



magnetic resources^{NL}

QUARTERLY REPORT for the Quarter Ended 31 March 2016

HIGHLIGHTS

Magnetic Resources NL

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Issued Capital:**Shares - Quoted:**

100,436,814 ordinary shares.

20,418,862 partly paid shares (\$0.20
unpaid).

Options – Unquoted

-12,757,143 options exercisable at

\$0.1499 by 27 December 2016

- 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

\$150,000 converting loans

Cash: \$ 0.37m *

* Prior to April raising of \$600,000

Directors:**George Sakalidis**

Executive Director

Eric Lim

Non-Executive Chairman

Julien Sanderson

Non-Executive Director

Company Secretary

Ben Donovan

- The Leonora-Laverton district is well endowed with large world class gold deposits with over 34Moz (mined plus resources).
- A regional study by the Company has so far identified a total of 6 projects totaling 191 sq. km that have the potential to host large scale deposits which are within 50km of existing gold operations, opening the possibility for toll treating.
- Two of the six projects, Marabou and Mt Jumbo, have walk up drill targets within well-defined gold fertile shear zones. The best of which appears to be the Marabou Project with 2m@110g/t from 38m which is open at depth and along strike within a 2.3km mineralised shear zone. of Magnetic Resources' gold exploration program is to identify large gold deposits of 1Moz or greater utilising the geological and geophysical characteristics of the known surrounding deposits.
- A number of very large deposits are present including Wallaby (>7.1Moz mined plus resource), Sunrise Dam (>10Moz mined), Granny Smith (>6Moz mined), Gwalia (7.3Moz mined plus resource), Westralia (2.4Moz mined plus resource) and Jupiter (1.3Moz mined resource). The Mt Jumbo and Hawks Nest tenements are only 10km and 20km north of the Wallaby deposit respectively. Magnetic Resources maintains an active interest evaluating other submittals within the region.

Gold Projects Summaries

Marabou Gold Project

The Company has identified a 2.3km-long NW shear target that has some broad spaced historical drill lines that encountered shallow bonanza grades of 2m@110g/t Au (or 2m@3.9oz/tonne) from 38m depth in hole LJA0035 drilled by Metex Resources Ltd in 2005. (Figs 1, 2 and 3). The Marabou tenements E38/3114 and P38/4202 totalling 55sqkm in area, were applied for recently.

This drilled high grade mineralisation is open at depth and along strike. The previous aircore hole lines were between 300m and 600m apart and were too far apart and did not effectively test this high grade intersection which was along the sheared contact between mafics and ultramafics.

The NW end of this shear zone has two magnetic ultramafics bodies that are sheared as well from evidence of shallow air core drilling and deeper drilling by Magma Metals in 2011. RC holes MRFRC09 and MRFRC10 both hit this shear zone at depth with quartz veining and porphyry recorded. Magma were looking for Ni conductors and there is no evidence of having assayed for Gold. Also there is a parallel 2km long shear zone 1.5km to the NE that has not been drill tested.

Follow up ground magnetics is warranted at both shear zones at Marabou to help define and detail the shear zones. Follow up drilling beneath and along strike of the intersection of 2m@110g/t will help define the extent of this near surface very anomalous zone within the 2.3km shear zone as shown in Figs 2 and 3.

