

**MINING EXPLORATION ENTITY QUARTERLY REPORT****APPENDIX 5B**

Name of entity:

**MAGNETIC RESOURCES NL**

ABN:

**34 121 370 232**

Quarter ended ("current quarter")

**31/12/2010****Consolidated statement of cash flows**

	Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales, related debtors, GST Credits	19	128
1.2 Payments for:		
(a) exploration and evaluation	(679)	(1,329)
(b) development		
(c) production		
(d) administration	21	(193)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	84	101
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(555)</b>	<b>(1,293)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(5)	(5)
(b) equity investments		(30)
(c) other fixed assets	(1)	(51)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans advanced by/repaid to other entities		
1.12 Other (Loan repayments to associated company)		
<b>Net investing cash flows</b>	<b>(6)</b>	<b>(86)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(561)</b>	<b>(1,379)</b>



1.13	Total operating and investing cash flows (brought forward)	(561)	(1,379)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		1,260
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) – Share issue expenses	(30)	(30)
	<b>Net financing cash flows</b>	(30)	1,230
	<b>Net increase (decrease) in cash held</b>	(591)	(149)
1.20	Cash at beginning of quarter/year to date	5,112	4,670
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	4,521	4,521

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		Current quarter \$AUD'000
1.23	Aggregate amount of payments to the parties included in item 1.2	72
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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**Financing facilities available**

		Amount available \$AUD'000	Amount used \$AUD'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$AUD'000
4.1 Exploration and evaluation	500
4.2 Development	
4.3 Administration	150
<b>Total</b>	<b>650</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$AUD'000	Previous quarter \$AUD'000
5.1 Cash on hand and at bank	111	72
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details) – Short Term Deposits	4,410	5,040
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,521</b>	<b>5,112</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E74/344	Relinquished	Earning 80%	0%
6.2 Interests in mining tenements acquired or increased	E70/3716	Granted	100%	100%
	E70/3796	Granted	100%	100%
	E70/3838	Granted	100%	100%
	E70/3839	Granted	100%	100%
	E70/3918	Granted	100%	100%
	E70/3919	Granted	100%	100%

**Issued and quoted securities at end of current quarter**

	Total number	Number quoted	Issue price per security (cents)	Amount paid-up per security (cents)
7.1 <b>Preference securities</b>	N/A			
7.2 Issued during quarter				
7.3 <b>Ordinary securities</b>				
Fully paid	67,517,636	67,517,636		
Partly paid	17,418,862	17,418,862		
7.4 Issued during quarter				
7.5 <b>Convertible debt securities</b>	N/A			
7.6 Issued during quarter				
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
	2,295,000	Not Quoted	\$0.2709	23/12/2014
	1,800,000	Not Quoted	\$0.4607	21/12/2015
7.8 Issued during quarter	1,800,000	Not Quoted	\$0.4607	21/12/2015
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b>	N/A			
7.12 <b>Unsecured notes</b>	N/A			

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

**Rudolf Tieleman**  
**Company Secretary**

Date: 31 January 2011