QUARTERLY REPORT for the Quarter Ended 30 June 2013

Magnetic Resources NL
ABN 34 121 370 232

ASX Codes: MAU and MAUCA

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Issued Capital:
Shares - Quoted:
80,103,354 fully paid shares
19,218,862 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
6,957,143 options exercisable at $0.1499 by 27.12.2016

Cash: $1.168m

Directors:
George Sakalidis
Managing Director
Gavin Fletcher
Executive Director
Eric Lim
Non-Executive Director

Company Secretary
Ben Donovan

HIGHLIGHTS

RAGGED ROCK

- **8-hole, 676m RC drilling programme confirms extensions and multiple horizons of coarse grained magnetite BIF at Target 1.**
- **Target 1 strike length now confirmed as 5 km, with other targets totalling 53 km in strike length yet to be tested.**
- **Close correlation between ground magnetics and ore-grade magnetite will aid drill targeting.**
- **Good preservation of fresh magnetite as a result of a shallow weathering profile.**
- **World Class concentrate grades continue to be achieved at a coarse grind of 75 microns.**

CORPORATE

- **Industry Team exercises option and subscribed for Tranche 2 of placement**
- **Mr Lim and Mr Fletcher increase their shareholdings in the Company**

RAGGED ROCK (Magnetic 100%)

During the quarter an 8-hole, 676m reverse circulation (RC) drilling programme was completed at Target 1 with the aim of further defining the extent and tenor of high-grade coarse grained magnetite banded iron formation (BIF). This second phase of drilling brings the total completed to date to 19 holes for 1485m (MAU 11 June 2013 ASX release). The locations of the drill holes are shown in Figure 1 and Table 1.