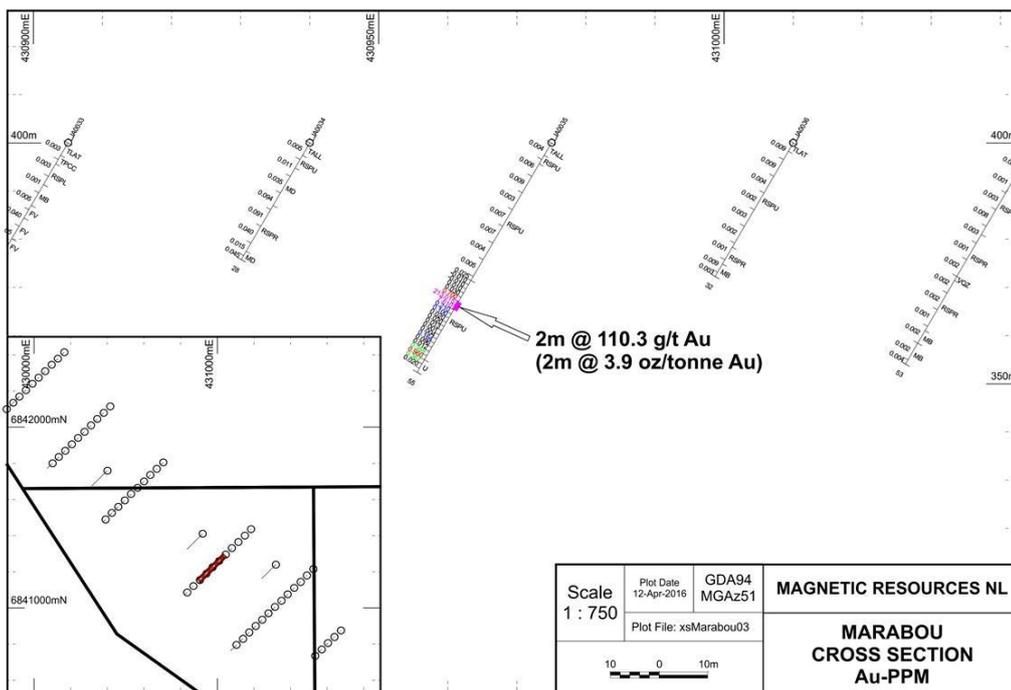


Figure 1: Cross section showing bonanza Gold grades in AC Hole LJA0035

