magnetic resources NL

ANNUAL REPORT

FINANCIAL YEAR
ENDED 30 JUNE 2014

ABN: 34 121 370 232

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

GEORGE SAKALIDIS
Managing Director

GAVIN FLETCHER
Executive Director

ERIC LIM
Non-Executive Director

COMPANY SECRETARY
BEN DONOVAN

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BANKERS
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Hay Street, West Perth WA 6005

AUDITORS
Somes Cooke
Chartered Accountants
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STOCK EXCHANGE
Australian Securities Exchange (ASX)

COMPANY CODE
MAU (Fully paid shares)
MAUCA (Partly paid shares)

ISSUED CAPITAL

90,612,758 fully paid ordinary shares.

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

500,000 options to acquire fully paid shares exercisable at $0.20 by 3 October 2014

4,045,000 options to acquire fully paid shares exercisable at $0.2709 by 23 December 2014

2,145,000 options to acquire fully paid shares exercisable at $0.4607 by 21 December 2015

12,757,143 options to acquire fully paid shares exercisable at $0.1499 by 27 December 2016

4,000,000 options to acquire fully paid shares exercisable at $0.17 on or by 31 December 2017

150,000 options to acquire fully paid shares exercisable at $0.18 on or by 31 December 2017

PROJECTS SUMMARY

IRON ORE

Magnetic Resources remains focused on exploring its iron ore holdings in the south west of Western Australian and on advancing its discovery of premium quality magnetite deposits close to existing rail and port infrastructure. A location map of the company's tenements in 2013-2014 is shown in Figure 1. In particular, progress during the year at the Kauring Project south east of and Ragged Rock Project south of Northam has been most encouraging with Exploration Targets announced for both project areas and a positive preliminary economic assessment at Ragged Rock maintaining an impetus to further drilling. Four key components exist:

- ❑ LOCATION – Close to infrastructure
- ❑ METALLURGY & GEOLOGY - High quality deposit at Ragged Rock
- ❑ LOW CAPEX/LOW OPEX projections
- ❑ TRACK RECORD – Proven people

The Company has 3 key projects (Fig 2) with coarse grained premium quality magnetite located in the South West of Western Australia. Company aspects at Ragged Rock, Kauring and Jubuk are:

- ❑ All situated close to the vital, rail and road infrastructure. Government owned and open access.
- ❑ Global change in focus for high iron and low contaminants similar to our 3 projects.
- ❑ Projects within 10-15km of existing rail
- ❑ Rail capacity for up to 3Mtpa of Magnetic's final product
- ❑ Access to port of Albany
- ❑ Port keen to finalise agreement
- ❑ 2 regional centres within 15 km.
- ❑ Grid power readily available
- ❑ No mining camp or FIFO required

Most magnetite projects in Australia require very fine grinding (approx. 25-35µm) to achieve acceptable concentrate quality.
The Company's coarse grained magnetite projects exhibit exceptional quality concentrates at substantially coarser grind sizes (75-150 microns). Concentrate quality of 68-70% Fe and combined $Si0_2$ and Al_2O_3 of less than 3% is consistently being achieved at very coarse grind sizes. Perhaps of greater significance is the Magnetic Resources projects are all situated close to vital, rail and road infrastructure required to get the product to market. This substantially de-risks the project which in combination with the coarser magnetite product reduces Capex and Opex in a major way, compared to most advanced and operating projects in Australia.

AREA	NAME	TARGET TONNAGE	TARGET TYPE	TARGET GRADES %Fe
1	RAGGED ROCK	100-270Mt	BIF	20-40
2	JUBUK	50Mt	BIF	20-25
3	KAURING	50-100Mt	BIF	20-30

Table 1: Target Tonnage

At Table 1 the target tonnage is based on drilling results, aeromagnetic and ground magnetic models, historical data, density of 3.5 and target depth of 100m for BIF styles and density of 2.8 and target depth of 250m for gneiss styles. The potential quality and grade is conceptual in nature as there has not yet been sufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

	Ragged Rock	Other WA Projects
Grind size required	150μm	26μm→35μm
Concentrate grade	66%	64%-66%
Recovery	35%	20-30%
Energy (total)	~25	≈ 50-60

Table 2: Ragged Rock comparative data

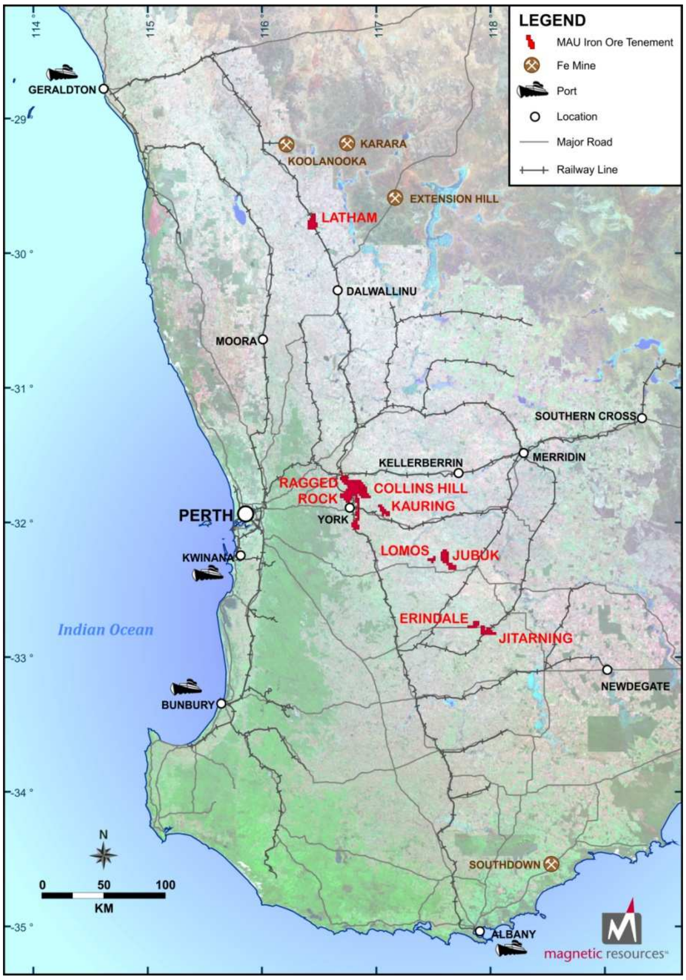

Figure 1: Location Map

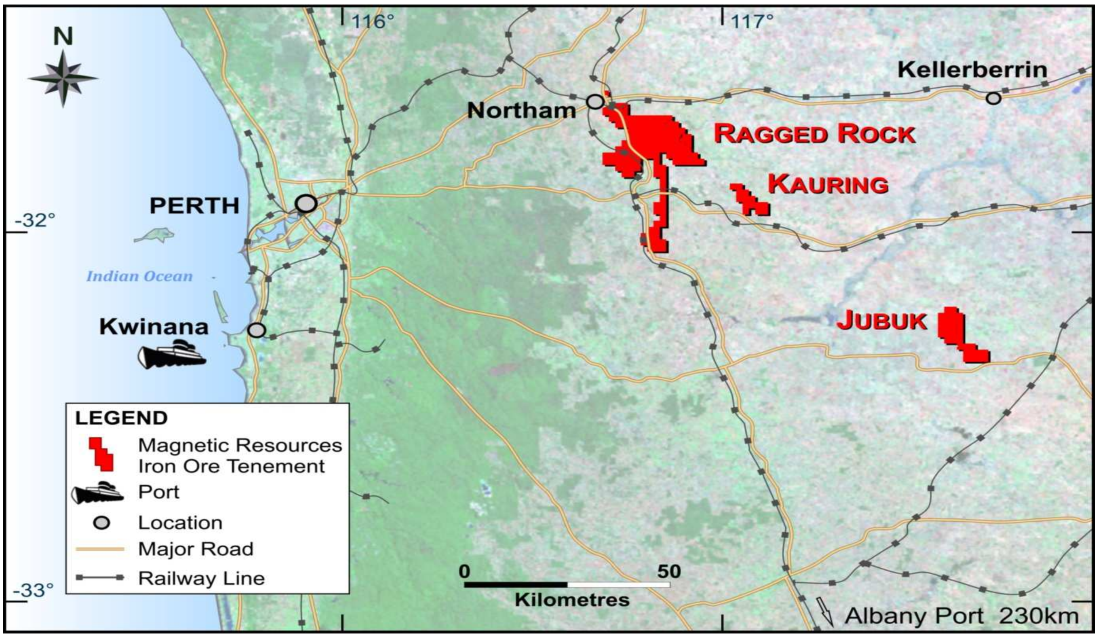

Figure 2: Project Map

RAGGED ROCK (Magnetic 100%)

At Ragged Rock Target 1, previously reported in 2013, significantly, Davis Tube Recovery (DTR) tests on the magnetite show a high mass recovery to produce a high quality concentrate ranging from 67.1% Fe to 70.0% Fe with low impurities. These results indicate a world-class concentrate grade potential can be achieved at a relatively coarse grind of 75 microns.

Previously reported pilot scale test-work carried out on a 923 kg composited bulk sample has indicated outstanding metallurgical properties for the Ragged Rock magnetite. The bulk sample grade averaged 30.89% Fe, 44.55% SiO_2, 4.64% Al_2O_3 and 0.051% P. The grind test-work material was processed through a pilot scale crushing, grinding and magnetic separation circuit at Nagrom mineral processors with the product quality summarised in Table 3.

Mass Recovery (%)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	S (%)
37.15	65.84	6.07	1.27	0.005	0.095

Table 3: Bulk Sample Pilot Plant Trial Results

The results from a grind size of 150 microns chosen for the bulk pilot plant trial are extremely encouraging for a number of key reasons including:

- Very high mass yields to final product. This has the potential to markedly enhance the future profitability of a mining operation.
- Very high quality product consistently achieved over a number of different grind sizes.
- Minor variation in Silica content over a wide range of coarse grind sizes. A typical Australian magnetite at these grind sizes would contain silica values in the order of 20%. This minor variation bodes very well for future Process Plant design.
- Very low total impurities across all grind sizes tested.
- Exceptionally low phosphorous values achieved at all grind sizes.
- Acceptable sulphur grades achieved at all grind sizes.
- High quality, coarse grained nature.

At finer grind test-work on the same sample:

- DR quality produced at 75 micron (70% Fe). World class pellet feed at substantially coarser grind than competitors.
- High quality sinter feed at 150 micron (66% Fe). Competes with much lower quality DSO products (~58%Fe)
- Very low impurities (Silica, Alumina, Phosphorous, Titanium)
- Very high mass yielding (up to 46.6%). Reduces mining and processing costs considerably

The results demonstrate that a high quality concentrate can be produced at a very coarse grained size of 150 microns and provide a high degree of confidence that a premium quality product could be readily produced in a full scale processing facility.

One of the additional benefits of the pilot plant trial is the availability of over 300 kg of concentrate which can be used for various forms of test work for process plant design and for possible investors in the project. 150 kg of this final product for sintering test work has been submitted and results are awaited. Results for this test work are anticipated to enhance the ability of Magnetic Resources to obtain a strategic investor in the project and also obtain off take agreements for any future production.

