



magnetic resources^{NL}

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016

ABN 34 121 370 232

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HALF-YEAR FINANCIAL REPORT

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Your directors submit the financial report of the Company for the half-year ended 31 December 2016.

DIRECTORS

The following persons were directors of Magnetic Resources NL ("**Magnetic**") during the half-year and up to the date of this report:

Mr Eric Lim
Mr George Sakalidis
Mr Julien Sanderson

REVIEW OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2016 was \$781,224 (2015: \$617,846)

The Company's activities during the six month period are summarised in this report which unless otherwise stated, should be read as if dated 31 December 2016.

INTRODUCTION:

Gold Projects Summaries

Mt Jumbo East

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

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

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

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

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

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

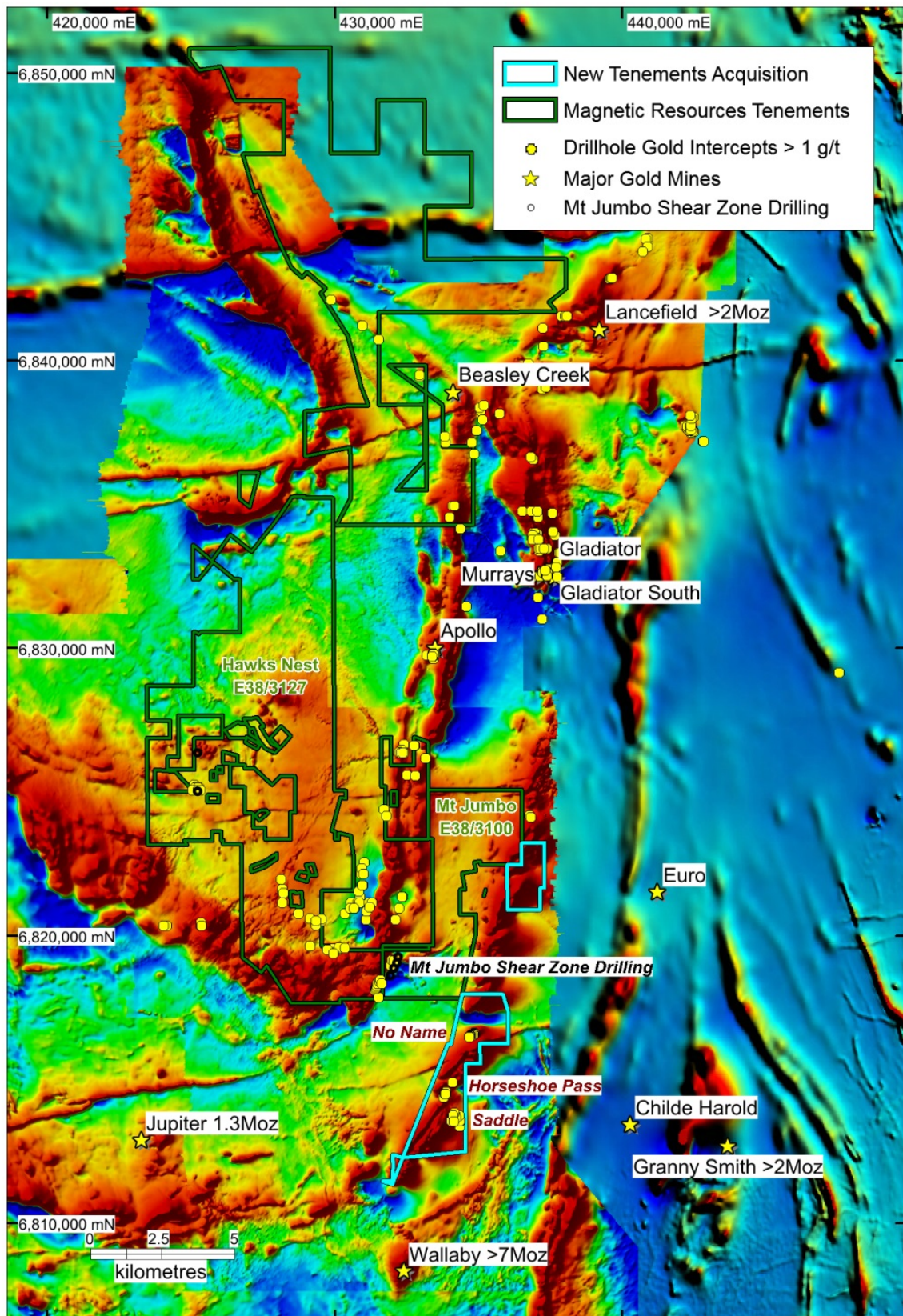


Fig 1. Mt Jumbo Aeromagnetic Image Showing Magnetic Resources' Tenements and New Mt Jumbo East Applications

