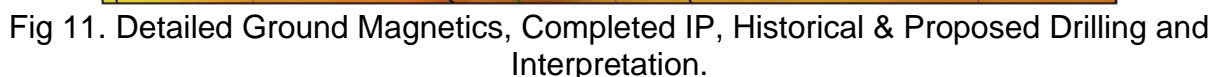


Fig 10. IP Chargeability Cross Section Showing Targets

A prominent NS 800m x 150m sheared banded amphibolite has a number of interpreted intersecting structures with a number of NS and NW trending workings associated. Surface sample of 1.6g/t Au in working within NS workings. Two long I.P. lines to test the NS shear zone and two separate NW parallel lines across Emerald workings. The I.P. has defined three separate chargeable resistive zones. Two of these zones are associated with the Emerald workings and an extensive drilling programme is proposed some of which are shown on the below IP section (Figures 11 & 12).



Hawks Nest 6

Two circular mafic units with a 400m diameter are similar to the intrusive -style Wallaby and Jupiter gold deposits. Two targets shown below are at intersection of NS, NNW and NNE structures. IP lines testing for deeper gold mineralisation have located a medium strength chargeable zones which will be tested by a 200m drill hole (Figures 13 & 14).

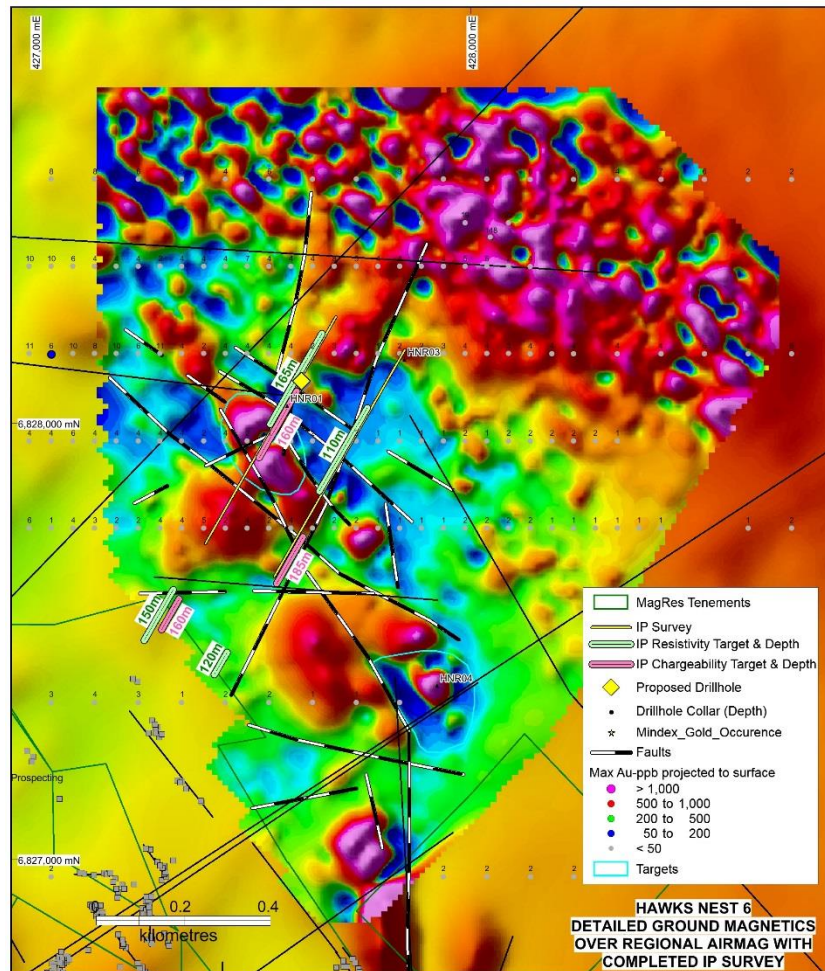


Fig 13. Detailed Ground Magnetics, Completed IP, Historical & Proposed Drilling and Interpretation.