During the year and following on the previous year's conceptual initial financial assessment and logistics study of the project announcement by Consulting engineer Engenium Pty Ltd which continues to provide useful guidelines for price estimates for transport and port options using Kwinana and Albany.

The results of the Engenium study still maintains an indicated potential for a robust economic return from the project using production scenarios ranging from 1Mt pa of magnetite concentrate using existing rail infrastructure.

- >50km of highly prospective strike length
- 1500m of drilling completed on Target 1
- JORC Exploration Target of 100Mt – 270Mt at 20% Fe – 40% Fe - Target 1 only

The potential quantity and grade of Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

- Target 1 represents only 10% of Ragged Rock strike length. Excellent prospectivity.

Exploration Target Notes - Ragged Rock:

- The Exploration Target is an estimate and the potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.
- About 41 line kilometres of ground magnetic geophysics carried out at 100 metre line spacing using a Cesium Vapour magnetometer confirms a correlation with BIF at surface and down-hole (Refer to Figure 1 for an explanation of the interpreted geophysical corridor at Target 1 which is given a 5 kilometre strike excluding the eastern BIF sequence).
- Airborne geophysics carried out by GSWA at 200 metres line spacing provides a regional overview and correlates with ground geophysics at Target 1 and BIF where elevated magnetic responses are found. Surface geological mapping and rock chip sampling confirming BIF. Rock chip assays for whole rock and Davis Tube magnetite recovery confirming BIF and the variability of fresh and weathered BIF.
- Reverse circulation drilling (8 drill holes utilised – RRC1-8) has confirmed a weathering profile to 10 metres with fresh BIF below, which coincides with previous petrological assessment. Good correlation of BIF with drill samples and magnetic susceptibilities (x10-3SI). A magnetite BIF – quartzite meta-sedimentary sequence at Target 1 dipping to the east between 30-40 and 50-60 degrees based on geological mapping, geophysical modelling and drilling.
- A geophysical interpretation of ground geophysics outlines 3 distinct geophysical horizons across the BIF sequence encountered at Target 1, two of which have been drilled and confirmed to contain BIF. A combined 50-90 metre width of BIF has been assigned from drilling based on logged BIF/susceptibility measurements of BIF horizons encountered in RRC001-8 and geophysical interpretation. The weighted average estimated actual width for each horizon being about 20 metres with several horizons encountered.
- Based on the parameters of combined BIF width of between 50-90 metres, strike length at Target 1 of 5 kms (excluding the eastern BIF), depth as between 100-150 metres with an SG of 4.0 would equate to an Exploration Target of between 100Mt to 270Mt of magnetite BIF has been estimated. Fe grade between 20-40% Fe is based on rock chip sampling results to date. This exploration target remains unchanged in 2013-2014.

Limiting Factors – Ragged Rock:

- *Refer to 03 April 2013 ASX release for details about the Ragged Rock Exploration Target (ET).
- A magnetite BIF – quartzite meta-sedimentary sequence at Target 1, 5kms strike dipping to the east between 30-40 and 50-60 degrees based on geological mapping, geophysical modelling and drilling.
- Next 12 months over the Ragged Rock Target proposed exploration involves further infill RC coupled with DDH drilling to improve the geological model being reported and subject to private land owner access agreement and permission to maintain further work in other Target areas comprising the ET.
- The Ragged Rock ET is based on 200m airborne and 50m ground magnetic survey data interpretation, 19 RC drill holes, mapping, assaying and metallurgy.
- Areas of high ground magnetic signatures corresponded accurately with the intersection of mineralisation, providing the Company with a high degree of confidence that further drilling along the length of the strike will result in additional mineralisation.
- Metallurgical work over all drill holes present a coarse grained magnetite host in metamorphosed BIF.

The Company has assessed a number of its previously forecasted Target areas 1-12 and now focusses on areas T1-T4 (Figure 3) where the chance of volume and commercial return is thought to be highest, based on regional mapping, sampling and geophysical interpretation. Ground magnetic surveys have been conducted over Targets 1, 3 and 4. A 1145m - 9-hole 1485m RC drilling programme has been previously announced over Target 1, with promising results.

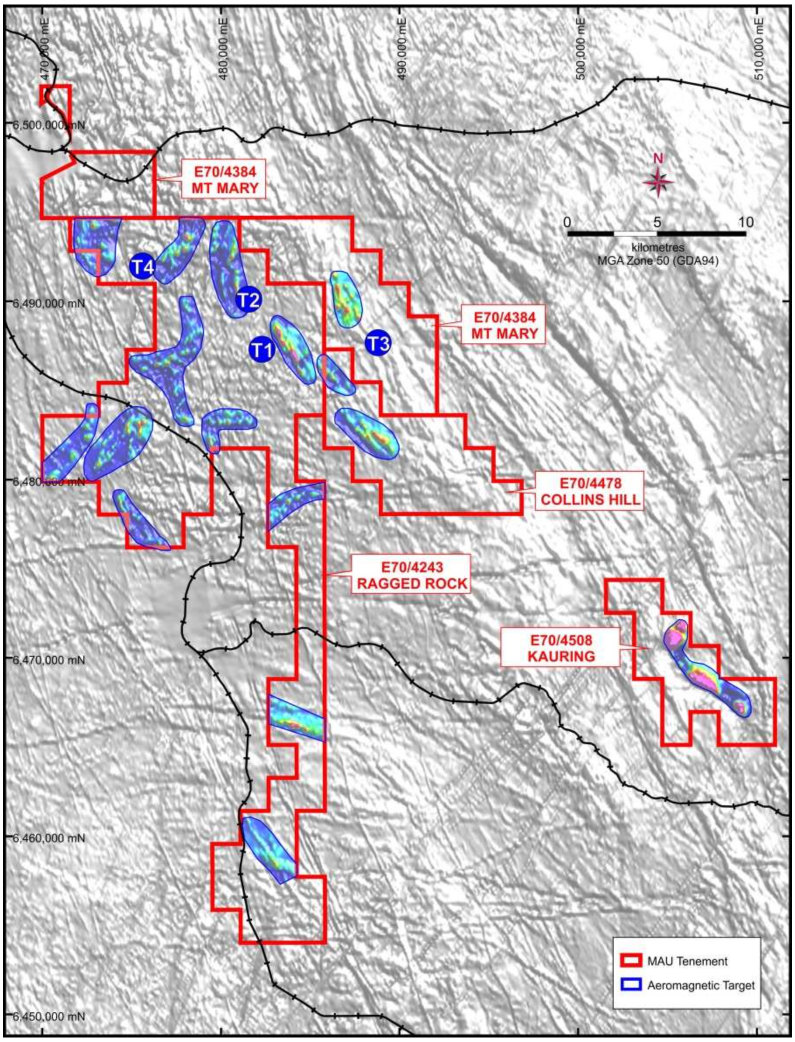

Figure 3: Ragged Rock Aeromagnetic Image Showing Target Areas

The Target 1 area, now expanded to 6.5km in length as shown in Figure 4. The drilling intersected multiple horizons of moderate to flat dipping coarse grained banded iron formation (BIF).

The drilling results show a close correlation between magnetic signatures from geophysical surveys and strong magnetite mineralisation providing confidence that drilling of other magnetic targets will identify additional mineralisation. Fresh magnetite was generally intersected 8-10m below surface indicating shallow overburden conducive to possible future mining. Three holes intersected a deeper weathering profile some 18-20m thick.

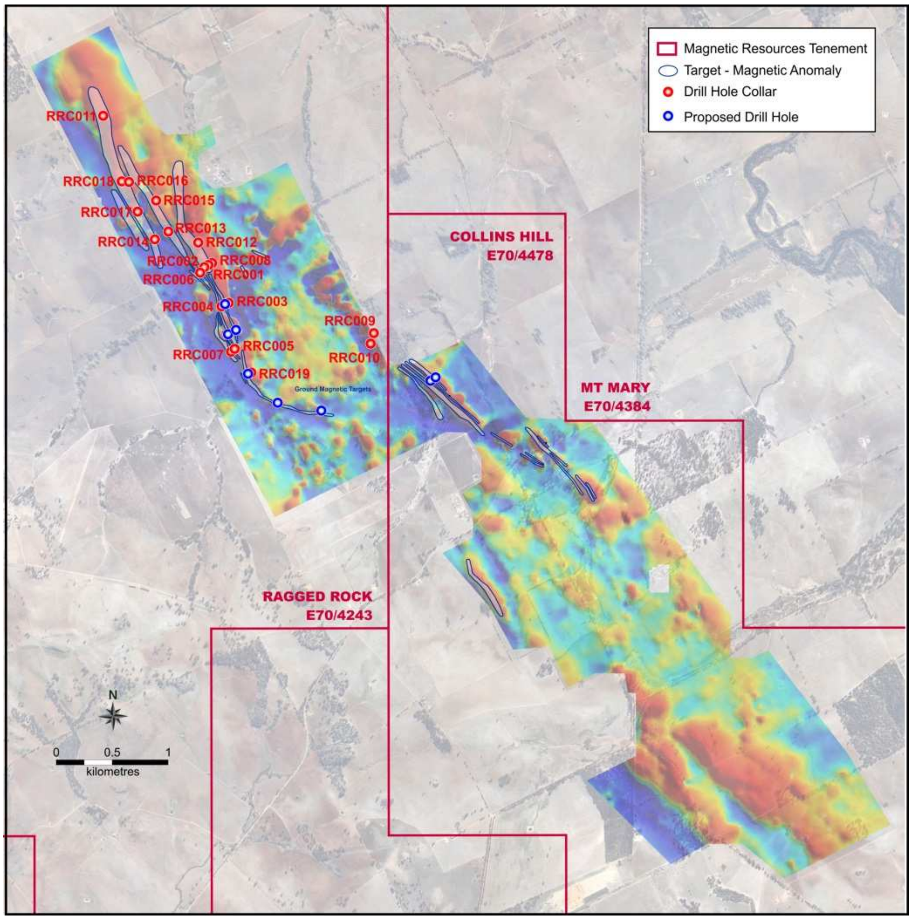

Figure 4: Target 1 Drilling and forecast drilling

KAURING (Magnetic 100%)

Kauring is the Company's second project and occurs about 20-30 km south – east of the Ragged Rock project area (Fig 2).

- ❑ Second project with significant BIF potential
- ❑ JORC Exploration Target of 128-137Mt at 32-34%Fe for 150m of fresh BIF to 200m depth.