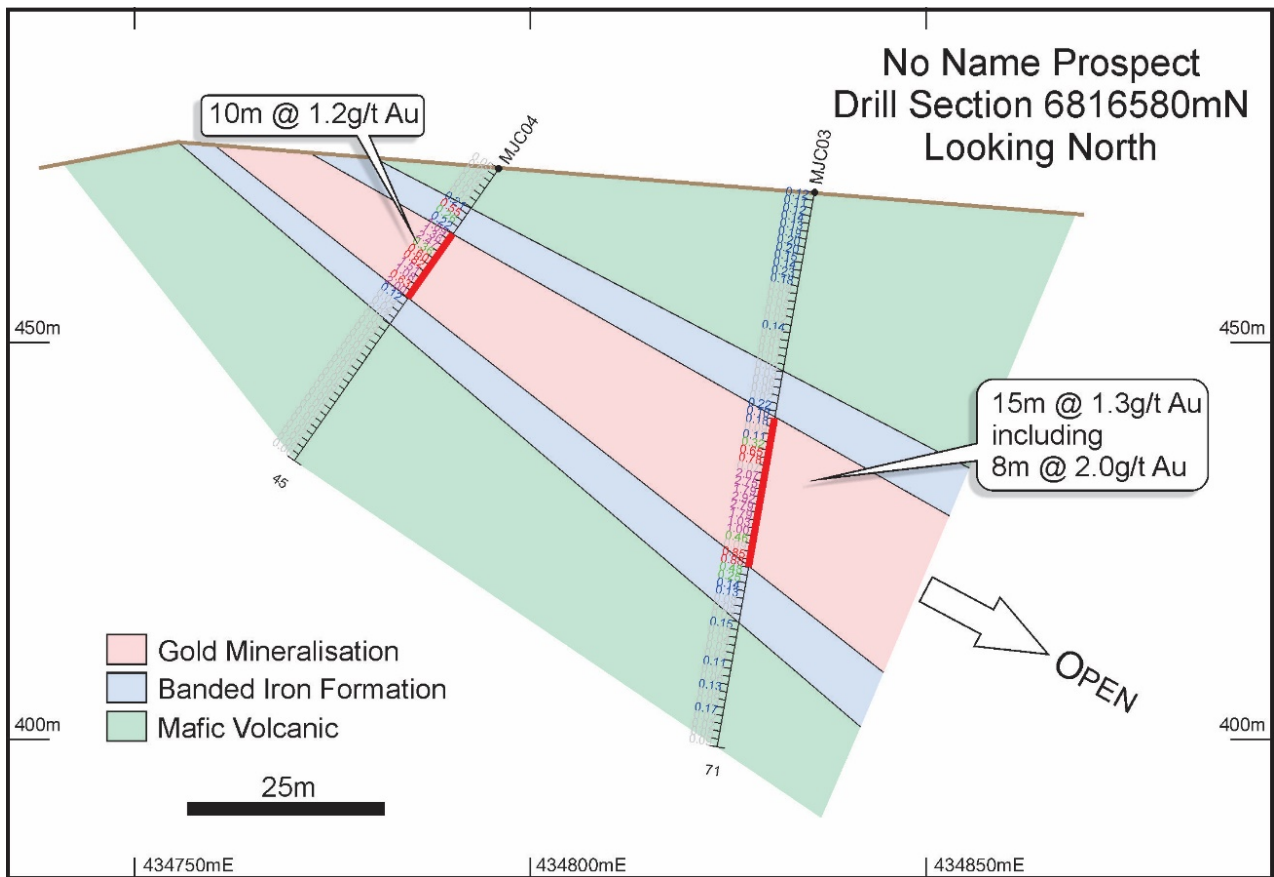


Fig 2. No Name Drill Section 6816580N

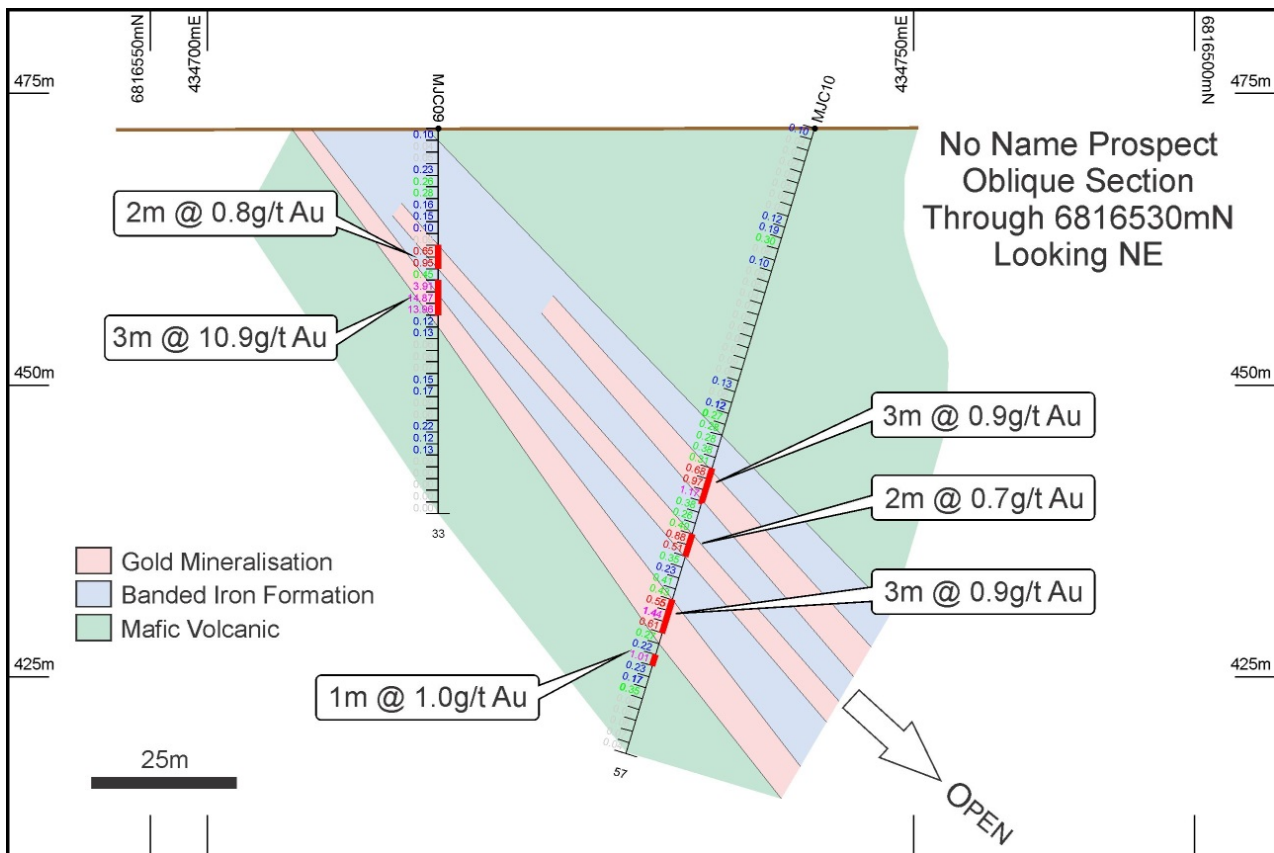


Fig 3. No Name Oblique Section Through 6816530N

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

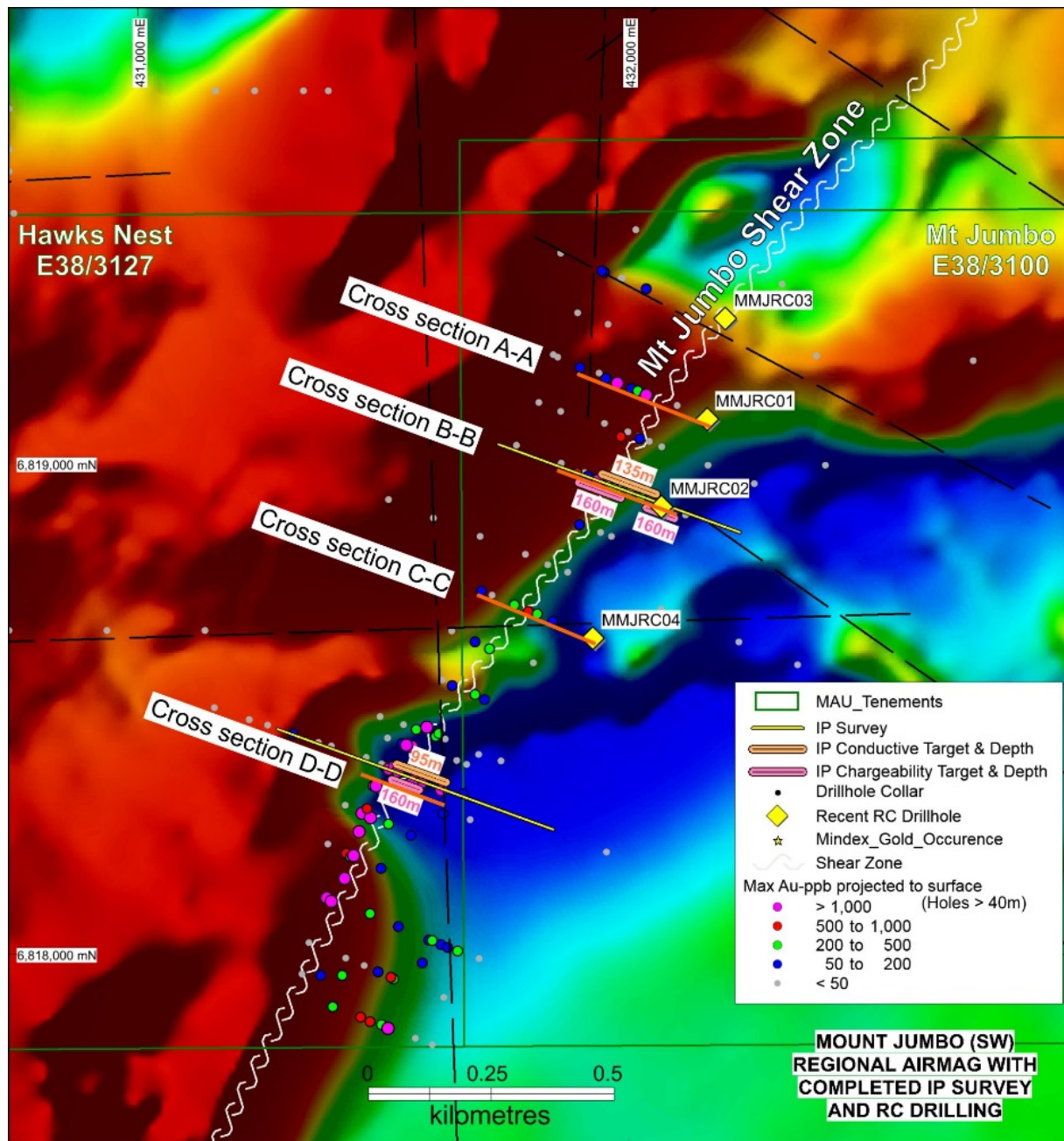