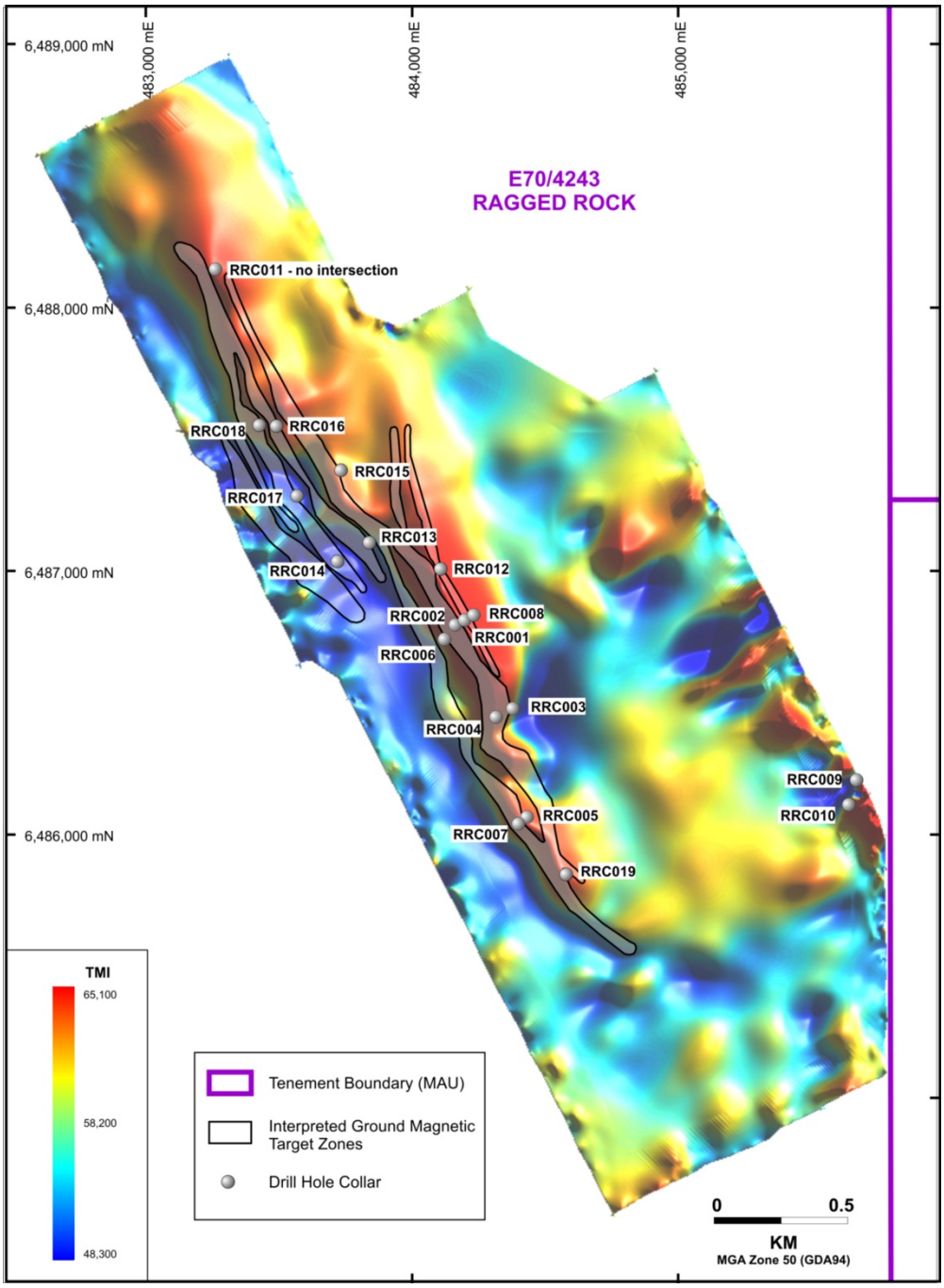

Figure 1
Ground Magnetic Image showing Target 1 and Drill Locations

Table 1
Drill Hole Locations

Hole No	Easting	Northing	Depth m	Azimuth	Dip
RRC012	484106E	6487009N	84	240	060
RRC013	483840E	6487107N	108	240	060
RRC014	483720E	6487038N	96	240	060
RRC015	483732E	6487384N	84	240	060
RRC016	483490E	6487550N	100	240	060
RRC017	483567E	6487285N	90	240	060
RRC018	483425E	6487555N	54	240	060
RRC019	484577E	6485850N	60	240	060

All 8 drill holes intersected multiple BIF horizons, as shown in Figures 2-4. This drilling, together with the previous drilling, has identified a cumulative strike length of 5km of BIF at Target 1. The drilling showed a strong correlation between magnetic signatures and strong magnetite mineralisation, providing a high degree of confidence that further drilling of magnetic targets will result in identification of additional mineralisation. Fresh magnetite was generally intersected at 8-10m below surface indicating shallow overburden conducive to possible future mining. Three holes (RRC 15, 16 and 17) intersected a deeper weathering profile some 18-20m thick.