The potential quantity and grade of Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

- ❑ Excellent initial Metallurgical results including high mass yield of 45% over 50m fresh BIF intersection.
- ❑ Close enough to process ore through a Ragged Rock plant (increased Mineral inventory)
- ❑ Wide zones of coarse grained magnetite encountered on both the Eastern BIF(50m) and the Western BIF (40m)
- ❑ Excellent Davis Tube Recovery (45% mass recovery) and high Fe contents averaging 32% Fe head assay over 55m of magnetite BIF
- ❑ Potential for DSO style product from weathered cap (50m depth)

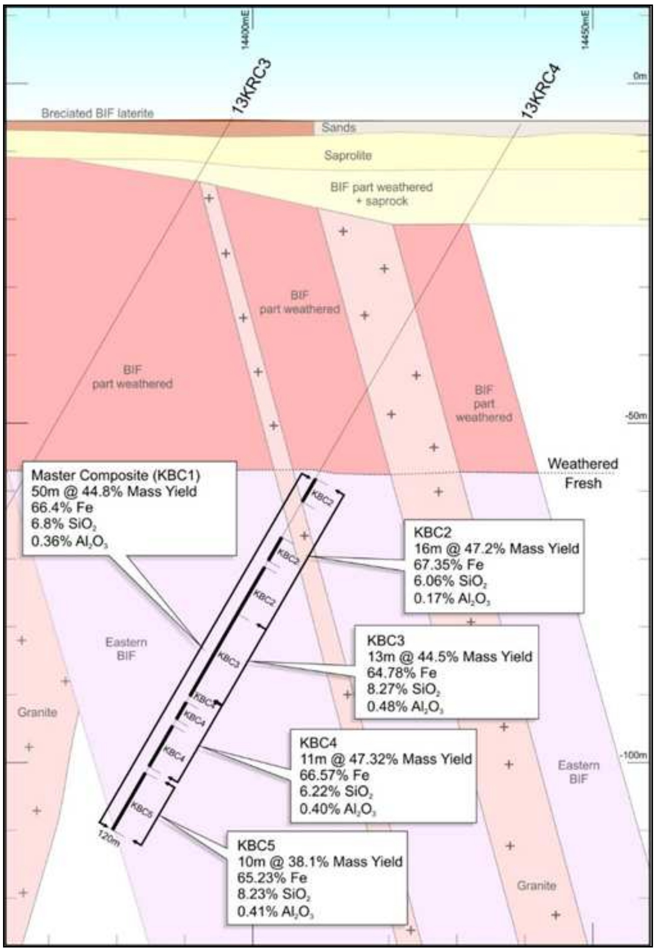

Figure 4:Kauring RC Drilling and DTR of down-hole BIF

Exploration Target Notes - Kauring

- The Exploration Target is an estimate and the potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.
- The Exploration Target is primarily estimated by geophysical interpretation, geological mapping and drilling. Drilling has outlined two main BIF zones weathered and fresh at depth outlined in an ASX release dated 19 Dec 2013. Refer to Table 1 Exploration Target Summary. An SG of 3.5 and a fresh BIF depth to 100m (150m total depth) and 150m (200m total depth) is used as parameters. The range of %Fe is related to one drill hole KRC4 which entered into fresh BIF and interpretation is therefore preliminary as this is only one drill hole and the %Fe may vary as further results become available. Assignment of a range between 32-34%Fe is based upon uncut (55m of single assay results- average of 32%Fe) and a 20% bottom cut off (50m of single assay results- average of 34%Fe). Refer to Table 3 assay results. Aeromagnetic data indicates an original 2200m strike for the Central Target which reduces to 1800m based on more detailed ground magnetic interpretation.
- It has been estimated that an Exploration Target for the drilled Central Target mapped eastern and western zones is about 31.0 – 37.0Mt at 32%Fe-34%Fe. The eastern BIF zone may be up to 30% wider based on mapped surface geology to the geophysics which would increase from 31.0Mt to 37Mt at 32%Fe-34%Fe over the drilled Central Target. To the immediate north and south of this Central Target, the magnetics is subdued yet perceptible and termed the Central Extension. It appears that an additional 800m of BIF strike is possible based on 100m spaced ground magnetics for the Central Extension and assumes only the eastern BIF and about 50m width exists. This would be at an increased depth to the fresh

outcropping 1000m of mapped Central Target. The deeper north and south extensions of the Central Extension would provide a further 14Mt which make the grand total for the Central Target and Central Extension between 45Mt - 51Mt at 32%Fe-34%Fe. Additionally, 1600m of BIF strike is interpreted from the airborne magnetics covering the Northern and Southern Targets. Applying the same reduction factor from the Central area to the North Target and South Target areas then this would reduce from 1600m to 1300m of BIF strike. Assuming the same width and depth size factors of the BIF co-exist across these targets as for the mapped Central Target, it is estimated could add about 41Mt of pro rata targeted BIF to 100m fresh BIF down to 150m depth and 61Mt to 150m fresh BIF down to 200m depth for the North and South Targets separate to the Central Target.

- A global Exploration Target for the South, Central and North Targets is by inference, based on airborne and ground magnetics with mapped and drilled geology at the Central Target, about 95-101Mt at 32%Fe-34%Fe for 100m of fresh BIF down to 150m depth and 128-137Mt at 32%Fe-34%Fe for 150m of fresh BIF down to 200m depth. This is quite attractive because the distance between these targets is only 6.5km. Also the ground magnetics within the Central Target indicate a continuous zone for the eastern BIF zone and less continuous for the western BIF zone. At this stage permission to complete the ground magnetics for the Northern and Southern Targets is awaited. Further assay work is being conducted over the weathered BIF of the Central Target, to determine the DSO potential from composite samples and petrology assessment and will advise in due course results when available.

Limiting Factors – Kauring

- *Refer to 19 February 2014 ASX release for details about the Kauring Exploration Target (ET).
- Proposed exploration involves a broader ground magnetic survey, infill ground magnetics, geological mapping and further drilling to improve the geological model being reported. Next 12 months over the Central Target and subject to private land owner access agreement and permission to complete the ground magnetics for the Northern and Southern Targets.
- The weathered BIF horizons do not form part of the Exploration Target
- The ET for the North, Central and Southern Targets is based on 200m airborne survey data interpretation.
- At the Central Target a 100m infill geophysical data, mapping and drilling of 5RC holes substantiates the reason that the North and Southern geophysical Targets by inference also share like attributes to the Central Target. Further work will require broader ground magnetic survey, infill ground magnetics and further drilling to improve the geological model being reported.
- Little exploration data is known about the physical - chemical nature of the reported logged drill intercepts at this point. Metallurgy will be an increasing determination.

JUBUK (Magnetic 100%)

Application for tenement retention and extension status is being made for the Jubuk magnetite deposit near Corrigin, in order to allow Magnetic to focus on evaluating the Ragged Rock and Kauring magnetite projects.

GOLD & OTHER COMMODITIES (Magnetic 100%).

During the year Magnetic relinquished its tenements in the Erindale and Jitarning areas of SW Western Australia in order to focus on its magnetite projects.

COMPETENT PERSONS SIGN OFF

The information in this report is based on information compiled or reviewed 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. 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 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.

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2014.

DIRECTORS

The following persons were directors of Magnetic Resources NL ("Magnetic") during the whole of the year and up to the date of this report unless otherwise stated:

George Sakalidis
Eric Lim
Gavin Fletcher
Peter Thomas – resigned 17 July 2013

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was to explore mineral tenements in Western Australia.

RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of $1,545,634. (2013: $1,772,002).

The foregoing figure includes $482,225 (2013: $218,444) in respect of "equity-settled share based payments". This is not a cash outlay. It is brought to account by virtue of a requirement at law. Net of this figure, the operating loss was $1,063,409. (2013: $1,553,558).

DIVIDENDS

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

REVIEW OF OPERATIONS

A review of operations is covered elsewhere in this Annual Report.

EARNINGS PER SHARE

Basic Loss per share for the financial period was 1.74 cents (2013: 2.50 cents). Diluted Loss per share in respect of the both years ended 30 June 2014 and 30 June 2013 was the same as the Basic Loss per share.

FINANCIAL POSITION

The Company's cash position as at 30 June 2014 was $397,452, a decrease from the 30 June 2013 cash balance which was $1,170,011. The cash position is adequate to fund committed exploration expenditure.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial period other than:

- The acceptance by the Company of the final tranche of the $1M investment made during the year from a group of Industry experts via the subscription of shares in the Company;
- The Company appointed various advisers to expand the investor base and introduce new key shareholders;
- On 29 January 2014, the Company announced a placement of $300,000 to a group of sophisticated investors;

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No material matters have occurred subsequent to the end of the financial year which require reporting on other than as reported to ASX, with the most significant being a placement announced on 19 August 2014 of 7,205,000 shares at an issue price of $0.20 to raise $1.441m.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

The Company carries out exploration operations in Australia which are subject to environmental regulations under both Commonwealth and State legislation.

The Company's exploration manager is responsible for ensuring compliance with regulations. During or since the financial period there have been no known significant breaches of these regulations.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

George Sakalidis

Mr Sakalidis is an exploration geophysicist with over 25 years' industry experience, during which time his career has included extensive gold, diamond, base metals and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits in Western Australia and the tenement applications over the Silver Swan nickel deposit. He was also instrumental in the design of the magnetic surveys and exploration drilling program that led to the discovery of the large mineral sands resources at Magnetic Minerals Limited's Dongara Project. He is managing director of this company, Magnetic Resources NL (since the company was incorporated 23 August 2006). He is also a director of Image Resources NL (since incorporation on 13 May 1994), Emu Nickel NL (since incorporation on 29 August 2007), Meteoric Resources NL (since incorporation on 13 February 2004) and Potash West NL (since incorporation on 12 November 2010), each of which is ASX listed.

Mr Sakalidis has a relevant interest in 5,364,123 ordinary fully paid shares, 3,076,113 contributing shares and 4,650,000 options to acquire fully paid ordinary shares.

Gavin Fletcher

Mr Fletcher is a metallurgist with 16 years' experience in mining in Australia, Africa and Europe. His experience covers all aspects of minerals processing including flowsheet design and testwork, construction and project management, commissioning and operations and also technical marketing.

He has held senior positions in both major and junior mining companies with the majority of his experience gained in aggressive start-up projects on iron ore, old and diamonds. Mr Fletcher brings a wealth of knowledge in magnetite processing after fulfilling the roles of Commissioning Manager, Process Manager and later Project Manager for the Process Optimisation of the Sydvaranger Magnetite project in Norway. Recent roles included General Manager of Processing and Metallurgy for UK listed African Minerals, Commissioning and Project Manager for Northern Iron and Principal Process Engineer for FMG. He holds a Bachelor of Science from UNSW, a graduate Diploma in Extractive Metallurgy from Murdoch University and a Diploma in Management from UNSW.

Mr Fletcher has a relevant interest in 3,572,073 ordinary fully paid shares, 750,000 contributing shares and 4,764,286 options to acquire fully paid ordinary shares.

Eric JH Lim

Mr Lim is currently a senior executive officer with Standard Chartered Bank and holds the position Head of Wholesale Banking Finance, Southeast Asia.

Prior to joining Standard Chartered, he has held positions with OCBC Bank, General Electric and a number of executive positions in the US and Asia Pacific region including Finance Director of GE Money Japan and Global Financial Planning and Analyst for GE Commercial Finance (Healthcare Financial Services). He has also had extensive audit experience with GE Corporate Audit leading a variety of engagements ranging from process to financial audits.

Eric is qualified with an MBA and a Bachelor of Accounting degree.

Mr Lim has a relevant interest in 6,998,011 ordinary fully paid shares and 1,000,000 options to acquire fully paid ordinary shares.

Ben Donovan

Mr Donovan is a member of Chartered Secretaries Australia and provides corporate advisory, IPO and consultancy services to a number of companies.

Mr Donovan is currently a Director and Company Secretary of several ASX listed and public unlisted companies involved in the resources and technology industries, including one company currently developing a large magnetite project in Australia.