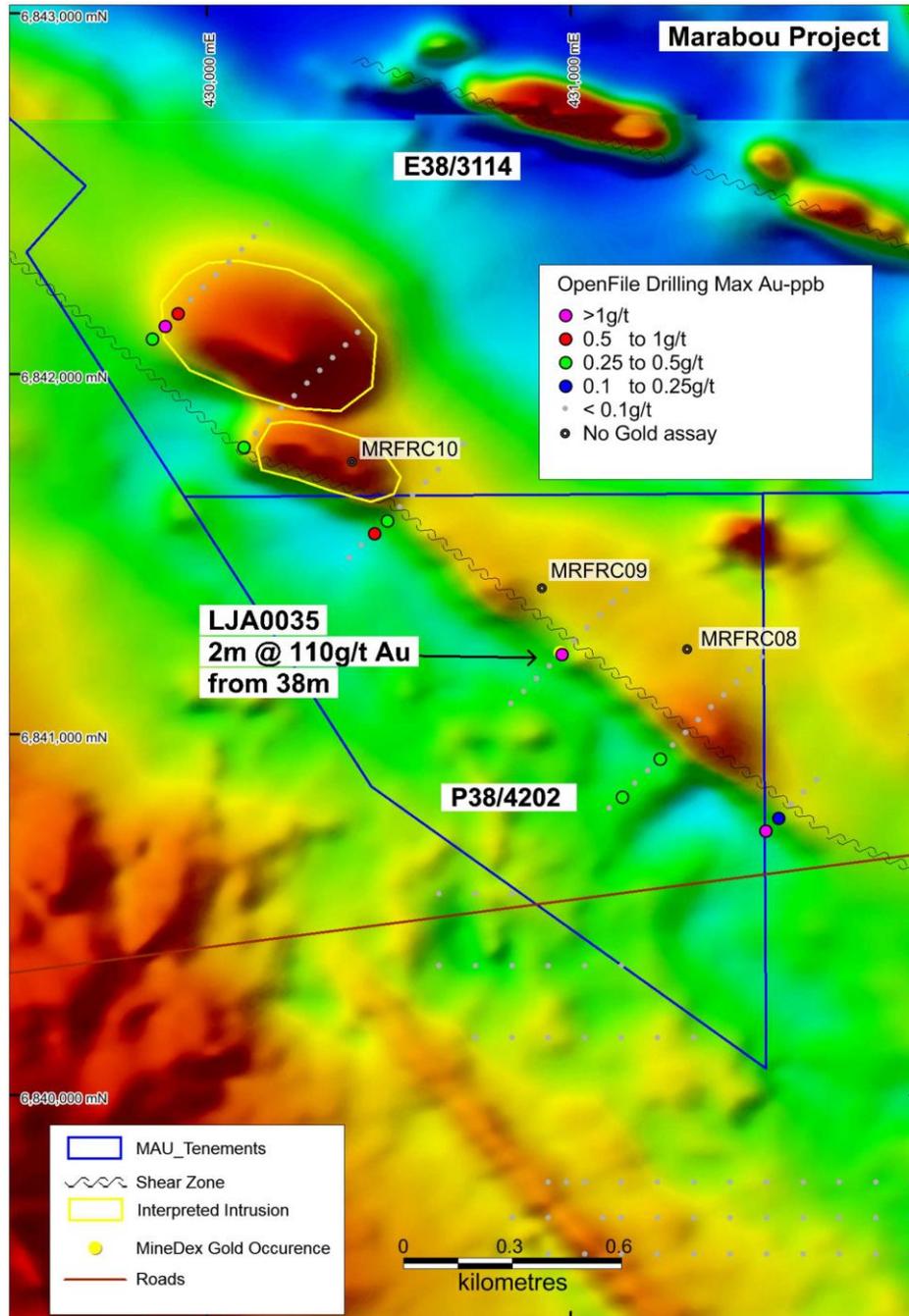


Figure 2: Marabou Project Gold results from historical drilling and aeromagnetics