Fig 4. Mt Jumbo Regional Aeromagnetics with Completed IP Survey and RC/Diamond Drilling

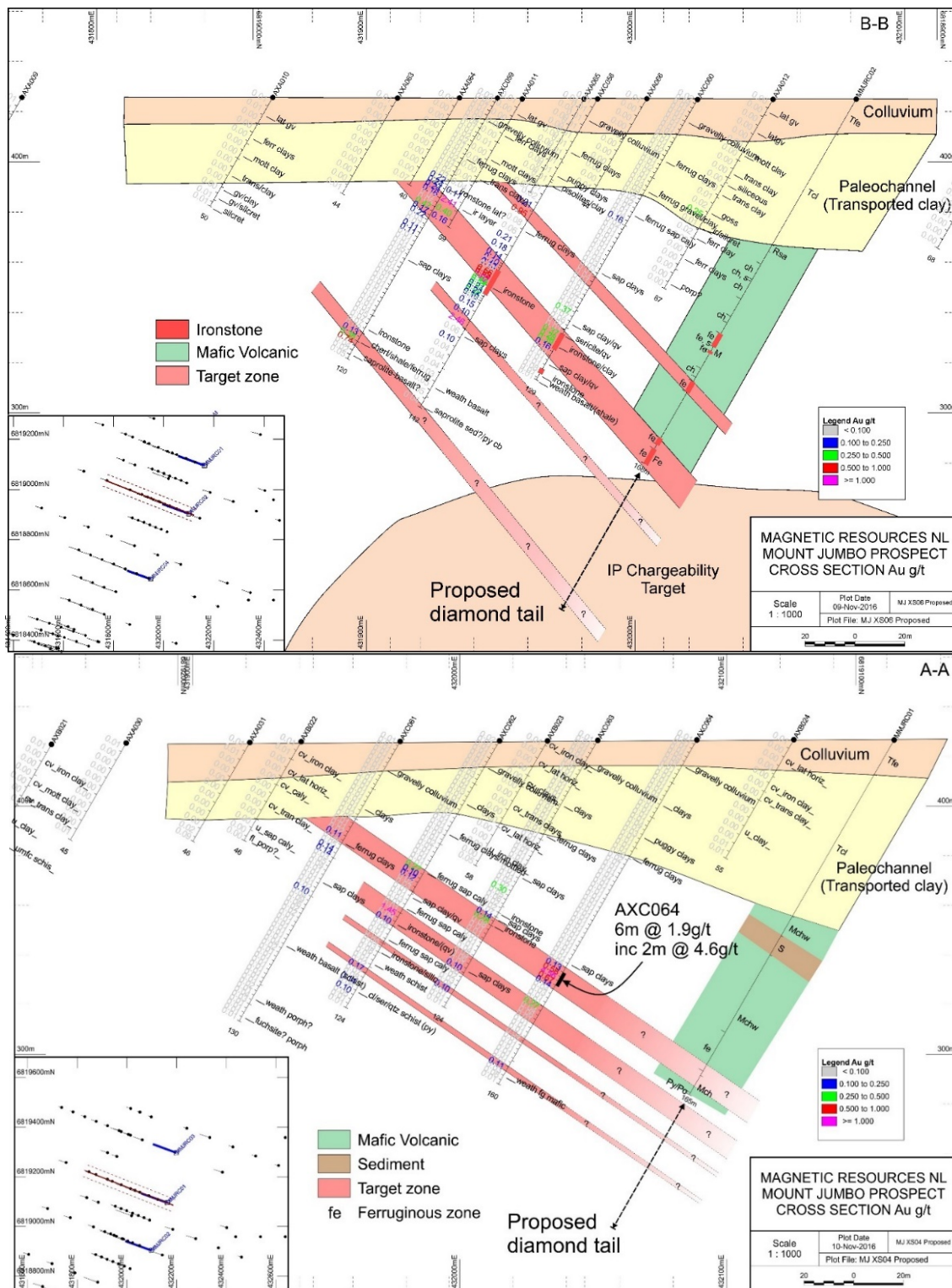


Fig 5. Cross Sections Showing New Drillholes MMJRC/D01 and 02

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

Marabou (Hawks Nest 7)