He has extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the Australian Securities Exchange (ASX) in Perth for nearly 3 years, including as a member of the ASX JORC Committee.

In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving an initial listing on the ASX, as well as for a period of time, as a private client adviser at a boutique stock broking group.

Mr Donovan has a relevant interest in 283,364 ordinary fully paid shares, 60,000 contributing shares and 141,143 options to acquire fully paid ordinary shares.

AUDIT COMMITTEE

At the date of this report the Company has adopted a formal Audit charter, but does not have a separately constituted Audit Committee as all matters normally considered by an audit committee are dealt with by the full board given the size of the Company.

REMUNERATION COMMITTEE

At the date of this report, the Remuneration Committee comprises Messrs Sakalidis, Fletcher and Lim.

No remuneration committee meetings were held during the year.

MEETINGS OF DIRECTORS

During the financial year ended 30 June 2014, the following director meetings were held:

	Eligible to Attend	Attended
George Sakalidis	4	4
Eric Lim	4	3
Gavin Fletcher	4	4
Peter Thomas	-	-

REMUNERATION REPORT (Audited)

Names and positions held of key management personnel (defined by the Australian Accounting Standards as being "*those people having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly. This includes an entity's directors*") in office at any time during the financial year were:

Key Management Person	Position
George Sakalidis	Managing Director
Eric Lim	Non-Executive Director
Peter Thomas	Non-Executive Director (resigned 17 July 2013)
Gavin Fletcher	Executive Director
Ben Donovan	Company Secretary

The Company's policy for determining the nature and amount of emoluments of key management personnel is set out below:

Key Management Personnel Remuneration and Incentive Policies

Given the size of the Company, all board members form the Remuneration Committee ("**committee**"). The mandate of the Committee is to consider appropriate and competitive remuneration and incentive policies (including basis for paying and the quantum of any bonuses) for key management personnel and others as considered appropriate to be singled out for special attention, which:

- motivates them to contribute to the growth and success of the Company within an appropriate control framework;
- aligns the interests of key leadership with the interests of the Company's shareholders;
- are paid within any limits imposed by the Constitution and make recommendations to the Board with respect to the need for increases to any such amount at the Company's annual general meeting; and
- in the case of directors, only permits participation in equity-based remuneration schemes after appropriate disclosure to, due consideration by and with the approval of the Company's shareholders.

Non-Executive Directors

- The committee is to ensure that non-executive directors are not provided with retirement benefits other than statutory superannuation entitlements.
- To the extent that the Company adopts a remuneration structure for its non-executive directors other than in the form of cash and superannuation, disclosure shall be made to stakeholders and approvals obtained as required by law and the ASX listing rules.

Incentive Plans and Benefits Programs

The committee is to:

- review and make recommendations concerning long-term incentive compensation plans, including the use of equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising grants, in accordance with the terms of those plans;
- ensure that, where practicable, incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide remuneration when they are achieved; and
- review and, if necessary, improve any existing benefit programs established for employees.

Retirement and Superannuation Payments

Prescribed benefits were provided by the Company to all directors by way of superannuation contributions to externally managed complying superannuation funds during the year. These benefits were paid as superannuation contributions to satisfy (at least) the requirements of the

Superannuation Contribution Guarantee Act and in satisfaction of any salary sacrifice requests. All contributions were made to accumulation type funds selected by the director and accordingly actuarial assessments were not required.

Relationship between Company Performance and Remuneration

There is no relationship between the financial performance of the Company for the current or previous financial year and the remuneration of the key management personnel. Remuneration is set having regard to market conditions and encourage the continual services of key management personnel.

Use of Remuneration Consultants

The Company did not employ the services of any remuneration consultant during the financial year ended 30 June 2014.

Key Management Personnel Remuneration

Key Management Personnel	Short-term benefits Fees & contractual payments ($)	Post-employment benefits Statutory superannuation ($)	Total cash and cash equivalent benefits ($)	Equity settled Share Based Payments ($) (1)	Total ($)
Peter Thomas Resigned 17.7.2013 as Non-Executive Chairman	9,175	540	9,715		9,715
George Sakalidis Managing Director	152,154	4,025	156,179	108,479	264,658
Eric Lim Non-Executive Director	40,000	-	40,000	24,107	64,107
Gavin Fletcher Executive Director	264,213	-	264,213	144,639	408,852
Ben Donovan Company Secretary	83,992	-	83,992		83,992
Total	**549,534**	**4,565**	**554,099**	**277,225**	**831,324**

(1) Refer to Note 20 in the financial statements for details, and the valuation method and assumptions used in relation to these share based payments.

DIRECTORS' REPORT

Key Management Personnel Remuneration (Continued..)

Year ended 30 June 2013					
Key Management Personnel	**Short-term benefits Fees & contractual payments ($)**	**Post-employment benefits Statutory superannuation ($)**	**Total cash and cash equivalent benefits ($)**	**Equity-settled share based payments ($)**	**Total ($)**
Peter Thomas Resigned 17.7.2013 as Non-Executive Chairman	70,000	3,608	73,608	-	73,608
George Sakalidis Managing Director	148,112	3,608	151,720	-	151,720
Roger Thomson Resigned 29.11.2012 as Executive Director	35,769	1,500	37,269	-	37,269
Eric Lim Non-Executive Director	43,600	-	43,600	-	43,600
Gavin Fletcher Appointed 13.3.2013 as Executive Director	113,541	-	113,541	-	113,541
Rudolf Tieleman Resigned 15.3.2013 as Company Secretary	35,062	-	35,062	-	35,062
Ben Donovan Appointed 13.3.2013 as Company Secretary	23,869	-	23,869	-	23,869
Total	**469,953**	**8,716**	**478,669**	**-**	**478,669**

Options held by Key Management Personnel

The number of options over fully paid ordinary shares in the Company held at the beginning and end of the year and movements **during the financial year** by key management personnel and/or their related entities are set out below:

30 June 2014:

Name	**Balance at the start of the year**	**Number of shares issued as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested & exercisable at the end of the year**
Peter Thomas Resigned 17.7.2013	1,500,000	-	-	-	1,500,000	1,500,000
George Sakalidis	2,400,000	2,250,000	-	-	4,650,000	4,650,000
Gavin Fletcher Appointed 13.3.2013	1,064,286	3,000,000		700,000	4,764,286	4,764,286
Eric Lim	500,000	500,000	-	-	1,000,000	1,000,000
Ben Donovan Appointed 13.3.2013	85,143	-	-	56,000	141,143	141,143
Total	**5,549,429**	**5,750,000**	-	**756,000**	**12,055,429**	**12,055,429**

30 June 2013:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Peter Thomas Resigned 17.7.2013	1,500,000	-	-	-	1,500,000	1,500,000
George Sakalidis	2,400,000	-	-	-	2,400,000	2,400,000
Gavin Fletcher Appointed 13.3.2013		350,001		714,285	1,064,286	1,064,286
Roger Thomson Resigned 29.11.2012	1,550,000	-	-	(1,550,000)	-	-
Eric Lim	500,000	-	-	-	500,000	500,000
Rudolf Tieleman	650,000	-	-	-	650,000	650,000
Ben Donovan Appointed 13.3.2013	-	-	-	85,143	85,143	85,143
Total	**6,600,000**	**350,001**	**-**	**(750,572)**	**6,199,429**	**6,199,429**

Shares held by Key Management Personnel

The number of shares and partly-paid contributing shares (on which $0.20 is payable to convert those partly-paid shares to fully paid shares) in the Company held at the beginning and end of the year and net movements **during the financial year** by key management personnel and/or their related entities are set out below:

30 June 2014:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Peter Thomas			
Ordinary shares	28,555	-	28,555
Contributing shares	42,833	-	42,833
George Sakalidis			
Ordinary shares	5,236,623	127,000	5,364,123
Contributing shares	3,076,113	-	3,076,113
Gavin Fletcher			
Ordinary shares	2,113,502	1,458,571	3,572,073
Contributing shares	450,000	300,000	750,000
Eric Lim			
Ordinary shares	6,998,011	-	6,998,011
Contributing shares	-	-	-
Ben Donovan			
Ordinary shares	169,080	114,284	283,364
Contributing shares	36,000	24,000	60,000
Total Ordinary shares	**14,545,771**	**1,699,855**	**16,246,126**
Total Contributing shares	**3,604,946**	**324,000**	**3,928,946**

30 June 2013:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Peter Thomas			
Ordinary shares	28,555	-	28,555
Contributing shares	42,833	-	42,833
George Sakalidis			
Ordinary shares	4,896,617	340,006	5,236,623
Contributing shares	3,076,113	-	3,076,113
Gavin Fletcher – Appointed 13.3.2013			
Ordinary shares	-	2,113,502	2,113,502
Contributing shares	-	450,000	450,000
Roger Thomson – Resigned 29.11.2012			
Ordinary shares	238,445	(238,445)	-
Contributing shares	2,177,669	(2,177,669)	-
Eric Lim			
Ordinary shares – as held on date of appointment	3,350,000	3,648,011	6,998,011
Contributing shares	-	-	-
Rudolf Tieleman – Resigned 15.3.2013			
Ordinary shares	25,000	(25,000)	-
Contributing shares	600,000	(600,000)	-
Ben Donovan – Appointed 13.3.2013			
Ordinary shares	-	169,080	169,080
Contributing shares	-	36,000	36,000
Total Ordinary shares	**8,538,617**	**6,007,154**	**14,545,771**
Total Contributing shares	**5,896,615**	**(2,291,669)**	**3,604,946**

Consultant Agreements

A consulting agreement has been executed between the Company and Mr Sakalidis' nominated associated entity under which Mr Sakalidis delivers consulting services to the Company. Either party may, in its sole and absolute discretion, terminate the engagement by providing 30 days written notice. The Company may, at its option, elect to pay the consultant the equivalent remuneration for the period of the notice and dispense with the notice period. There are no provisions for the payment of any other termination payments.

As per the ASX announcement dated 6 March 2013, the Company entered into a Share Subscription Agreement with a group of Industry experts. As part of this agreement, the Company entered into an understanding with Mr Fletcher regarding his appointment as an Executive Director, which would reflect his skills as a metallurgist, and will include performance equity incentives or other equity remuneration in line with those approved in the future for other board members. The Company and Mr Fletcher have not yet finalised a formal agreement.

Mr Donovan is engaged by the Company as Company Secretary. Mr Donovan is employed on an agreed annual fee with additional hours paid at market rates. Each party can terminate the agreement with 6 months notice.

Other major provisions of those agreements are set out as follows:

Contracted entity	Term of agreement	Rate	Review period	Increase
Leeman Pty Ltd (G Sakalidis)	No set term	$155.00 per hour	Annually on 1 July	Discretionary by Board
Met Assist Ltd (Gavin Fletcher)	No set term	$2,200.00 per day	Annually on 1 July	
Ben Donovan	N/A	$80,000 per annum	N/A	

Mr Lim has entered into a director contract where he is paid $40,000 per annum.

Guaranteed Rate Increases
There are no guaranteed rate increases fixed in the contracts of any of the key management personnel.