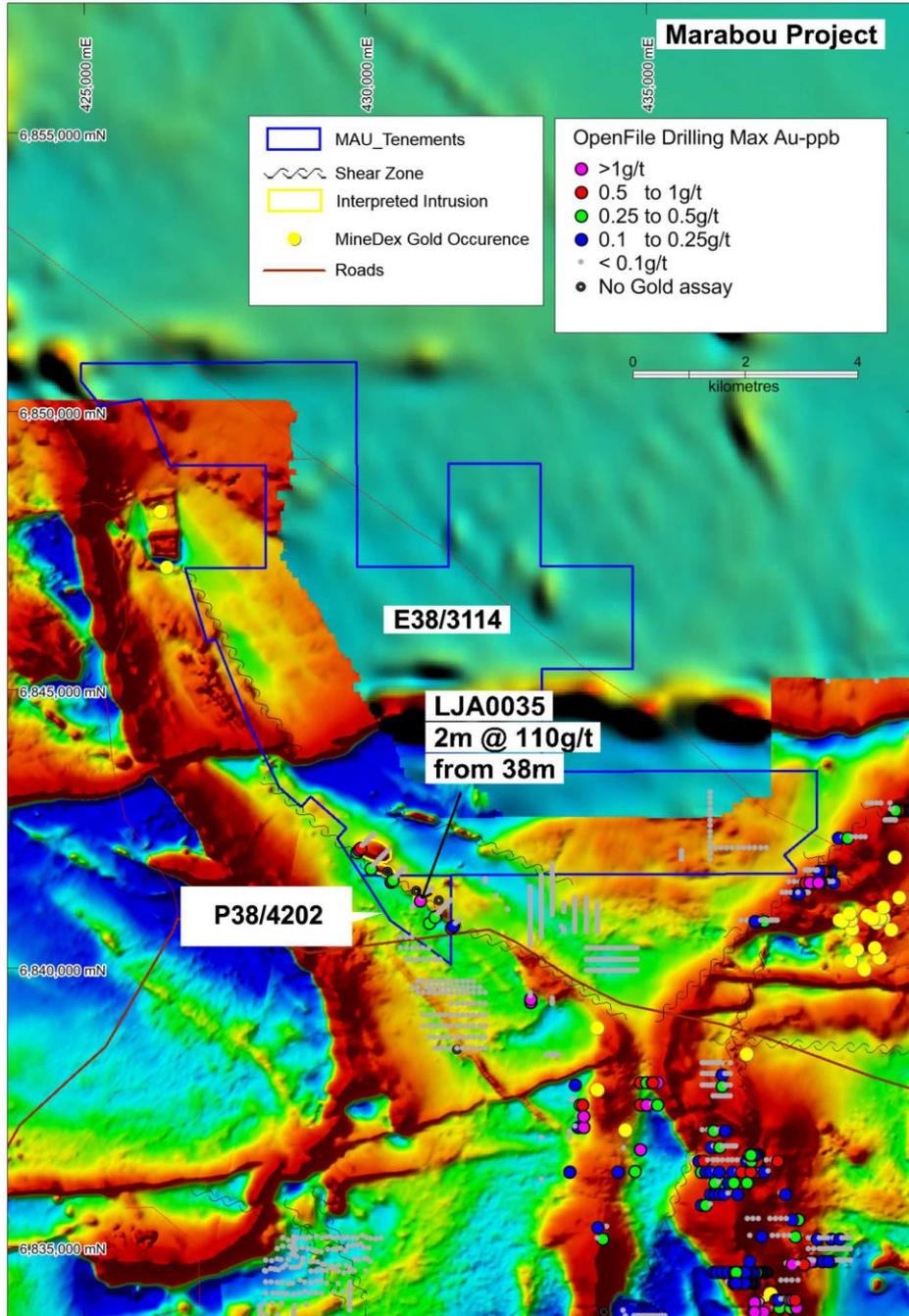


Figure 3: Marabou Project Gold Results overview from Historical drilling

Mt Jumbo Gold Project

The Company has identified a 1km-long shear target mineralization zone (T1) from historical drilling reports (Normandy Exploration, Mt Ajax Interim Report Oct 1996 to April 1997) with elevated gold grades up to 6m @ 1.9g/t from 108m including 2m @ 4.6g/t from 110m in hole AXC064 (Fig.5) within the SW part of the Mt Jumbo tenement (Fig.4 & 7) E38/3100 (17 sq.km).