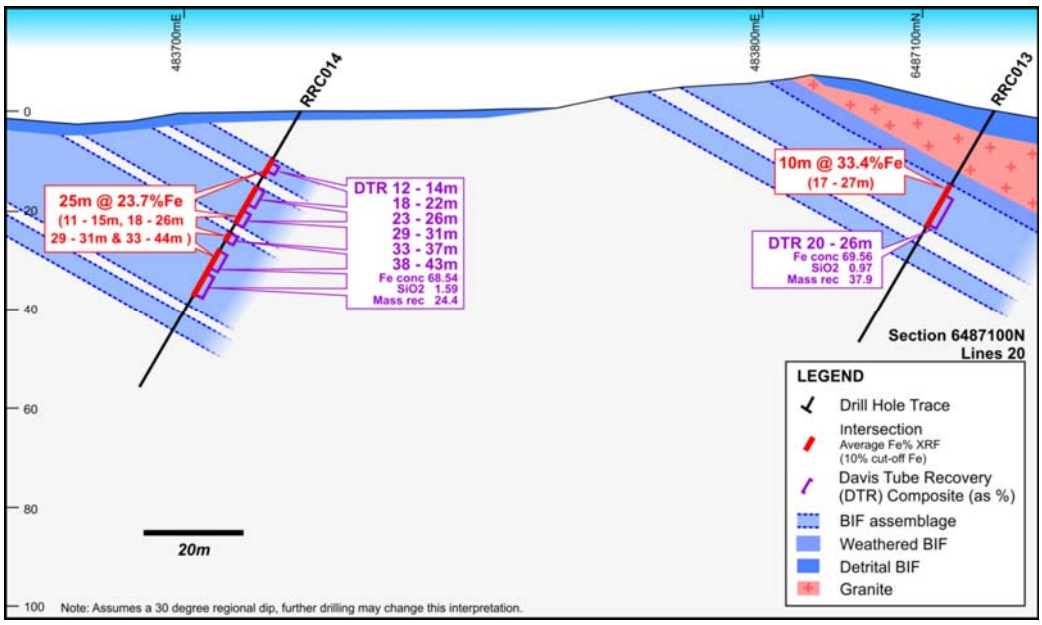

Figure 2
Drill Section RRC013 & RRC014

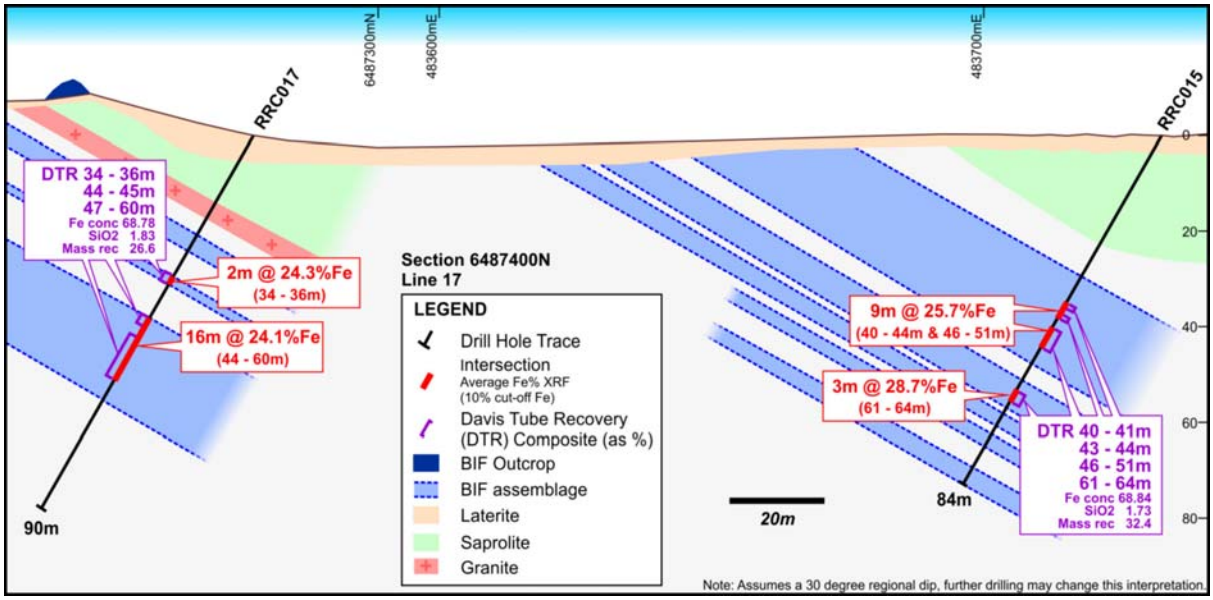

Figure 3
Drill Section RRC015 & RRC017

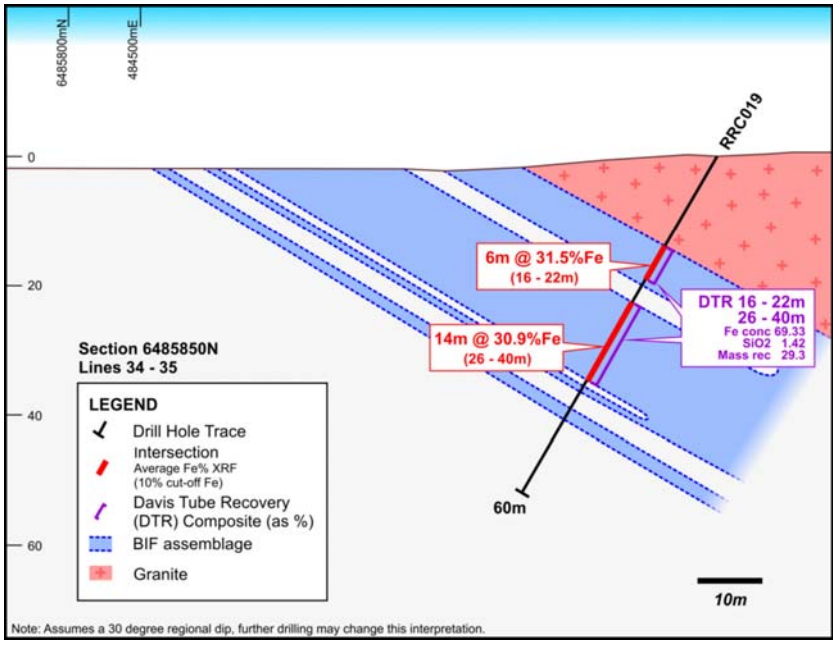

Figure 4
Drill Section RRC019

Davis Tube Recovery (DTR) tests on composite samples from the 8 drill holes indicate mass recoveries ranging from 22.6%-37.9% to produce a high quality concentrate ranging from 68.5%Fe-69.6%Fe with low silica and alumina, as shown in Table 2.

Table 2
Davis Tube Recovery Data Results

							Concentrate Quality		
DH No	From	To	Interval	Composite Number	XRF Avg Grade (Fe%)	DTR Mass Recovery (%)	Fe (%)	SiO2 (%)	Al2O3 (%)
RRC012	38	41	3	RRC12_Comp 1	23.9	22.6	69.15	1.69	1.08

							Concentrate Quality		
DH No	From	To	Interval	Composite Number	XRF Avg Grade (Fe%)	DTR Mass Recovery (%)	Fe (%)	SiO2 (%)	Al2O3 (%)
	42	48	6	RRC12_Comp 1	24.4	22.6	69.15	1.69	1.08
	70	73	6	RRC12_Comp 1	28.8	22.6	69.15	1.69	1.08
	76	78	2	RRC12_Comp 1	21.6	22.6	69.15	1.69	1.08
RRC013	20	26	6	RRC13_Comp 1	34	37.9	69.56	0.97	1.28
RRC014	12	14	2	RRC14_Comp 1	30.6	24.4	68.54	1.59	1.63
	18	22	4	RRC14_Comp 1	19.7	24.4	68.54	1.59	1.63
	23	26	3	RRC14_Comp 1	23.2	24.4	68.54	1.59	1.63