END OF AUDITED SECTION

DIRECTORS' INTERESTS
The relevant interest of each director in the shares and options over such instruments issued by the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001 **at the date of this report** is as follows:

	Fully Paid Ordinary Shares	Partly-paid Contributing Shares	Options to Acquire Fully Paid Ordinary Shares
George Sakalidis	5,364,123	3,076,113	4,650,000
Gavin Fletcher	3,572,073	750,000	4,764,286
Eric Lim	6,998,011	-	1,000,000
Total	**15,934,207**	**3,826,113**	**10,414,286**

DIRECTORS' INTERESTS
The relevant interest of each director in the shares and options over such instruments issued by the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001 **at the date of this report** is as follows:

SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS
At the annual general meeting held in November 2013, shareholders approved the issue of the following options to directors:

Mr George Sakalidis

750,000 options to acquire fully paid shares exercisable at $0.2709 on or by 23 December 2014

1,500,000 options to acquire fully paid shares exercisable at $0.17 on or by 31 December 2017 (being 50% premium to the 5 day VWAP prior to issue)

Mr Gavin Fletcher

1,000,000 options to acquire fully paid shares exercisable at $0.2709 on or by 23 December 2014

2,000,000 options to acquire fully paid shares exercisable at $0.17 on or by 31 December 2017 (being 50% premium to the 5 day VWAP prior to issue)

Mr Eric Lim

500,000 options to acquire fully paid shares exercisable at $0.17 on or by 31 December 2017 (being 50% premium to the 5 day VWAP prior to issue)

No options have been issued to directors or officers during or since the end of the financial year other than those noted above.

EMPLOYEES

At 30 June 2014, aside from directors who are for tax purposes treated as employees, the Company's only other employees were part-time or casual staff. The same position prevailed at 30 June 2013.

CORPORATE STRUCTURE

Magnetic is a no liability company incorporated and domiciled in Australia.

ACCESS TO INDEPENDENT ADVICE

Each director has the right, so long as he is acting reasonably in the interests of the Company and in the discharge of his duties as a director, to seek independent professional advice and recover the reasonable costs thereof from the Company.

The advice shall only be sought after consultation about the matter with the chairman (where it is reasonable that the chairman be consulted) or, if it is the chairman that wishes to seek the advice or it is unreasonable that he be consulted, another director (if that be reasonable).

The advice is to be made immediately available to all Board members other than to a director against whom privilege is claimed.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the year an amount of $6,290 (2013: $7,105) was incurred in insurance premiums for this purpose.

OPTIONS

As at the date of this report there are the following unquoted options over unissued ordinary shares in the Company:

- 4,045,000 options to acquire fully paid shares exercisable at $0.2709 on or by 23 December 2014;
- 2,145,000 options to acquire fully paid shares exercisable at $0.4607 on or by 21 December 2015;
- 12,757,143 options to acquire fully paid shares exercisable at $0.1499 on or by 27 December 2016;
- 500,000 options to acquire fully paid shares exercisable at $0.20 on or by 3 October 2014;
- 4,000,000 options to acquire fully paid shares exercisable at $0.17 on or by 31 December 2017;
- 150,000 options to acquire fully paid shares exercisable at $0.18 on or by 31 December 2017;

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out in this annual report.

Signed in accordance with a resolution of the directors

George Sakalidis

SIGNED: GEORGE SAKALIDIS
MANAGING DIRECTOR
Perth
30 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

SOMES COOKE
Profit from our Resources

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WA 6872

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E info@somescooke.com.au

Chartered Accountants (Aus)
Business Consultants
Financial Advisors

To those charged with governance of Magnetic Resources NL

As auditor for the audit of Magnetic Resources NL for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Somes Cooke

Nicholas Hollens

SIGNED: NICHOLAS HOLLENS
Level 2, 35 Outram Street
West Perth WA 6005
Date: 30 September 2014

CORPORATE GOVERNANCE STATEMENT

Magnetic Resources NL ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	✓		Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3	✓		Recommendation 8.2		✓
Recommendation 3.4	✓		Recommendation 8.3	n/a	n/a
Recommendation .3.5		n/a	Recommendation 8.4[3]	n/a	n/a
Recommendation 4.1	✓				
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.
3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.legacyiron.com.au, under the section marked Corporate Governance.

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2013/2014 financial year ("**Reporting Period**").

Principle 1 – Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:
The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the

Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent Director, as appropriate.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:
The Chair is responsible for evaluating the senior executives. The Chair evaluates the senior executives by holding informal discussions with the senior executives on an on-going basis, as required. It is envisaged that in the coming period, a more formal process for evaluation will be implemented.

Recommendation 1.3: Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Disclosure:
During the Reporting Period, a review of senior executives occurred with the Managing Director reporting to the Board via informal evaluations.

Principle 2 – Structure the Board to Add Value

Recommendation 2.1: A majority of the Board should be independent directors. As at the date of this report, the following Directors were appointed to the Board of the Company:

Name	Position	Independent
Mr George Sakalidis	Managing Director/ Executive Director	No
Ms Gavin Fletcher	Executive Director	No
Mr Eric Lim	Non-Executive Director	No

An independent Director is defined as a Non-Executive Director and;

- Is not a substantial shareholder of the Company or an officer of or directly or indirectly associated with a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- Within the past three years has not been a principal of a material professional advisor or a material consultant to the Company or an employee associated with a such a material service provider or advisor; and,
- Does not have a material contractual relationship with the Company other than as a Director of the Company.

Disclosure:
The Board comprises three Directors, with no director deemed to be independent. Mr Sakalidis and Mr Fletcher are employed in an executive capacity, while Mr Lim is a substantial shareholder. The Board considers that the merits of appointing additional Directors in order to achieve majority independent status are outweighed by the Board's wish to maintain a relatively small Board of Directors, which the Board believes is adequate having regard to the operations of the Company.

Recommendation 2.2: The Chair should be an independent Director.

Disclosure:
The Company currently doesn't have a permanent chairperson. A chairperson is appointed as required. However, given that the 3 directors are not independent, it is therefore deemed that the chair will not be independent.

Recommendation 2.3: The roles of the Chair and Chief Executive Officer (or equivalent) should not be exercised by the same individual.

Disclosure:
At present, the Managing Director is Mr Sakalidis, while the position of chairperson is filled by Mr Sakalidis or Mr Lim where necessary.

Recommendation 2.4: The Board should establish a Nomination Committee.

Disclosure:

The Nomination Committee consists of 3 members. Given the size of the Board none of the members are considered independent directors. The Committee has a charter setting out the criteria and responsibilities for the selection of new Directors.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

The Chair evaluates the Board, individual Directors, any applicable committees and the Managing Director by holding informal discussions with these parties on an ongoing basis, as required. Each new director is required to complete an induction process.

Recommendation 2.6: Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and Term of Office of Each Director

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Group's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance Sheet items are material if they have a value of more than 10% of net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement Concerning Availability of Independent Professional Advice

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The Nomination Committee did not meet during the period.

Principle 3 – Promote Ethical and Responsible Decision-Making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Company has established a diversity policy, which encourages and fosters an environment where individual differences of employees are recognised. The Company's policy recognises the need for women to be employed in the business and actively sets targets for the number of women employed in different roles, the comparative remuneration and seeks to establish a workforce free of harassment arising out of gender, race or age.

The Board is looking to implement KPI's as an incentive for achieving these targets. Whilst no KPI's have been implemented, such KPI's may include the number of females working within the Company in particular in the exploration teams, at least one female being shortlisted for every vacancy in the Company and the participation of females in talent development programs.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

As above.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Disclosure:
The Company employs the following ratio of women and men throughout the organisation and its subsidiaries as employees:

Women –22%
Men – 78%

Recommendation 3.5: Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard Integrity in Financial Reporting

Recommendation 4.1 and Recommendation 4.2:

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of independent Directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members

Disclosure:
The Board has established an Audit committee.

Given each director is not considered to be independent, it does not meet the requirements for the independence of the Committee. The Board considers that the merits of appointing additional Directors in order to achieve majority independent status are outweighed by the Board's wish to maintain a relatively small Board of Directors, which the Board believes is adequate having regard to the operations of the Company.

Recommendation 4.3: The Audit Committee should have a formal charter.

Disclosure:
The Company has adopted an Audit Committee Charter which sets out the responsibilities and role of the Committee and how it reports to the Board.

Recommendation 4.4: Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:
Mr Sakalidis, Mr Fletcher and Mr Lim who act as the Audit Committee, met twice during the Reporting Period. The directors acting as the Audit Committee have adopted an Audit Committee Charter.

Details of each of the Director's qualifications are set out in the Directors' Report. The directors are considered to be financially literate. Further, the Company's Audit Committee Charter provides that the Board meet with the external auditor without management present, as required. As the majority of the board members are in an executive position with the company, management were engaged with the auditors as part of the audit process.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Group through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make Timely and Balanced Disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:
The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. The policies also include examples of disclosure requirements and who can communicate with media outlets.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Disclosure:
Please refer to the section marked Website Disclosures.

Principle 6 – Respect the Rights of Shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:
The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This includes all relevant information being disclosed on the Company's website and a regular email mail out of announcements.

Recommendation 6.2: Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Disclosure:
Please refer to the section marked Website Disclosures.

Principle 7 – Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:
The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director and the Chief Financial Officer/ Chief Executive Officer (if employed) are responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:
Management report to the Board as to the effectiveness of the Company's management of its material business risks via the Audit Committee meetings. In addition at every board meeting, the Board is provided with an update to ensure all relevant risks and systems are in place and working effectively.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:
The Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) provides a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4: Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:
The Board has received an informal report from management under Recommendation 7.2.
The Board has received the assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate Fairly and Responsibly

Recommendation 8.1 and 8.2: The Board should establish a Remuneration Committee, which consists of mainly independent Directors.

Disclosure:

The Company has established a Remuneration Committee. The Committee has adopted a formal charter setting out the responsibilities and considerations in determining remuneration of Executives and Non-Executives. The Committee consists of all directors at present who are not considered to be independent. Given the size of the Company none of the members are considered to be independent given they are employed as an executive or represent a major shareholder. The Board considers the remuneration committee is sufficient given the size of the Board.

Recommendation 8.3: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

Disclosure:

Non-Executive Directors are remunerated at a fixed fee for their time and their responsibilities to various committees.

The Non-Executive Directors are however eligible to participate in the Company's incentive plan. The Board considers that this is a necessary motivation to attract the highest calibre candidates to the Board at this stage in the Company's operations. It is noted that Mr Lim received options with the approval of shareholders.

Recommendation 8.4: Companies should provide the information indicated in the *Guide to reporting on Principle 8.*

Disclosure:
Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee met once during the Reporting Period to amongst other items, discuss the employments terms of the Managing Director and recently appointed Non-Executive Directors. To assist the Remuneration Committee, it has adopted a Remuneration Committee Charter.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

Securities Trading Policy

The Company has also established a policy concerning trading in the Company's securities by Directors, senior executives and employees.

The policy includes blackout periods where no trading in Group securities shall take place between:
- Up to and including two (2) weeks prior to the announcement of the annual results;
- Up to and including two (2) weeks prior to the announcement of the half year results; and
- The last two (2) week period of the months of January, April, July and October prior to the release of the quarterly results for the periods ending 31 December, 31 March, 30 June and 30 September; or
- as directed in writing by the Company's Board at any time in its sole discretion.