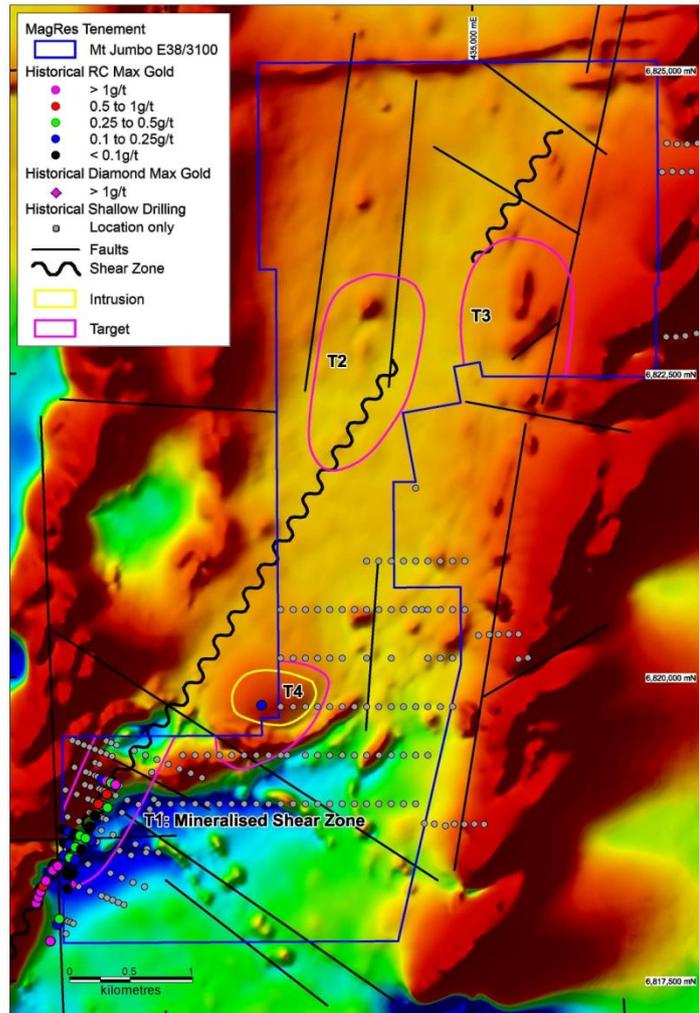


Figure 4: Historical drilling, interpretation and detailed aeromagnetics



Figure 5: Historical drilling cross section AB

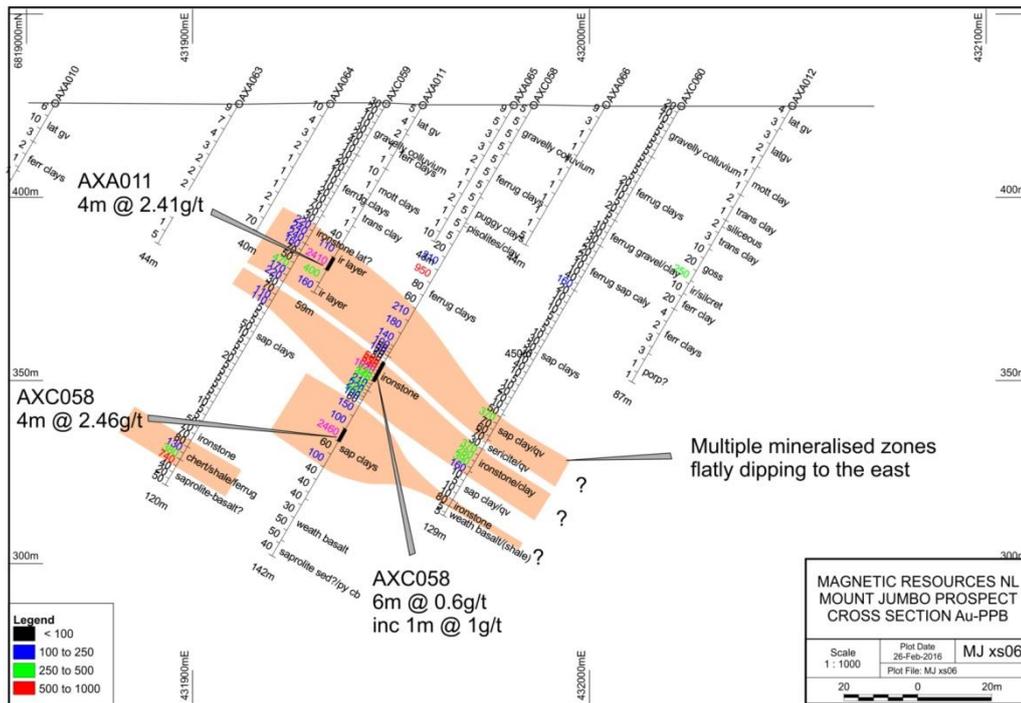


Figure 6: Historical drilling cross section CD

This intersection is open at depth as shown in Fig.2. The mineralisation also extends along strike as shown in Fig.3. This is surprising as the RC holes have only been completed down to a relatively shallow 100m vertical depth with better intersections below the saprolite clay layers often associated with ironstone and quartz veins on the contact between ultramafics and mafic rocks.