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

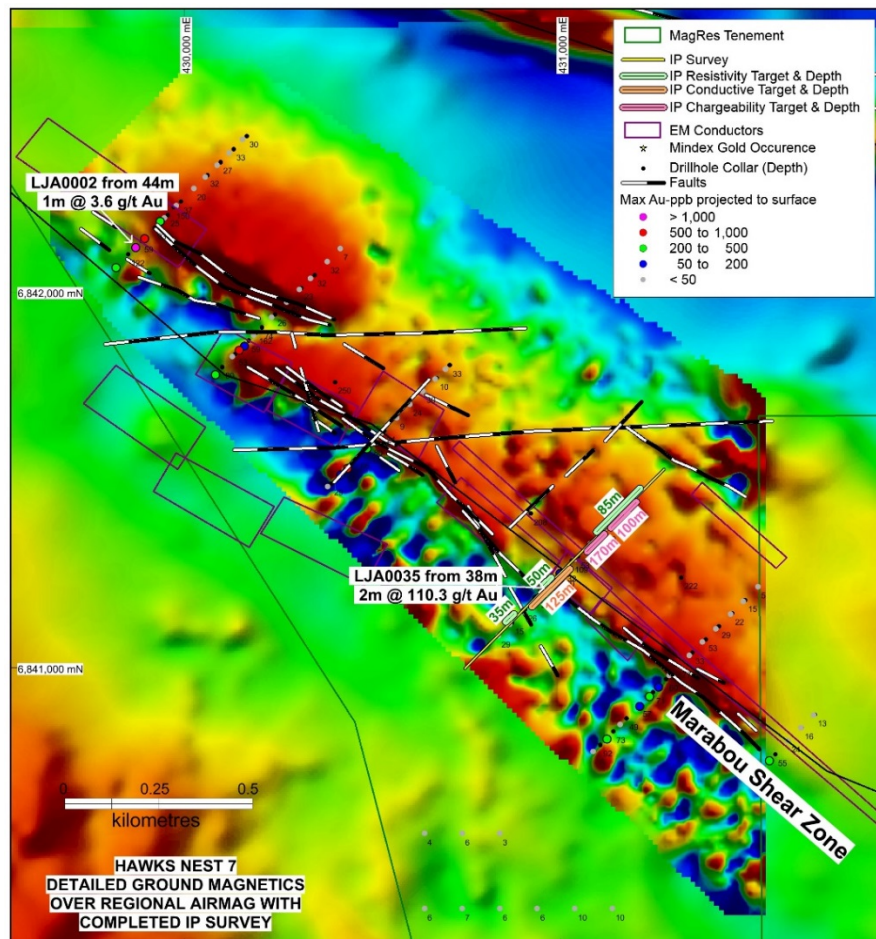


Fig 6. Detailed Ground Magnetics, Completed IP, Historical Drilling and Interpretation.

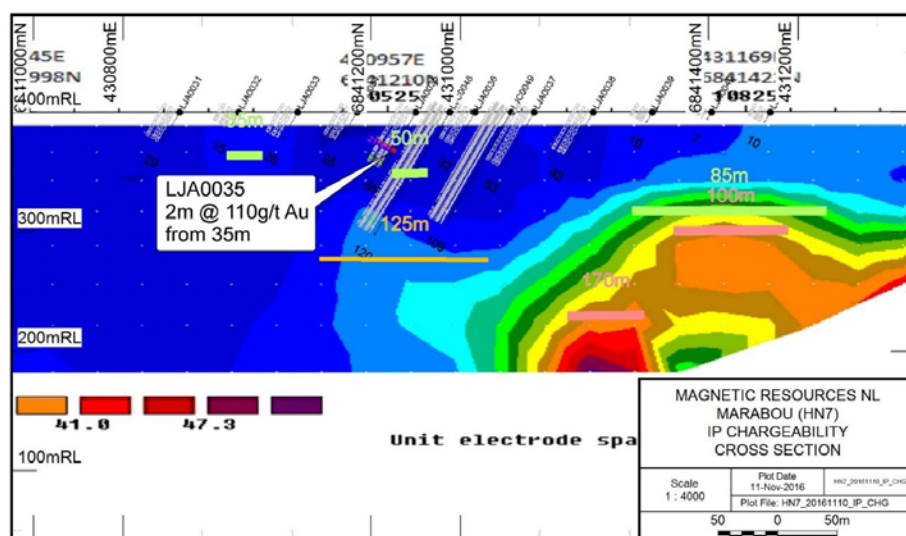


Fig 7. IP Chargeability Cross Section Showing Targets

Hawks Nest 3

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

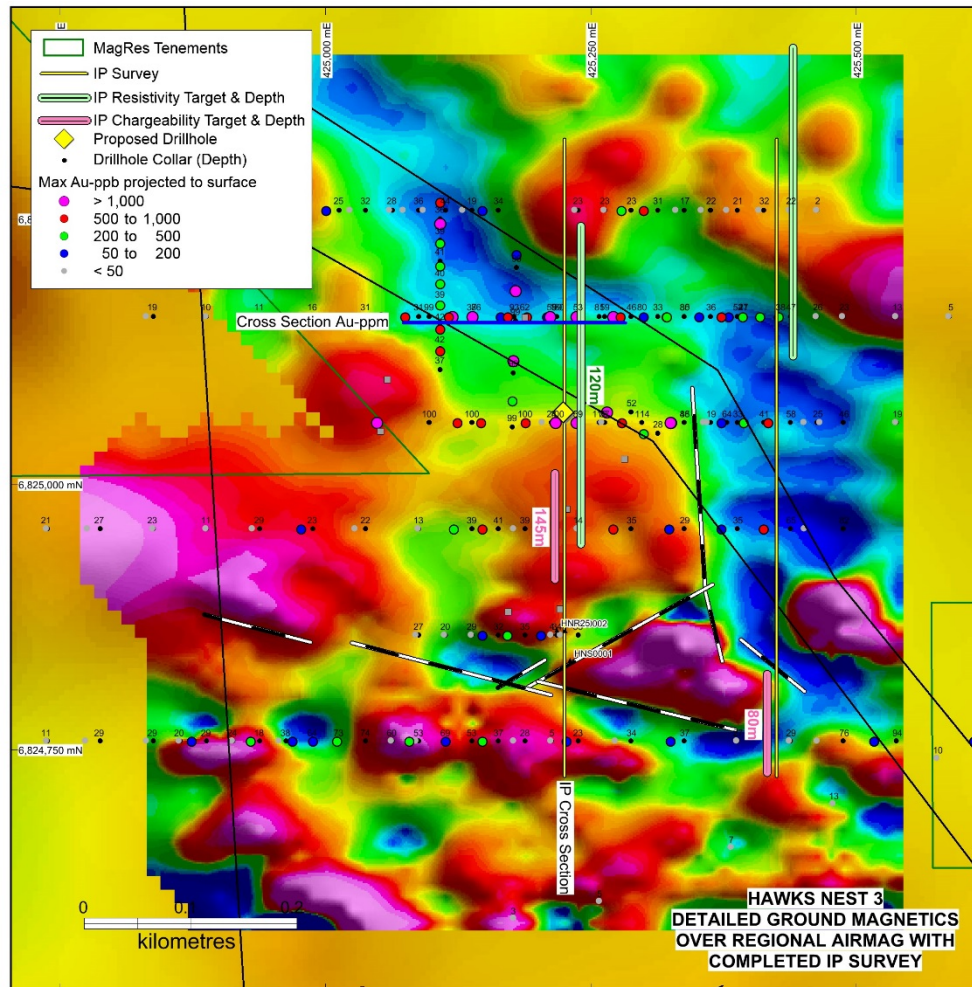


Fig 7. Detailed Ground Magnetics, Completed IP, Historical and Proposed Drilling and Interpretation.