	29	31	2	RRC14_Comp 1	19.6	24.4	68.54	1.59	1.63
	33	37	4	RRC14_Comp 1	25	24.4	68.54	1.59	1.63
	38	43	5	RRC14_Comp 1	32.7	24.4	68.54	1.59	1.63
RRC015	40	41	1	RRC15_Comp 1	23.7	32.4	68.84	1.73	1.49
	43	44	1	RRC15_Comp 1	22.8	32.4	68.84	1.73	1.49
	46	51	5	RRC15_Comp 1	31.4	32.4	68.84	1.73	1.49
	61	64	3	RRC15_Comp 1	28.7	32.4	68.84	1.73	1.49
RRC016	22	26	4	RRC16_Comp 1	34.7	30.3	69.6	1.51	1.22
	27	28	1	RRC16_Comp 1	17.2	30.3	69.6	1.51	1.22
	52	56	4	RRC16_Comp 1	24.3	30.3	69.6	1.51	1.22
RRC017	34	36	2	RRC17_Comp 1	24.3	26.6	68.78	1.83	1.45
	44	45	1	RRC17_Comp 1	18.1	26.6	68.78	1.83	1.45
	47	60	13	RRC17_Comp 1	26	26.6	68.78	1.83	1.45
RRC18	23	25	2	RRC18_Comp 1	25.3	23.6	69.37	1.46	1.32
	26	29	3	RRC18_Comp 1	20.8	23.6	69.37	1.46	1.32
	33	35	2	RRC18_Comp 1	28.5	23.6	69.37	1.46	1.32
RRC019	16	22	6	RRC19_Comp 1	31.5	29.3	69.33	1.42	1.33
	26	40	14	RRC19_Comp 1	30.9	29.3	69.33	1.42	1.33

Significantly, reconnaissance mapping and sampling of the adjacent Collins Hill tenement (E70/4478) has confirmed strike extensions of Target 1 to the south east, as shown in Figure 5. Sampling results are shown in Table 3, indicating potential to substantially increase the Target 1 Exploration Target.