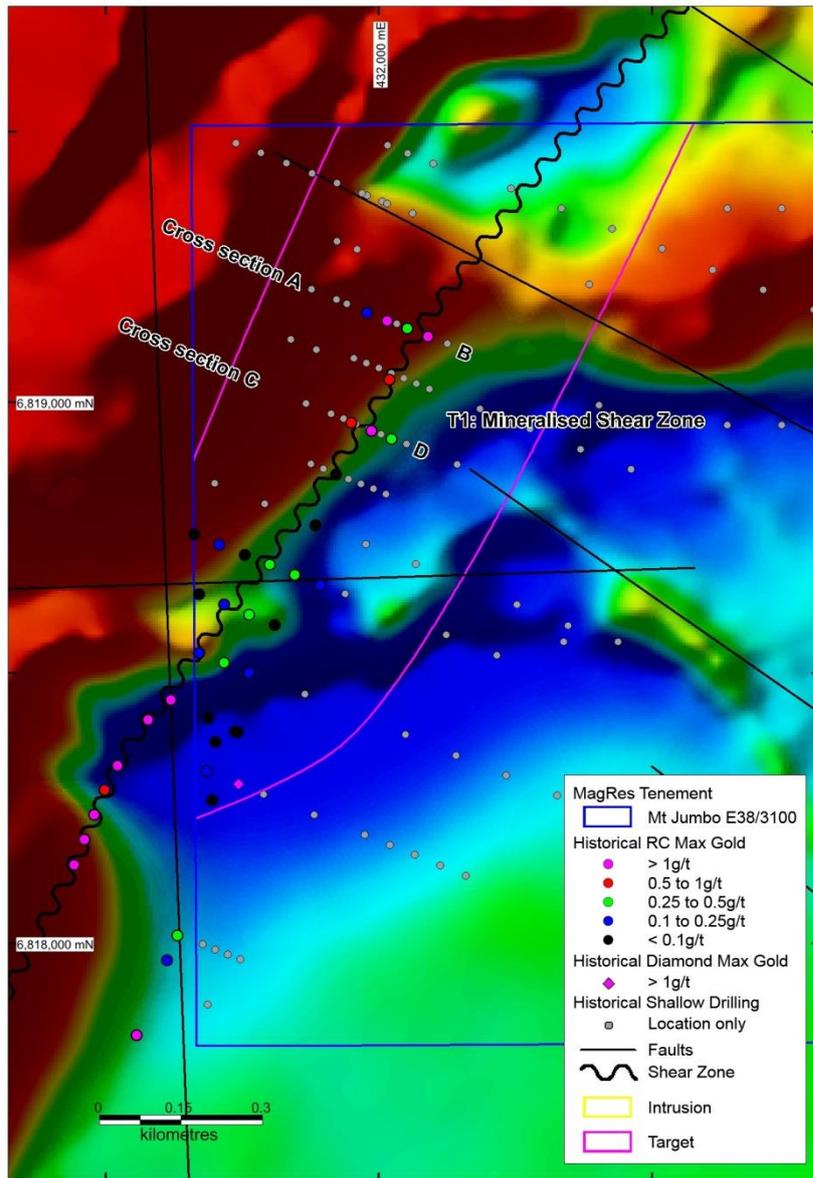


Figure 7: T1 Historical drilling interpretation and detailed aeromagnetics

Significantly, the mineralisation appears to be flatly dipping to the east (Fig.5 & 6) with evidence of multiple mineralized zones, which is similar in geometry to other deposits in the region including the Wallaby deposit(>7Moz). These open-ended multiple zones provide encouragement for both deeper and down dip drilling in the future.

This 1km shear mineralization zone (target T1) is interpreted to extend into the northern parts of Mt Jumbo (Fig.4). The intersection of this shear with an interpreted N-S fault at target T2 is considered to be a priority area. Target T3 shows similar characteristics to T2. Target T4 is unusual and is interpreted to be intrusion related similar to a number of deposits in the Laverton area including Wallaby(>7moz). Gold intersections greater than 1 g/t from historical drilling at T1 are shown in the table below.

Hole_Id	Hole_Type	MGA_E metres	MGA_N metres	From metres	To metres	Width metres	Au ppm
AXA011	RAB	431958	6818960	48	52	4	2.41
AXC058	RC	431986	6818949	84	85	1	1.02
AXC058				102	106	4	2.46
AXC062	RC	432015	6819152	80	82	2	1.45
AXC064	RC	432089	6819123	110	112	2	4.56
AXD004	DIA	431743	6818295	263.5	264.5	1	2.33
AXD004				308.5	310	1.5	1.82

NEW TENEMENTS AND BACKGROUND

The Leonora-Laverton district is well endowed with large world class gold deposits. A regional study by the Company has so far identified a total of 6 Project areas totalling 191sq km (Fig.8) that have the potential to host large scale deposits. These tenements are within 50km of existing gold operations, opening the possibility for toll treating. The Gold tenements now held by Magnetic include: Marabou E38/3114 and P38/4202 (55sqkm); Mt Jumbo E38/3100 and P38/4201 (17sqkm); Kowtah P39/8697-8694 and P39/5617 (9sqkm); Hawks Nest E38/3101 (15sqkm); Mertondale E37/1258 (81sqkm); Christmas Well P37/8687-8694 (14sqkm).