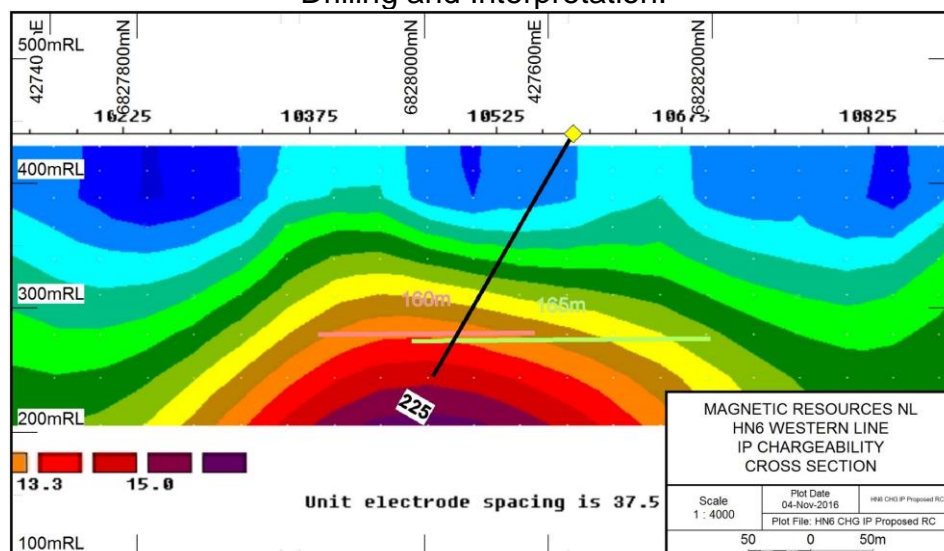


Fig 14. IP Chargeability Cross Section Showing Targets and Proposed Drilling

Proposed work

Work planned by the Company will be focused on extensions of any known mineralised zones within the tenements, identified by previous exploration, and large scale localised features identified by geological and geophysical interpretation that are prospective for large scale deposits which appear to be largely untested.

Initial work over the targets identified is expected to include gold soil geochemistry and ground magnetics, which in some cases can identify near surface mineralisation. The Company will also examine the effectiveness of any historical work including assessment of whether the drill depth was adequate.

At this stage an extensive drill programme is planned with over 100 deeper drill holes varying in depth from 100-200m over the Target areas within, Mt Jumbo, Mt Jumbo East, Hawks Nest, Mertondale, Christmas Well and Kowtah.

OTHER PROJECTS

The Company is also reviewing other projects and tenements for acquisition and development within the Leonora-Laverton region.

CORPORATE

On 9 November 2016, the Company held its annual general meeting with all resolutions passed unanimously.

On 27 December 2016, a total of 12,757,143 unlisted options exercisable at \$0.1499 expired.

TENEMENT SCHEDULE:

Tenement Schedule in accordance with ASX Listing Rule 5.3.3

Tenements held at the end of the Quarter

Location	Tenement	Nature of Interest	Project	Equity (%) held at start of Quarter	Equity (%) held at end of Quarter
WA	E70/3536	Granted	JUBUK	100%	100%
WA	E70/4243	Granted	RAGGED ROCK	100%	100%
WA	E70/4508	Granted	KAURING	100%	100%
WA	E70/4528	Granted	KAURING	100%	100%
WA	E70/4692	Granted	MT JOY	100%	100%
WA	E77/2035	Granted	LAKE SEABROOK	Gold Rights Only	Gold Rights Only
WA	E38/3100	Granted	MT JUMBO	100%	100%
WA	P39/5594	Granted	KOWTAH	100%	100%
WA	P39/5595	Granted	KOWTAH	100%	100%
WA	P39/5596	Granted	KOWTAH	100%	100%
WA	P39/5597	Granted	KOWTAH	100%	100%
WA	P38/4201	Granted	MT JUMBO	100%	100%
WA	E37/1258	Granted	MERTONDALE	100%	100%
WA	P37/8687-94	Granted	CHRISTMAS WELL	100%	100%
WA	P39/5617	Granted	KOWTAH EAST	100%	100%
WA	E38/3127	Application	HAWKS NEST	100% pending grant-	100% pending grant

Mining Tenements acquired during the Quarter

WA	P38/4317-24	Application	Mt JUMBO EAST	100% pending grant	100% pending grant
WA	E38/3205	Application	HAWKS NEST EAST	100% pending grant	100% pending grant

Mining Tenements disposed during the Quarter

N/a					
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For more information on the Company visit www.magres.com.au

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Competent Person's Statement

Information in this report that relates to Exploration is based on information reviewed or compiled by George Sakalidis BSc (Hons) who is a member of the Australasian Institute of Mining and Metallurgy. George Sakalidis is a director of Magnetic Resources NL. He 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 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.