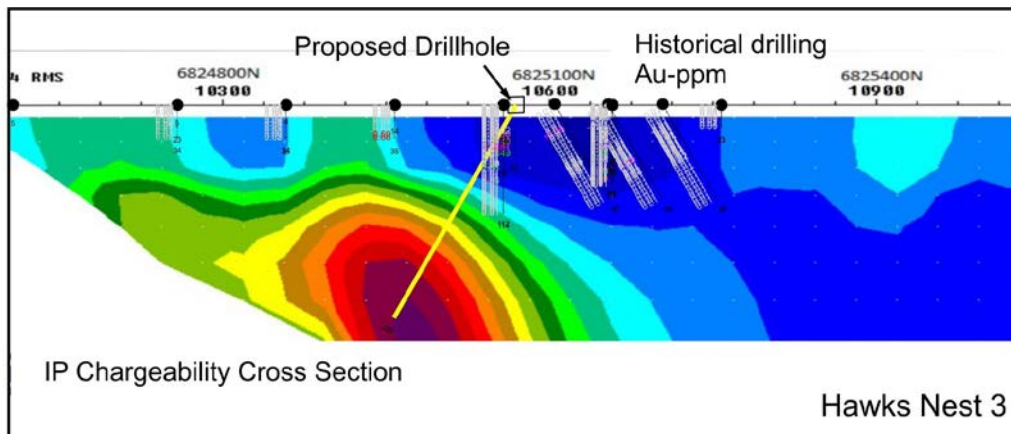


Fig 8. IP Chargeability Cross Section Showing Targets

Hawks Nest 4

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

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

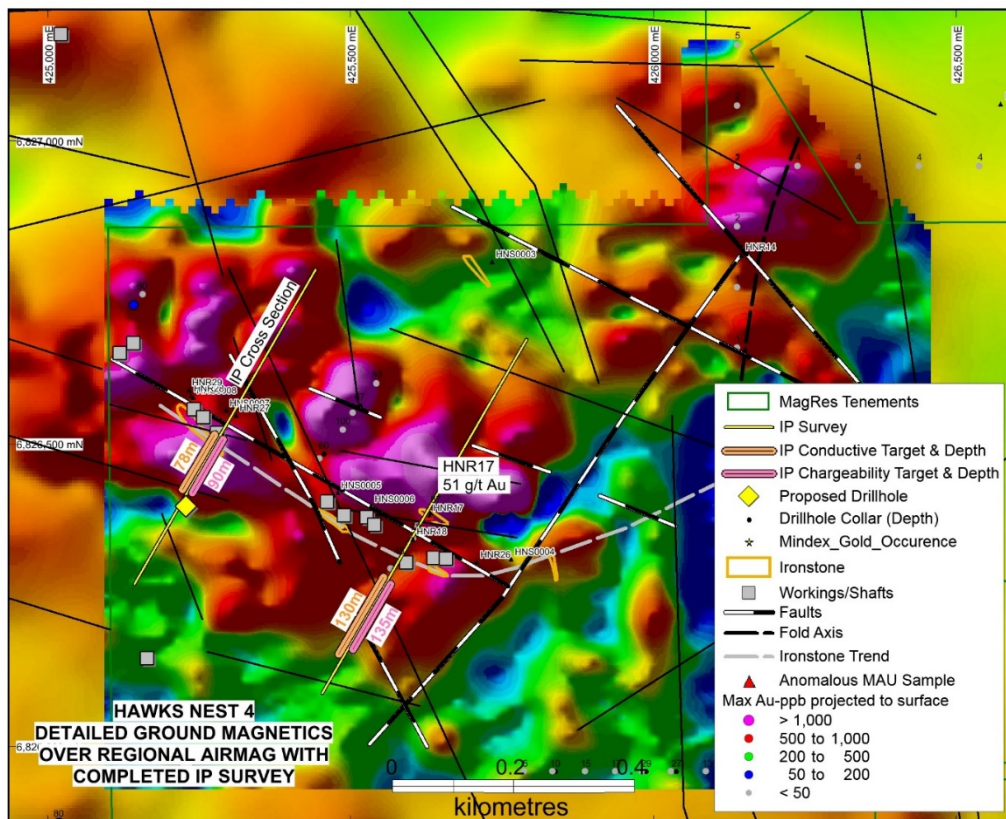


Fig 9. Detailed Ground Magnetics, Completed IP, Historical 7 Proposed Drilling and Interpretation.

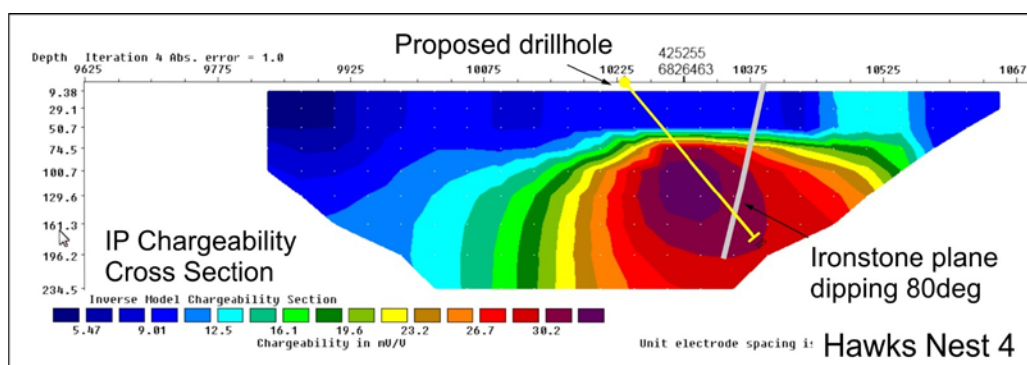


Fig 10. IP Chargeability Cross Section Showing Targets

Hawks Nest 5

A prominent NS 800m x 150m sheared banded amphibolite has a number of interpreted intersecting structures with a number of NS and NW trending workings associated. Surface sample of 1.6g/t Au in working within NS workings. Two long I.P. lines to test the NS shear zone and two separate NW parallel lines across Emerald workings. The I.P. has defined three separate chargeable resistive zones. Two of these zones are associated with the Emerald workings and an

extensive drilling programme is proposed some of which are shown on the below IP section (Figures 11 & 12).