If Directors including the Managing Director wish to trade securities outside the blackout period, they must obtain approval from the Chairman. Employees must obtain the approval of the Managing Director, and the Chairman must obtain the approval of the Board.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Notes	2014 ($)	2013 ($)
Revenue:			
Interest income		29,464	47,849
Other revenue	3	441,797	59,992
Expenses:			
Depreciation expense	11	(30,993)	(37,009)
Exploration and tenement expenses		(705,333)	(932,189)
Impairment of available for sale financial assets		(64,270)	(65,514)
Share based payments expense	20	(482,725)	(218,444)
Other expenses	3	(733,574)	(626,687)
(Loss) before income tax expense		(1,545,634)	(1,772,002)
Income tax expense	4	-	-
(Loss) from continuing operations		(1,545,634)	(1,772,002)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,545,634)	(1,772,002)
Total comprehensive income for year attributable to members of the Company		(1,545,634)	(1,772,002)
Basic (loss) per share (cents per share)	7	(1.74)	(2.50)
Diluted (loss) per share (cents per share)	7	(1.74)	(2.50)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	2014 ($)	2013 ($)
Current Assets			
Cash and cash equivalents	8	397,452	1,170,011
Trade and other receivables	9	306,041	102,523
Other assets	10	26,363	10,632
Total Current Assets		729,856	1,283,166
Non-Current Assets			
Property, plant and equipment	11	46,626	54,771
Other financial assets	12	67,907	132,177
Total Non-Current Assets		114,533	186,948
TOTAL ASSETS		844,389	1,470,114
Current Liabilities			
Trade and other payables	13	154,045	566,330
Provisions	14	-	-
Total Current Liabilities		154,045	566,330
TOTAL LIABILITIES		154,045	566,330
NET ASSETS		690,344	903,784
Equity			
Contributed equity	15	14,193,014	13,343,546
Reserves	15	1,251,534	768,809
Accumulated (losses)		(14,754,204)	(13,208,571)
TOTAL EQUITY		690,344	903,784

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

magnetic resources NL

	Contributed Equity (Net of Costs) ($)	Share Based Payments Reserve ($)	Accumulated Losses ($)	Total ($)
Balance at 1.7.2012	12,435,920	550,365	(11,436,568)	1,549,717
Operating (loss) for the year	-	-	(1,772,002)	(1,772,002)
Shares issued during the year	907,626	-	-	907,626
Share based payments expense	-	218,444	-	218,444
Balance at 30.6.2013	**13,343,546**	**768,809**	**(13,208,570)**	**903,785**
Balance at 1.7.2013	13,343,546	768,809	(13,208,570)	903,785
Operating (loss) for the year	-	-	(1,545,634)	(1,545,634)
Shares issued during the year	849,468	-	-	849,468
Share based payments expense	-	482,725	-	482,725
Balance at 30.6.2014	**14,193,014**	**1,251,534**	**(14,754,204)**	**690,344**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Notes	2014 ($)	2013 ($)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(796,270)	(627,644)
Interest received		24,852	47,849
R&D Claim		236,604	122,612
Net cash (used in) operating activities	16	(534,814)	(457,183)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(22,936)	(16,175)
Payments for exploration and evaluation		(766,318)	(886,794)
Purchase of new tenements		-	(25,333)
Proceeds from sale motor vehicle		-	35,400
Net cash (used in) investing activities		(789,254)	(892,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	15, 13	551,509	876,549
Proceeds from share applications – share issued after year end		-	288,955
Net cash provided by financing activities		551,509	1,165,504
Net (decrease) in cash held		(772,559)	(184,581)
Cash and cash equivalents at the beginning of the financial year		1,170,011	1,354,592
Cash and cash equivalents at the end of the financial year	8	397,452	1,170,011

The accompanying notes form part of these financial statements.

This financial report includes the financial statements and notes of the Company.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were authorised for issue on DATE 26 September 2014.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the directors have considered the following pertinent matters:

(a) cash on hand at the date of this report is approximately $1,680,363

(b) current cash resources are considered adequate to fund the entity's immediate operating and exploration activities however given the state of the equity markets, the rate of expenditure on exploration as a whole has been reduced; and

(c) the need to raise additional funds by the issue of additional shares or the sale of assets if a high level of exploration activity is to be undertaken.

Accounting Policies

(a) Revenue

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

The Research and Development refundable tax offset is recognised as income when it is determined that it is probable that it will be received and the amount can be estimated reliably. Within the income tax expense reconciliation the income is non-assessable and R&D expenditure non-deductible

(b) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by non-casual employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. There is no liability for long service leave entitlements.

(c) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed to Statement of Profit or Loss and Other Comprehensive Income as incurred. The effect of this is to increase the loss incurred from continuing operations as disclosed in the Statement of Profit or Loss and Other Comprehensive Income and to decrease the carrying values in the Statement of Financial Position. That the carrying value of mineral assets, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of that asset.

(d) Acquisition of Assets

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure or mine properties based on the stage of development reached at the date of acquisition.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the Statement of Profit and Loss and Other Comprehensive Income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities and assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. This policy has no application where paragraph (c) (Exploration and Evaluation Expenditure) applies.

(i) Earnings per Share

(i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.

(ii) *Diluted Earnings per Share* – Options that are considered to be dilutive are taken into consideration when calculating the diluted earnings per share.

(j) Property, plant and equipment

Each class of plant, equipment and motor vehicles is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant, equipment and motor vehicles are measured on the cost basis.

The carrying amounts of plant, equipment and motor vehicles are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all plant, equipment and motor vehicles are depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for the class of plant, equipment and motor vehicle depreciable assets range between 20% and 100%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit and Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(k) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

The Company does not designate any interests in joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains and losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit and loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board. "Fair value" commonly does not reflect realisable value and the Board does not represent that stated fair values reflect their view of market or realisable values. This observation is over-riding and shall prevail over any inconsistent possible interpretation.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Leases

Lease payments for operating leases (where substantially all the risks and benefits remain with the lessor) are charged as an expense in the periods in which they are incurred.

Lease incentives under operating leases, if any, are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(n) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Share-based Payments and Value Attribution to Equity Remuneration/Benefits

Share-based compensation benefits provided to directors are approved in general meeting by members. Share-based benefits provided to non-directors are approved by the Board of Directors and form part of that employee's remuneration package.

The International Financial Reporting Standards specifies that a valuation technique must be applied in determining the fair value of employees' or directors' stock options as at their grant date. No particular model is specified.

In respect of share options granted, the (theoretical) fair value is recognised over the vesting period as an employee benefit expense with a corresponding increase in equity. The theoretical fair value of the options is calculated at the date of grant taking into account the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued, however, in the absence of reliable measure of the goods or services received, AASB 2: Share Based Payments prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant.

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

(q) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of directors.

(r) Critical Accounting Estimates, Assumptions, and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and from within the Company.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on best estimates by directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income tax legislation and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the directors' best estimate pending an assessment being received from the Australian Taxation Office.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Share based payments

Share-based payment transactions where made in the form of options to acquire ordinary shares, are ascribed a fair value using the Black-Scholes Option Pricing Model. This model uses assumptions and estimates as inputs.

(s) New Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to adopt any of the new and amended pronouncements before they become mandatory. These new and amended standards will not materially impact on the Company's Financial Statements.

(i) Australian Accounting and Auditing Standards applicable to the company for the first time for the financial year ended 30 June 2014 have not had a material input in the financial statements.

NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company's principal activity is mineral exploration.

Revenue and assets by geographical region

The Company's revenue is received from sources and assets are located wholly within Australia.

Major customers

Due to the nature of its operations, the Company does not provide products and services.

NOTE 3 REVENUE AND EXPENDITURE	2014 ($)	2013 ($)
Other Income		
Research and development tax concession (net of costs)	441,332	45,399
Sundry Income	553	-
Profit on sale of Fixed Assets	(88)	14,593
	441,797	59,992
EXPENDITURE		
Other Expenses		
Occupancy costs	(55,133)	(92,300)
Filing and ASX Fees	(21,615)	(27,430)
Corporate and management	(303,823)	(214,043)
Other expenses from continuing operations	(353,003)	(292,914)
	(733,574)	(626,687)

NOTE 4 INCOME TAX EXPENSE	2014 ($)	2013 ($)
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	-	-

The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Loss from continuing operations before income tax	1,545,634	1,772,002
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	463,690	531,601
Tax effect of Non-allowable items		
• Equity-settled share based payments expense	(144,817)	(65,533)
• R & D claim rebate	117,736	16,023
• Other	6,837	(26,851)
Deferred tax benefit on tax losses not brought to account	(443,446)	(455,240)
Income tax attributable to operating loss	-	-

Unrecognised temporary differences

Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:		
Accrued expenses	(11,256)	(34,873)
Provisions	-	-
Available-for-sale financial assets loss	19,281	19,654
Unrecognised deferred tax assets relating to the above temporary differences	8,025	15,219

Unrecognised deferred tax assets

The Company has accumulated tax losses of $12,019,959 (2013: $10,535,106).

The potential deferred tax asset of these losses $3,605,988 (2013: $3,160,532) will only be recognised if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;

(ii) the Company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

The accumulated tax losses in 2013 were previously reported at $11,776,441. The potential deferred tax asset of these losses at 30 June 2013 was originally reported at $3,532,932. These have been restated in 2014 to take into account R&D rebates received which reduce the accumulated tax losses.

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

	2014 ($)	2013 ($)
Short-term employee benefits	549,534	469,953
Post-employment benefits	4,565	8,716
Equity-settled share based payments	277,225	-
	831,324	478,669

Further key management personnel remuneration information has been included in the Remuneration Report section of the Directors Report.

Information on related party and entity transactions is disclosed in Note 21.

NOTE 6 AUDITORS REMUNERATION

	2014 ($)	2013 ($)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	34,800	19,700
Other	853	250
	35,653	19,950

NOTE 7 EARNINGS PER SHARE

	2014 ($)	2013 ($)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(1,545,634)	(1,772,002)
Earnings used in calculating basic and diluted earnings per share	(1,545,634)	(1,772,002)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	88,698,922	70,781,964

The Company had 20,418,862 (2013 – 19,218,862) partly-paid contributing shares and 23,597,143 (2013 – 11,397,143) options over fully paid ordinary shares on issue **at balance date**. Options and contributing shares are considered to be potential ordinary shares. However, they are not considered to be dilutive in this year and accordingly have not been included in the determination of diluted earnings per share.