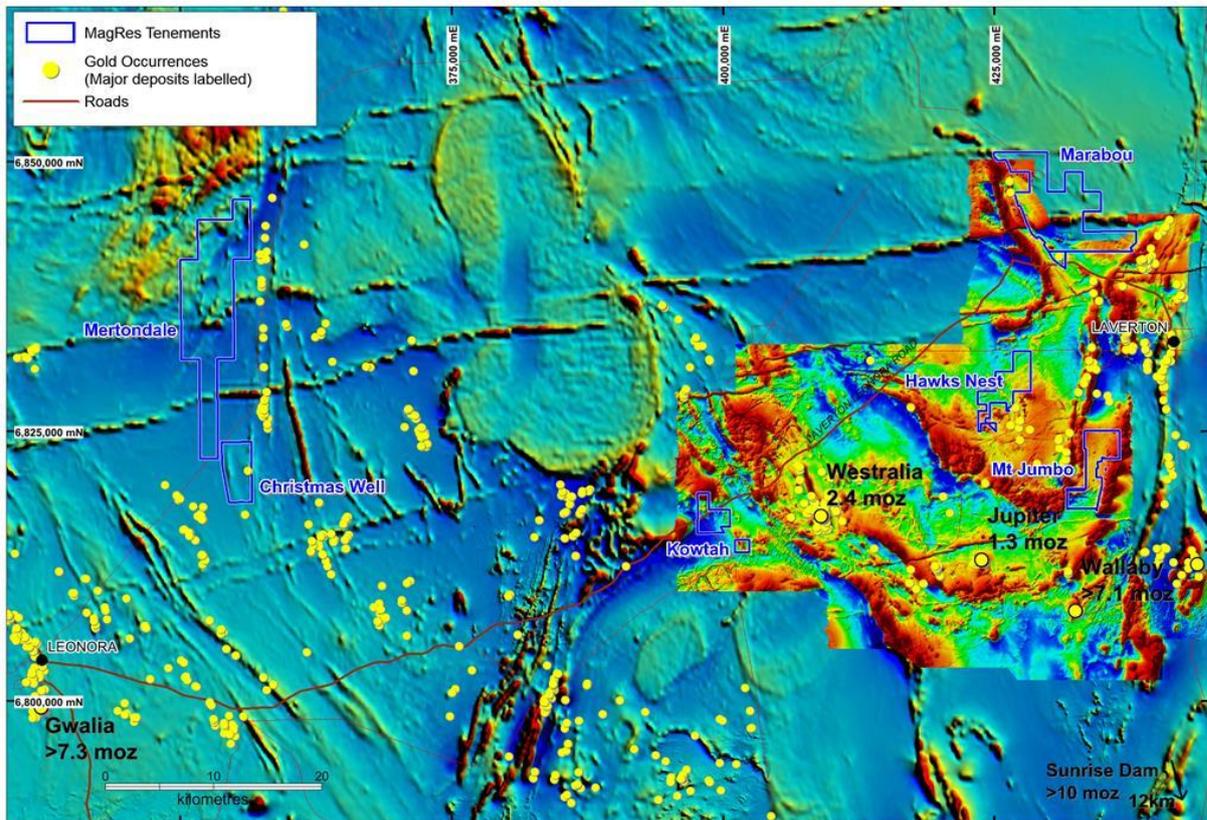


Figure 8: Magnetic Resources tenements, gold deposits and detailed aeromagnetics

Detailed summaries have been now announced for both Marabou (refer to ASX release 18/04/2016) and Mt Jumbo (refer to ASX release 29/02/2016). Further summaries for the remaining Projects will be released in the near future after review of historical work and interpretations are completed.