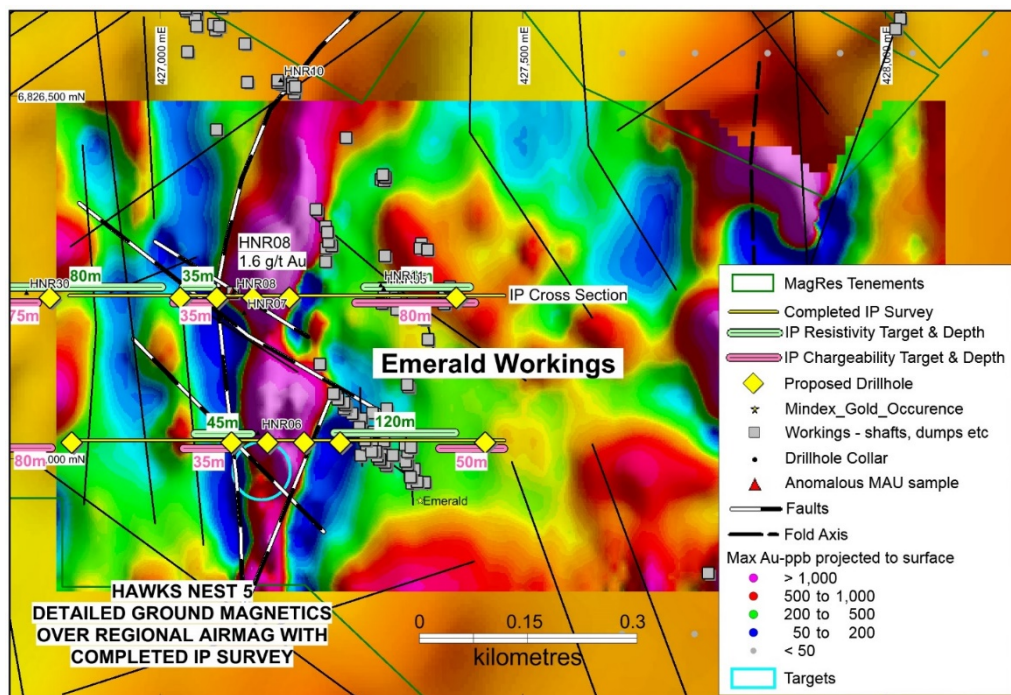


Fig 11. Detailed Ground Magnetics, Completed IP, Historical & Proposed Drilling and Interpretation.

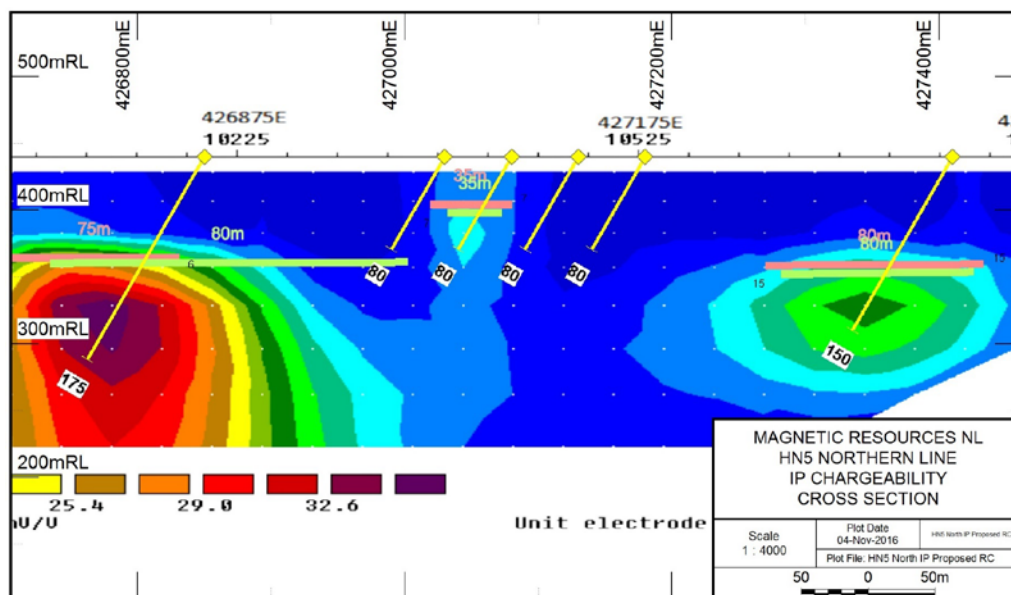


Fig 12. IP Chargeability Cross Section Showing Targets and Proposed Drilling

Hawks Nest 6

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

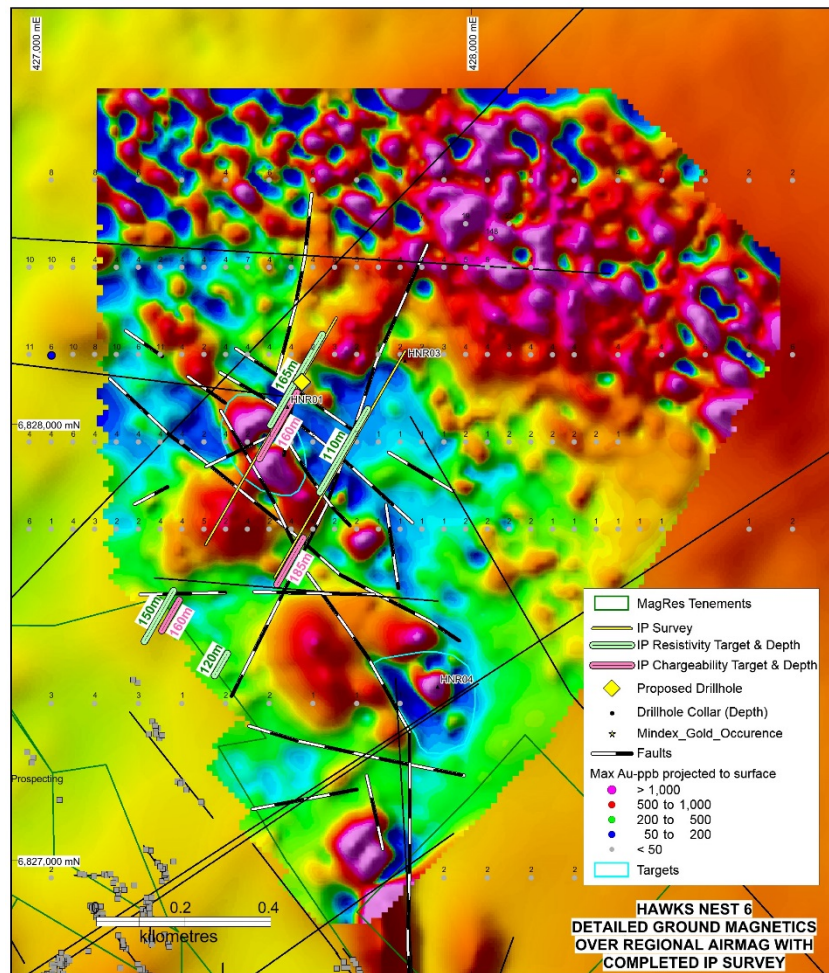


Fig 13. Detailed Ground Magnetics, Completed IP, Historical & Proposed Drilling and Interpretation.