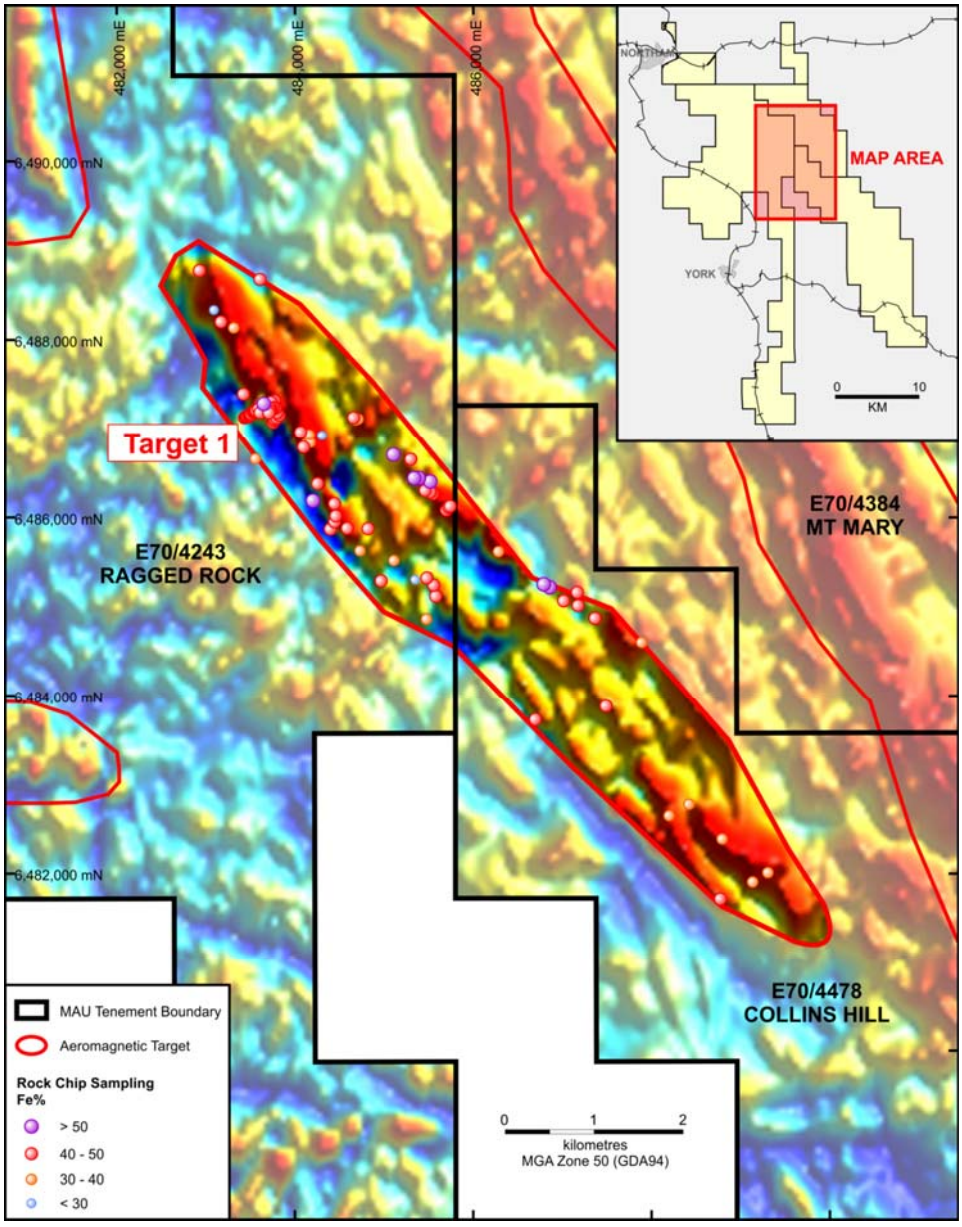

Figure 5
Ragged Rock and Collins Hill Rock Sampling

Table 3
Collins Hill BIF Sampling Results

Sample	E	N	Fe%	SiO2%	Al2O3%	P%	S%	LOI
CHR1	487362	6484875	43.2	33.75	2.25	0.027	0.012	1.41
CHR2	487885	6484604	33.8	49.77	1.04	0.025	0.007	0.40
CHR3	487173	6485016	46.5	31.32	0.96	0.038	0.013	0.78
CHR4	487011	6485068	40.3	40.35	0.79	0.022	0.005	-0.50
CHR5	487165	6485166	44.8	33.91	0.97	0.029	0.007	0.55
CHR6	486786	6485268	53.3	10.88	6.65	0.045	0.007	2.28
CHR7	486856	6485222	55.5	9.41	6.90	0.017	0.016	2.10
CHR8	486282	6485618	30.1	31.33	13.98	0.088	0.046	9.89
CHR9	486693	6483730	49.7	16.83	9.29	0.023	0.016	2.14
CHR10	487487	6483880	43.7	34.26	1.88	0.019	0.013	0.62
CHR11	488765	6481722	40.9	39.26	1.02	0.044	0.009	0.65
CHR12	489131	6481911	31.8	50.83	1.00	0.043	0.033	-0.30
CHR13	489303	6482015	36.4	44.07	1.35	0.046	0.047	0.06

CHR14	488788	6482390	39.9	38.63	2.27	0.036	0.019	1.03
CHR15	488417	6482779	36.1	40.42	3.54	0.045	0.013	0.40
CHR16	488194	6482652	39.0	41.36	0.92	0.034	0.018	1.24
CHR17	496865	6471975	62.6	5.83	1.88	0.035	0.025	1.41

Analyses using fused disc and XRF determination. Loss on Ignition at 1000°C

JUBUK (Magnetic 100%)

Application for retention status is being made for the Jubuk magnetite deposit near Corrigin. This will allow Magnetic to focus on evaluating its Ragged Rock project.

OTHER TENEMENTS

No exploration was carried out on Magnetic's other tenements during the quarter.

CORPORATE

During the quarter, shareholders approved the issue of shares to the Industry Group as well as the participation of Executive Director Mr Fletcher's in the placement. All resolutions were passed unanimously showing a strong endorsement of the current direction of the Company.

On 29 May 2013, the Company announced that the Investment team had elected to continue with their investment, by exercising their option and subscribing for tranches 2-4 under the Share Subscription Agreement. This would result in a further $600,000 to be subscribed.

On 4 June 2013, the Company announced it had placed shares to the Industry Group and other investors raising $270,000 in connection with Tranche 2.