The objective of Magnetic Resources' gold exploration program is to identify large gold deposits of 1Moz or greater utilising the geological and geophysical characteristics of the known surrounding deposits. This belt is well endowed with over 34Moz (mined plus resources) being second to the Kalgoorlie region in WA.

A number of very large deposits (Fig.4) are present including: Wallaby (>7.1Moz mined plus resource), Sunrise Dam (>10Moz mined), Granny Smith (>6Moz mined), Gwalia (7.3Moz mined plus resource), Westralia (2.4Moz mined plus resource) and Jupiter (1.3Moz mined resource). The Mt Jumbo and Hawks Nest tenements are only 10km and 20km north of the Wallaby deposit respectively.

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 targets identified is expected to be will 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.

IRON ORE PROJECTS:

Magnetic Resources still maintains an interest in potentially economic iron ore deposits with tenements totalling 310 sq. km mainly within the Northam region. Due to the current low iron ore prices, The Company has reduced exploration expenditure.

CORPORATE:

Appointment of New Directors and Board Changes

Following a requisitioned meeting by shareholders held in January 2016, Mr Gavin Fletcher and Mr John Blanning were removed as directors.

Mr George Sakalidis and Mr Julien Sanderson were appointed as non-executive directors with immediate effect following shareholder approval. Mr Sakalidis has since been elected by the board as an executive director.

George Sakalidis was a founding director and shareholder of the Company since incorporation and was the former Managing Director until October 2014. Mr Sakalidis is an exploration geophysicist with over 30 years' industry experience, and his career has included extensive gold, diamond, base metals, iron ore and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits, the Dongara Mineral Sands Deposits and the Boonanarring-Gingin South-Helene Mineral Sands Deposits in Western Australia.

Julien Sanderson is a chartered accountant with more than 40 years' experience in banking, corporate, accounting, taxation, company secretarial practice and international and local corporate governance. Mr Sanderson's experience spans a range of private and public companies in a broad range of industries including mining and resources. Previously Mr Sanderson was Financial Controller and subsequently Managing Director and Company Secretary of ASX-listed Biron Corporation Limited and non-executive Chairman of Premier Gold NL and Corporate Finance Manager of Kia Ora Gold NL.

Share issue

On 26 February 2016, the Company announced the conversion of \$150,000 of the converting loans into shares at \$0.06. The funds were used for working capital purposes.

Notice of Meeting

Subsequent to the end of the quarter, a Notice of Meeting was despatched to shareholders to consider various resolutions including the payment of termination benefits to Mr Fletcher. The meeting is scheduled for 31 May 2016.

Legal Proceedings

Subsequent to the end of the quarter, on 7 April 2016, it was announced that the Company and its officers have been named in a legal action by former Managing Director, Mr Gavin Fletcher. The allegations are strongly disputed and the company is taking legal advice to protect the interest of all shareholders.

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	Retention	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	E77/2035	Granted	LAKE SEABROOK	Gold Rights Only	Gold Rights Only
WA	E70/4692	Granted	MOUNT JOY	100%	100%
WA	E38/3102	Application	MOUNT JUMBO	100%	100%
WA	P38/4201	Application	MOUNT JUMBO	100%	100%
WA	E38/3101	Application	HAWKS NEST	100%	100%
WA	P39/5594-5597	Application	KOWTAH	100%	100%
WA	P39/5617*	Application	KOWTAH	100%	100%
WA	E37/1258	Application	MERTONDALE	100%	100%
WA	E38/3114*	Application	MARABOU	100%	100%
WA	P38/4202*	Application	MARABOU	100%	100%
WA	P37/8687-8694*	Application	CHRISTMAS WELL	100%	100%

* Applications made in April but commenced in March quarter

Mining Tenements disposed during the Quarter

WA	E70/4384	Granted	MT MARY	100%	100%
WA	E70/4478	Granted	COLLINS HILL	100%	100%
WA	E70/4783	Application	NORTHAM	100%	100%
WA	E70/4741	Application	KINGSTON PARK	100%	100%

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.