NOTE 8 CASH AND CASH EQUIVALENTS

	2014 ($)	2013 ($)
Cash at bank	195,768	603,643
Deposits at call	201,684	566,368
	397,452	1,170,011

NOTE 9 TRADE AND OTHER RECEIVABLES

	2014 ($)	2013 ($)
Trade receivables	25,568	1,000
Tax refundable	280,473	101,523
	306,041	102,523

NOTE 10 OTHER ASSETS

	2014 ($)	2013 ($)
Prepayments	26,363	10,632

NOTE 11 PROPERTY, PLANT, EQUIPMENT

	2014 ($)	2013 ($)
Plant and equipment	203,368	182,070
Less: Accumulated depreciation	(163,941)	(148,258)
	39,427	33,812
Motor vehicles	68,800	68,800
Less: Accumulated depreciation	(61,601)	(47,841)
	7,199	20,959
	46,626	54,771
Reconciliation of the carrying amounts of plant, equipment and motor vehicles from the beginning to the end of the financial year.		
Plant, equipment and motor vehicles		
Carrying amount at beginning of year	54,771	96,412
Additions	21,297	16,175
Disposals	1,639	(35,400)
(Loss) / Profit on sale	(88)	14,593
Depreciation expense	(30,993)	(37,009)
Total plant, equipment and motor vehicles at end of year	46,626	54,771

NOTE 12 OTHER FINANCIAL ASSETS

	2014 ($)	2013 ($)
Non-Current		
Available-for-sale financial assets – shares in listed corporations	67,907	132,177
	67,907	132,177
Investments in related parties		
Available-for-sale financial assets includes the following investments held in director-related party entities:		
Image Resources NL	42,605	34,715
Meteoric Resources NL	1,001	4,600
Emu Nickel NL	4,800	2,861
	48,406	42,176

NOTE 13 TRADE AND OTHER PAYABLES

	2014 ($)	2013 ($)
Trade creditors and accruals	179,895	277,375
GST Refundable	(27,098)	-
PAYG Withholding	1,248	-
Share application monies received prior to balance date with shares issued after balance date	-	288,955
	154,045	566,330

NOTE 14 CURRENT PROVISIONS

	2014 ($)	2013 ($)
Leave accruals	-	-

NOTE 15 EQUITY

	2014 No.	2014 $	2013 No.	2013 $
Contributed Equity – Ordinary Shares				
At the beginning of year	80,103,354	13,343,546	68,039,606	12,435,920
Shares issued during the year at $0.15 each	-	-	650,842	97,627
Shares issued during the year at $0.14 each (Note 20)	67,884	9,503	-	-
Shares issued during the year at $0.11 each	2,727,272	300,000	-	-
Shares issued during the year at $0.07 each	7,714,248	539,997	7,714,286	540,000
Shares issued during the year at $0.073 each	-	-	3,698,620	269,999
Sundry Share issuance costs	-	(32)	-	-
Closing balance:	90,612,758	14,193,014	80,103,354	13,343,546
Contributed Equity – Contributing Shares – Partly-paid				
At the beginning of year	19,218,862	-	17,418,862	-
Shares issued during the year at $Nil	1,200,000	-	1,800,000	-
Closing balance:	20,418,862	-	19,218,862	-
Reserves				
Equity based share based benefits reserve (i)		1,251,534		768,809
Closing balance		1,251,534		768,809

(i) The employee benefits reserve is used to recognise the fair value of options issued to employees.

Options

	2014 No.	2013 No.
The Company had the following options over un-issued fully paid ordinary shares at the end of the year:		
Options exercisable at $0.20 on or before 03.10.2014 to acquire fully paid ordinary shares	500,000	-
Options exercisable at $0.2709 on or before 23.12.2014 to acquire fully paid ordinary shares	4,045,000	2,295,000
Options exercisable at $0.4607 on or before 21.12.2015 to acquire fully paid ordinary shares	2,145,000	2,145,000
Options exercisable at $0.1499 on or before 27.12.2016 to acquire fully paid ordinary shares	12,757,143	6,957,143
Options to acquire fully paid shares exercisable at $0.17 on or by 31 December 2017	4,000,000	-
Options to acquire fully paid shares exercisable at $0.18 on or by 31 December 2017	150,000	-
Total Options	23,597,143	11,397,143

Terms and condition of contributed equity

Ordinary Fully Paid Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held, regardless of the amount paid up thereon.

On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share.

Contributing Shares

Contributing shares require a further payment of $0.20 to become fully paid.

On a show of hands, every holder of contributing shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights.

NOTE 16 CASH FLOW INFORMATION

	2014 ($)	2013 ($)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(1,545,634)	(1,772,002)
Bad debts expense	-	-
Depreciation and amortisation	30,993	37,009
Exploration expenditure	705,330	920,605
Impairment of available-for-sale financial assets	64,270	65,514
Sundry Income	(500)	-
Loss / (Profit) on sale of fixed assets	88	(14,593)
Share based payments	482,725	218,444
Changes in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables relating to operating activities	(251,630)	121,691
(Increase)/Decrease in prepayments	(15,731)	3,354
(Decrease)/increase in trade and other payables relating to operating activities	(4,725)	(35,860)
(Decrease)/increase in provisions	-	(1,345)
Cash flow from operations	(534,814)	(457,183)

Non-cash financing activities are listed at Note 20.

NOTE 17 TENEMENT EXPENDITURE CONDITIONS

Pursuant to relevant legislation in Western Australia, mineral tenements are held subject to the condition that rate and rentals are paid and prescribed expenditure conditions are met. Application for exemption from all or some of the prescribed expenditure conditions may be made but no assurance is given that any such application will be granted. If the prescribed expenditure conditions are not met with respect to a tenement, that tenement is liable to forfeiture. The prescribed expenditure condition in respect of the granted tenements for the next twelve months amounts to $232,500 *(2013: $276,000).*

NOTE 18 TENEMENT ACCESS

Native Title and Freehold

All or some of the tenements in which the Company has an interest are or may be affected by native title.

The Company is not in a position to assess the likely effect of any native title impacting the Company.

The existence of native title and heritage issues represent, as a general proposition, a serious threat to explorers and miners, not only in terms of delaying the grant of tenements and the progression of exploration development and mining operations, but also in terms of costs arising consequent upon dealing with aboriginal interest groups, claims for native title and the like.

As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. Unless it already has secured such rights, there can be no assurance that the Company will secure rights to access those portions (if any) of the Tenements encroaching freehold land but, importantly, native title is extinguished by the grant of freehold so if and whenever the Tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act in respect of the area of encroachment albeit aboriginal heritage matters still be of concern.

NOTE 19 EVENTS SUBSEQUENT TO REPORTING DATE

No material matters have occurred subsequent to the end of the financial year which require reporting on other than as reported to ASX, with the most significant being a placement announced on 19 August 2014 of 7,205,000 shares at an issue price of $0.20 to raise $1.441m.

NOTE 20 EQUITY-SETTLED SHARE BASED PAYMENTS

During the year, the company issued 2 tranches of options to directors:

1) 4,000,000 share options were granted to directors on 24 December 2013 to take up ordinary shares, following shareholder approval. The options are exercisable on or before 31 December 2017, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. The options were ascribed a fair value of $264,800 (factor 0,0662) calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Exercise price:	$0.17
Life of option:	4 years
Expected share price volatility:	112%
Risk-free interest rate:	2.50%
Discount factor for being unlisted and associated lack of marketability	20%

2) 1,750,000 share options were granted to directors on 24 December 2013 to take up ordinary shares, following shareholder approval. The options are exercisable on or before 23 December 2014, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. The options were ascribed a fair value of $12,425 (factor 0,0071) calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Exercise price:	$0.2709
Life of option:	1 year
Expected share price volatility:	87.65%
Risk-free interest rate:	2.5%
Discount factor for being unlisted and associated lack of marketability	20%

500,000 share options were granted to non-related parties on 29 November 2013 to take up ordinary shares, following shareholder approval. The options are exercisable on or before 3 October 2014, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. The options were ascribed a fair value of $7,200 (factor 0.0144), calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Exercise price:	$0.20
Life of option:	260 days
Expected share price volatility:	87%
Risk-free interest rate:	2.5%
Discount factor for being unlisted and associated lack of marketability	20%

3,000,000 share options were granted to non-related parties on 16 January 2014 to take up ordinary shares, following shareholder approval. The options are exercisable on or before 27 December 2016, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. The options were ascribed a fair value of $186,000 (factor 0.0620), calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Exercise price:	$0.1499
Life of option:	3 years
Expected share price volatility:	107%
Risk-free interest rate:	3%
Discount factor for being unlisted and associated lack of marketability	20%

150,000 share options were granted to non-related parties on 29 January 2014 to take up ordinary shares, following shareholder approval. The options are exercisable on or before 23 December 2014, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. The options were ascribed a fair value of $12,300 (factor 0.082), calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Exercise price:	$0.18
Life of option:	4 years
Expected share price volatility:	115%
Risk-free interest rate:	3%
Discount factor for being unlisted and associated lack of marketability	20%

The 2014 share based payments expense (assessed by reference to “fair value”) shown in the financial report amounted to $482,725 (2013: $218,444).

During the year ended 30 June 2014, the Company issued 67,884 *(2013: 650,842)* fully paid ordinary shares as settlement of drilling expenses of $9,503 (2013: $97,626).

NOTE 21 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

The Company was party to a Serviced Offices Agreement with Image Resources NL (**Image**), a director-related party, whereby Image had agreed to provide the Company with serviced offices at 16 Ord Street, West Perth for a fee of $9,750 (plus GST) per month. This agreement terminated on 20 September 2013. The last payment to Image Resources was for the month of September 2013 for $5,316.63 (final payment was to 20 September 2013)

Particulars of contractual arrangements and financial benefits provided to the key management personnel are detailed in the directors' report. There are no amounts owing to directors and/or director-related parties (including GST) at 30 June 2014. (2013: $31,397).

Save as disclosed above, there were no other related party or related entity transactions, other than those disclosed in Note 5.

NOTE 22 CONTINGENT LIABILITIES

Native Title

Tenements are commonly (but not invariably) affected by native title.

The Company is not in a position to assess the likely effect of any native title impacting the Company.

The existence of native title and heritage issues represent, as a general proposition, a serious threat to explorers and miners, not only in terms of delaying the grant of tenements and the progression of exploration development and mining operations, but also in terms of costs arising consequent upon dealing with aboriginal interest groups, claims for native title and the like.

NOTE 23 FINANCIAL INSTRUMENTS DISCLOSURE

(a) **Financial Risk Management Policies**

The Company's financial instruments consist of deposits with banks, receivables, available-for-sale financial assets and payables.

Risk management policies are approved and reviewed by the board. The use of hedging derivative instruments is not contemplated at this stage of the Company's development.

Specific Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments, are interest rate and liquidity risks.

Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows, cash reserves, liquid investments, receivables and payables.

Capital Risk

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raising as required.

The working capital position of the Company at 30 June 2014 and 30 June 2013 was as follows:

	2014 ($)	2013 ($)
Cash and cash equivalents	397,452	1,170,011
Trade and other receivables	306,041	102,523
Trade and other payables – excludes share applications received prior to balance date in respect of shares issued after balance date	(154,045)	(277,375)
Working capital position	549,448	995,159

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There is no material amounts of collateral held as security at balance date.

The following table provides information regarding the credit risk relating to cash and cash equivalents based on credit ratings:

	2014 ($)	2013 ($)
AAA rated		-
AA rated	-	-
A rated	397,452	1,170,011

The credit risk for counterparties included in trade and other receivables at balance date is detailed below.

	2014 ($)	2013 ($)
Trade and other receivables		
Trade and other receivables	25,568	1,000
GST and tax refundable	280,473	101,523
	306,041	102,523

(b) **Financial Instruments**

The Company holds no derivative instruments, forward exchange contracts or interest rate swaps.