During the quarter, non-executive director, Eric Lim, increased his holding in the Company acquiring approximately 3.65 million shares at 11 cents per share being a premium to the market price. Mr Lim's shareholding is approximately 8.73% of the Company.

Mr Fletcher also increased his shareholding in the Company as a result of his participation in Tranche 2.

Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled or reviewed by George Sakalidis BSc(Hons), MAusIMM. George Sakalidis is a director of Magnetic Resources NL. George Sakalidis 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 of 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.

About Magnetite

Magnetite is a major source of iron and accounts for about 30% of global iron furnace feed for steel production. The largest producer of iron ore and iron is China and its main iron ore source is magnetite. North America is the sixth largest producer and is also mostly a magnetite producer.

Magnetite (Fe_3O_4) is a magnetic mineral, an important property in aiding discovery using magnetic surveys and in ore processing. Ore can be crushed, passed over a magnet and the magnetite extracted to produce a clean, high grade iron product.

Magnetite ore grades are usually lower than commercially exploited hematite ores but after processing, a product with much higher iron grades and much lower costly impurities is derived.

All iron fines are recombined to form a suitable product for steel making. Magnetite can be combined with bentonite (a clay) and heated to produce pellets. The high quality pellets are used in blast furnaces or direct reduction furnaces to make steel and is a preferred product by steel makers as they greatly increase furnace efficiency, reducing costs and pollution. Magnetite pellets attract a higher price than hematite ores for this reason.

In summary, magnetite has not been commonly mined and processed in Australia but magnetite is a common source of iron for steel making. The mining and processing techniques are well known and have low technical risk. The final product is a high grade, clean, concentrate that attracts a premium price because of the high iron grade. Steel production from magnetite requires less energy and has a significant smaller effect on the environment than would be achieved through smelting of hematite ores.