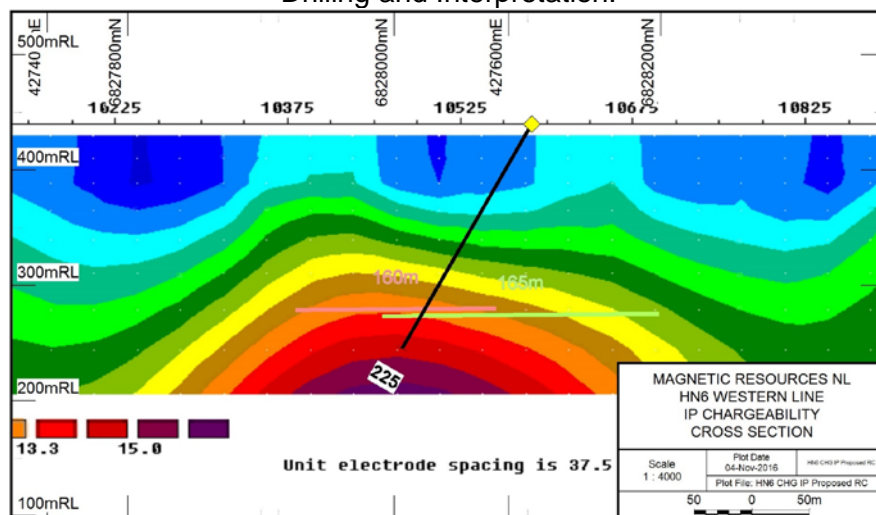


Fig 14

The Leonora-Laverton district is well endowed with large world class gold deposits. A study of the Company's tenements has so far identified a total of 5 project areas totaling 272sq km (Figures 1 and 2) that have the potential to host large scale deposits. These targets are within 50km of existing gold operations, opening the possibility for toll treating. The gold tenements held by Magnetic include: Mt Jumbo E38/3100 and P38/4201 (17sqkm); Kowtah P39/8694-8697 and P39/5617 (9sqkm); Hawks Nest E38/3127 (150sqkm) Mertondale E37/1258 (81sqkm); Christmas Well P37/8687-8694 (14sqkm).

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

A number of very large deposits (Figure.1) are present including: Wallaby (>7.1Moz mined plus resource), Sunrise Dam (>10Moz mined), Granny Smith (>2Moz mined), Gwalia (7.3Moz mined plus resource), Westralia (2.4Moz mined plus resource) and Jupiter (1.3Moz mined resource). The Mt Jumbo and Hawks Nest tenements are only 10km and 20km north of the Wallaby deposit respectively.

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

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

IRON ORE PROJECTS: (Magnetic 100%)

Magnetic has rationalised its Iron ore tenement holdings in order to focus on the Mt Joy, Ragged Rock and Kauring Projects. The Jubuk Project is held under retention status which reduces the expenditure requirement.

OTHER PROJECTS

The Company is also reviewing other projects and tenements for acquisition and development.

CORPORATE:

On 4 August 2016, the Company announced that it had raised in excess of \$2 million from new and existing shareholders to fund the Company's new direction into gold with an aggressive exploration programme planned. The placement was concluded at \$0.078 being an 18.7% premium to the share price.

On 11 August 2016, the Company announced the appointment of Greenwich and Co Audit Pty Ltd as auditor following the resignation of Somes Cooke following a merger.

On 28 December 2016 the Company announced a total of 12,757,143 options expiring on or before 27 December 2016 at \$0.1499 had expired.

For more information on the company visit www.magres.com.au

COMPETENT PERSON'S STATEMENT

Information in this report that relates to Exploration is based on information reviewed or compiled by George Sakalidis BSc (Hons) who is a member of the Australasian Institute of Mining and Metallurgy. George Sakalidis is a director of Magnetic Resources NL. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 16 for the half-year ended 31 December 2016.

This report has been signed in accordance with a resolution of directors.

For and on behalf of the Directors

Signed:



Eric Lim

Non- Executive Chairman

2 March 2017

Auditor's Independence Declaration

To those charged with the governance of Magnetic Resources NL

As auditor for the review of Magnetic Resources NL for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd



Andrew May
Audit Director

2 March 2017
Perth

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



	Notes	Half Year Ended 31 Dec 2016 (\$)	Half Year Ended 31 Dec 2015 (\$)
Revenue:			
Sundry Income		831	275
Interest income		20,988	5,481
R&D Rebate		158,652	-
Expenses:			
Depreciation expense		(2,163)	(5,202)
Exploration and tenement expenses		(462,882)	(179,653)
Other expenses		<u>(496,650)</u>	<u>(438,747)</u>
(Loss) before income tax expense		(781,224)	(617,846)
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from continuing operations		(781,224)	(617,846)
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets		<u>(5,971)</u>	<u>16,856</u>
Other comprehensive income for the period, net of tax		<u>(5,971)</u>	<u>16,856</u>
Total comprehensive income for the period attributable to members of the Company		<u>(787,195)</u>	<u>(600,990)</u>
Basic (loss) per share (cents per share)		(0.5808)	(0.6137)
Diluted (loss) per share (cents per share)		<u>(0.5808)</u>	<u>(0.6137)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**



		31 Dec 2016 (\$)	30 June 2016 (\$)
	Notes		
Current Assets			
Cash and cash equivalents		1,776,434	478,580
Trade and other receivables		75,657	31,247
Other assets		20,798	25,569
Total Current Assets		1,872,889	535,396
Non-Current Assets			
Property, plant and equipment		32,572	34,267
Other financial assets	3	41,562	47,533
Total Non-Current Assets		74,134	81,800
TOTAL ASSETS		1,947,023	617,196
Current Liabilities			
Trade and other payables		154,448	86,253
Other Payable		95,000	-
Total Current Liabilities		249,448	86,253
TOTAL LIABILITIES		249,448	86,253
NET ASSETS		1,697,575	530,943
Equity			
Contributed equity	4	18,513,572	16,559,745
Reserves	4	277,100	949,204
Accumulated losses		(17,093,097)	(16,978,006)
TOTAL EQUITY		1,697,575	530,943

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



	Contributed Equity (Net of Costs) (\$)	Reserve (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1.7.2015	15,651,445	1,140,109	(15,907,986)	883,568
Comprehensive Income				
Operating loss for the period	-	-	(617,846)	(617,846)
Other comprehensive income	-	-	16,856	16,856
Total Comprehensive Income for the period	-	-	(600,990)	(600,890)
Transactions with owners, in their capacity as owners and other transfers				
Expiry of options	-	(190,905)	190,905	-
Total transactions with owners and other transfers	-	(190,905)	190,905	-
Balance at 31.12.2015	15,651,445	949,204	(16,318,071)	282,578
Balance at 1.7.2016	16,559,745	949,204	(16,978,006)	530,943
Comprehensive Income				
Operating loss for the period	-	-	(781,224)	(781,224)
Other comprehensive income	-	-	(5,971)	(5,971)
Total Comprehensive Income for the period	16,559,745	949,204	(17,765,201)	(256,252)
Transactions with owners, in their capacity as owners and other transfers				
Share issue	1,953,827	-	-	1,953,827
Expiry of options	-	(672,104)	672,104	-
Total transactions with owners and other transfers	1,953,827	(672,104)	672,104	1,953,827
Balance at 31.12.2016	18,513,572	277,100	(17,093,097)	1,697,575