Financial Instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments.

2014	Weighted Average Effective Interest Rate %	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets				
Cash and cash equivalents		397,452	-	397,452
Other receivables		-	306,041	306,041
Available-for sale financial assets		-	67,907	67,907
Total Financial Assets		397,452	373,948	771,400
Financial Liabilities				
Trade and other payables			(154,045)	(154,045)
Net Financial Assets		397,452	219,903	617,355

	2014 ($)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(154,045)
	(154,045)

2013	Weighted Average Effective Interest Rate %	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets				
Cash and cash equivalents		1,170,011	-	1,170,011
Other receivables		-	102,523	102,523
Available-for sale financial assets		-	132,177	132,177
Total Financial Assets	1.8%	1,170,011	234,700	1,404,711
Financial Liabilities				
Trade and other payables		-	(277,375)	(277,375)
Net Financial Assets		1,170,011	(42,675)	1,127,336

	2013 ($)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(277,375)
	(277,375)

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

Quoted prices in active markets for identical assets or liabilities (Level 1);

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	67,907	-	-	67,907
	67,907	-	-	67,907

2013	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	132,177	-	-	132,177
	132,177	-	-	132,177

(c) **Sensitivity Analysis – Interest rate risk**

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

As at balance date, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014 ($)	2013 ($)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2.45% (2013 (2%)	(9,717)	(23,400)
- Decrease in interest rate by 2.45% (2013 (2%)	9,717	23,400
Change in equity – increase/(decrease):		
- Increase in interest rate by 2.45% (2013 (2%)	9,717	23,400
- Decrease in interest rate by 2.45% (2013 (2%)	(9,717)	(23,400)

DIRECTORS' DECLARATION

magnetic resources NL

The directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Act 2001;

   (b) give a true and fair view of the financial position as at 30 June 2014 and performance for the year ended on that date of the Company; and

   (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the year ended 30 June 2013 complies with section 300A of the Corporations Act 2001;

2. the Chief Financial Officer has declared pursuant to section 295A(2) of the Corporations Act 2001 that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and the notes for the financial year comply with Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

George Sakalidis

SIGNED: GEORGE SAKALIDIS
MANAGING DIRECTOR

PERTH
Dated 30 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETIC RESOURCES NL

SOMES COOKE
Profit from our Resources

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WA 6005

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Report on the Financial Report

We have audited the accompanying financial report of Magnetic Resources NL which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Magnetic Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Magnetic Resources NL is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETIC RESOURCES NL

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.*Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Magnetic Resources NL for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001.*

Somes Cooke

Somes Cooke

Nicholas Hollens

SIGNED: NICHOLAS HOLLENS

Somes Cooke
Level 2, 35 Outram Street
West Perth WA 6005

30 September 2014

TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%) held
E70/3536	Granted	JUBUK	100%
E70/3716	Granted	LOMOS	100%
E70/4243	Granted	RAGGED ROCK	100%
E70/4384	Granted	MT MARY	100%
E70/4478	Granted	COLLINS HILL	100%
E70/4508	Granted	KAURING	100%
E70/4528	Granted	KAURING	100%
E70/4598	Application	LATHAM ROCK	-
E77/2035	Granted	LAKE SEABROOK	Gold Rights Only

OTHER INFORMATION

The following information was applicable as at 16 September 2014

Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares	Options 23.12.2014	Options 21.12.2015	Options 27.12.2016
1 to 1,000	640	1,076			
1,001 to 5,000	220	513	3	1	
5,001 to 10,000	102	83	2	3	
10,001 to 100,000	259	98	5	6	
100,001 and over	102	25	4	3	27
Total	**1,323**	**1,795**	**14**	**13**	**27**

The number of shareholdings held in less than marketable parcels is 798 fully paid ordinary shares and 1,770 partly paid contributing shares.

There are no listed options.

Substantial shareholders:

The names of the substantial shareholders listed in the Company's register as at 16 September 2014:

Shareholder Name	Number of Shares	% of Issued Share Capital
CHAN HIAN SIANG	7,766,136	7.94
ERIC LIM	6,998,011	7.15
WOON CHUNG NENG	6,000,000	6.13
GEORGE SAKALIDIS	5,365,125	5.48
LIM CHOON KONG	5,334,683	5.45
TOTAL	**31,463,955**	**32%**

Twenty largest shareholders – Quoted fully paid ordinary shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	CHAN HIAN SIANG	7,766,136	7.94
2.	UOB KAY HIAN PTY LTD	6,234,930	6.37
3.	WOON CHUNG NENG	6,000,000	6.13
4.	LIM CHOON KONG	5,334,683	5.45
5.	AVA CARTEL SDN BHD	4,616,672	4.72
6.	LEEMAN PTY LTD	3,862,938	3.95
7.	NEFCO NOMINEE PTY LTD	3,736,040	3.82
8.	ERIC LIM JIN HUEI	3,648,011	3.73
9.	MET ASSIST PTY LTD	3,542,073	3.62
10.	BLANNING JOHN	3,542,071	3.62
11.	LIM CHOON KONG	1,887,744	1.93
12.	HAANK JAN G + CHEN L C	1,700,000	1.74
13.	ABN AMRO CLEARING SYDNEY	1,549,396	1.58
14.	LIM CHOON KONG	1,542,856	1.58
15.	LIM YAN KWONG	1,208,414	1.24
16.	MARGARET TEO SIAN HOON	1,195,890	1.22
17.	LOO CHIN HUAT	1,170,347	1.20
18.	SAKALIDIS GEORGE	1,149,186	1.17
19.	ORBIT DRILLING PL	1,132,890	1.16
20.	TEO SIAN HOON MARGARET	1,088,889	1.11
	Total	**61,909,166**	**63.28**

OTHER INFORMATION

Twenty largest shareholders – Quoted partly-paid contributing shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	BARON, IAN RONALD	2,051,999	10.05
2.	SAKALIDIS, GEORGE AND J	2,040,333	9.99
3.	THOMSON, ROGER	2,000,000	9.79
4.	ROBTON, FREDERICK DENIS L	1,186,418	5.81
5.	SAKALIDIS, GEORGE	791,448	3.88
6.	MET ASSIST PTY LTD	750,000	3.67
7.	BLANNING, JOHN	750,000	3.67
8.	BRISPOT NOMINEES PTY LTD	725,930	3.56
9.	TPT NOMINEES PTY LTD	500,000	2.45
10.	DANCE BARRINGTON + J P	450,000	2.20
11.	GOFFACAN PL	425,861	2.09
12.	DANCE BARRINGTON	412,438	2.02
13.	MEGGSIES PL	259,497	1.27
14.	GILPIN PARK PL	247,222	1.21
15.	CHRISTENSEN GAYNOR	228,567	1.12
16.	AUTO MGNT PL	218,654	1.07
17.	TAYLOR PETER W + M J	194,500	0.95
18.	DEVOMP PL	190,866	0.93
19.	KAVANAGH ROB	180,000	0.88
20.	TERACE ERIC ROBERT + J F	174,999	0.86
	Total	**13,778,732**	**67.47**

Twenty largest option holders – All options are unquoted:

Rank	Holder Name	Designation	Options Exp 27/12/2016 at $0.1499
1	WHITE DOT GRP INC		3,000,000
2	MET ASSIST PL		1,764,285
3	BLANNING JOHN		1,764,285
4	GEORGE SAKALIDIS		800,000
5	PETER S THOMAS		500,000
6	ROGER THOMSON		500,000
7	ERIC LIM		500,000
8	KAVANAGH ROB		423,429
9	RUDOLF TIELEMAN		400,000
10	BEE W GEE PL		282,286
11	HOLLAND CLINTON THOMAS		282,286
12	METCOMM PL		211,714
13	ILICH BOHDAN MATTHEW		211,714
14	MCINTYRE SHERRYL ANNE		141,143
15	WILLIS VINCENT LEONARD		141,143
16	GALLIGAN JOHN RICHARD		141,143
17	KEENAN CLINTON PETER		141,143
18	TURKINGTON GLENN ROBERT		141,143
19	WARNE TONY		141,143

20	SHARP GRAHAM		141,143
		TOP 20 TOTAL	**11,628,000**

HOLDER NAME	EXPIRY DATE	EXERCISE PRICE	NO OF SECURITIES
ACNS CAPITAL MARKETS PTY LTD	3/10/14	$0.20	500,000
			500,000
MR GEORGE SAKALIDIS	23/12/2014	$ 0.2709	1,550,000
ABACOT INVESTMENTS P/L	23/12/2014	$ 0.2709	1,000,000
PETER S THOMAS	23/12/2014	$0.2709	500000
ROGER M THOMSON	23/12/2014	$0.2709	550000
RUDOLF TIELEMAN	23/12/2014	$0.2709	250000
ALLAN YOUNGER	23/12/2014	$0.2709	60000
ALEX ROMANOFF	23/12/2014	$0.2709	40000
BARRIE DANCE	23/12/2014	$0.2709	30000
ANNETTE FANTELA	23/12/2014	$0.2709	15000
ROBERT THOMAS	23/12/2014	$0.2709	15000
DEVIKA REDDY	23/12/2014	$0.2709	10000
WAYNE CARTER	23/12/2014	$0.2709	10000
GLEN BAMBRICK	23/12/2014	$0.2709	5000
JOSHUA BUCHANAN	23/12/2014	$0.2709	5000
RACHAEL CHALMERS	23/12/2014	$0.2709	5000
			4,045,000
MRS JOAN GEACH	31/12/2017	$0.18	100,000
MR GEORGE SAKALIDIS	31/12/2017	$0.17	1,500,000
MR ERIC JIN HUEI LIM	31/12/2017	$0.17	500,000
ABACOT INVESTMENTS P/L	31/12/2017	$0.17	2,000,000
MR CYRIL GEACH	31/12/2017	$0.18	50,000
			4,150,000

PETER S THOMAS	12/12/2015	$0.4607	500,000
GEORGE SAKALIDIS	12/12/2015	$0.4607	800,000
ROGER M THOMSON	12/12/2015	$0.4607	500,000
ALLAN YOUNGER	12/12/2015	$0.4607	100,000
ALEX ROMANOFF	12/12/2015	$0.4607	50,000
EARLE MCINTOSH	12/12/2015	$0.4607	100,000
ANNETTE FANTELA	12/12/2015	$0.4607	15,000
ROBERT THOMAS	12/12/2015	$0.4607	25,000
DEVIKA REDDY	12/12/2015	$0.4607	10,000
WAYNE CARTER	12/12/2015	$0.4607	20,000
GLEN BAMBRICK	12/12/2015	$0.4607	10,000
JOSHUA BUCHANAN	12/12/2015	$0.4607	10,000
RACHAEL CHALMERS	12/12/2015	$0.4607	5,000
			2,145,000

There are a total of 97,817,758 fully paid ordinary shares, 20,418,862 partly-paid contributing shares and 23,597,143 options on issue. Both the fully paid ordinary shares and partly-paid contributing shares are listed on Australian Securities Exchange Limited.

Buy-Back Plans
The Company does not have any current on-market buy-back plans.

Voting Rights
The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share held and a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights. None of the options have any voting rights.