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



	Note	Half Year Ended 31 Dec 2016 (\$)	Half Year Ended 31 Dec 2015 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(422,101)	(528,014)
Interest received		6,196	5,835
Other Receipts		831	275
Drilling Rebate		<u>158,652</u>	<u>7,531</u>
Net cash (used in) operating activities		<u>(256,422)</u>	<u>(514,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(468)	(2,727)
Payments for exploration and evaluation		<u>(399,083)</u>	<u>(160,042)</u>
Net cash (used in) investing activities		<u>(399,551)</u>	<u>(162,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	4	1,953,827	-
Proceeds from borrowings		<u>-</u>	<u>120,000</u>
Net cash provided by financing activities		<u>1,953,827</u>	<u>120,000</u>
Net (decrease)/ increase in cash held		1,297,854	(557,142)
Cash and cash equivalents at the beginning of the financial period		<u>478,580</u>	<u>883,906</u>
Cash and cash equivalents at the end of the financial period		<u><u>1,776,434</u></u>	<u><u>326,764</u></u>

The accompanying notes form part of these financial statements.

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard 134: *Interim Financial Reporting*.

These financial statements were approved by the Board of Directors on the date of the Directors Declaration.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2016, together with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

These financial statements have been prepared on an accruals and historical cost basis, except where indicated, and on the going concern basis that contemplates normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

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 and receivables at the date of this report is approximately \$1.34 million
- (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 Company has the ability 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.

The going concern basis is dependent on the Company raising funds as required to pay its debts as and when they fall due. The directors are confident that this will be achieved.

Should this not be achieved, there would be significant uncertainty whether the Company will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability or classification of recorded assets or the amounts or reclassification of liabilities, which might be necessary should the Company be unable to continue as a going concern.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new, revised or amending Accounting Standards of Interpretations that are not yet mandatory have not been adopted early.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



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 which are located wholly within Australia.

Major customers

Due to the nature of its current operations, the Company does not provide products and services. (\$)

NOTE 3 OTHER FINANCIAL ASSETS

Available for sale financial assets

Balance at beginning of period	47,533
Changes in the fair value during the period	(5,971)
Closing balance	<u>41,562</u>

NOTE 4 EQUITY

Contributed Equity - Ordinary Shares

	Number	\$
At the beginning of the period	115,336,812	16,559,745
Shares issued during period	<u>26,201,847</u>	<u>1,953,827</u>
Closing balance	<u>141,538,659</u>	<u>18,513,572</u>

Contributed Equity - Contributing Shares – Partly-paid

At the beginning of the period	20,418,862	-
Contributing shares issued during period	<u>-</u>	<u>-</u>
Closing balance	<u>20,418,862</u>	<u>-</u>

Total Contributing Equity

<u>161,957,521</u>	<u>18,513,572</u>
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Share Based Payments Reserve

Balance at beginning of the period	949,204
Expiry of options	<u>(672,104)</u>
Closing balance	<u>277,100</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



	150,000
Options exercisable at \$0.18 each on or before 31 December 2017	
Options exercisable at \$0.17 each on or before 31 December 2017	4,000,000
Total Options at 31 December 2016	4,150,000

A total of 12,757,143 options exercisable at \$0.1499 each expired on 27 December 2016.

Capital raising costs of a placement fee of 5% of shares amounted to \$40,000 and was settled via the issue of 512,820 shares at \$0.078, as announced on 12 August 2016.

NOTE 5 TENEMENT EXPENDITURE COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held or joint ventured into. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations which may be varied or deferred on application to the Department of Mines and Petroleum are expected to be met in the normal course of business.

There is no minimum statutory expenditure requirement on the granted tenements for the next twelve months required. The Company continues to adopt a strategy of prioritising and significantly rationalising its tenement holdings. The tenements are located in Western Australia and are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. The tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted. The inability of the Company to meet rent and expenditure requirements may adversely affect the standing of its tenements.

NOTE 6 EVENTS SUBSEQUENT TO REPORTING DATE

Other than outlined below, there have been no matters or circumstances that have arisen since 31 December 2016 which have significantly affected or may significantly affect:

- (a) the Company's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the Company's state of affairs in future years.

The company reached a settlement with the previous managing director, Mr Gavin Fletcher with \$55,000 being paid as an employment termination payment (less tax of \$17,600) and \$40,000 for general damages. Payment was effected on the 13 February 2017 and announced on the 14 February 2017. The payments were made with no admittance as to liability.

NOTE 7 CONTINGENT LIABILITIES

Native Title

The Company's activities may be subject to the Native Title Act and Aboriginal heritage legislation.

The Native Title Act recognises the title rights of indigenous Australians. State and Commonwealth native title legislation regulates the recognition, application and protection of native title. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, heritage survey and protection agreements or other agreement types may need to be negotiated with affected parties.

The Native Title Act prescribes procedures applicable to the grant of tenements which may apply even in the case of, for instance, a granted exploration licence being "converted" to, say, a mining lease. Compensation may become payable in respect of any impact which the grant of any tenements or other activities have on native title. A tenement holder may be liable for the payment of compensation for the affect of mining and exploration activities on any native title rights and interests that exist in the area covered by a tenement. Compensation may be payable in forms other than money, including the transfer of property and the provision of goods and services.

It is not currently possible to assess whether compensation will be payable by the Company to native title holders in relation to any of the tenements but such compensation could be significant.

There may be sites and objects of significance to indigenous Australians located on the land relating to the Company's tenements. State and Commonwealth Aboriginal heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. The Company proposes carrying out 'clearance surveys' if it considers this to be appropriate before conducting any exploration work that would disturb the surface of the land. The Company's tenements may contain some such sites or objects of significance, which would need to be avoided or cause delays. It is possible that areas containing mineralisation or an economic resource may also contain sacred sites, in which case exploitation thereof may be entirely frustrated. Access agreements will need to be negotiated with affected parties.

Native title, Aboriginal heritage or other indigenous matters are matters of substantial risk (giving rise to the threat that certain tenements may not be granted, access to certain tenements may be denied or delayed in addition to potentially significant cost exposure in respect of things such as negotiations, surveys, incentive payments and compensation to name but a few) as the legislative frame works provide torturous and frequently uncertain routes to the endeavour by both stakeholders (that is explorers/miners and indigenous peoples) to attain certainty.

It is not possible to quantify the financial or other impact native title and Aboriginal heritage will have upon the Company as, amongst other things, the processes involved with:

- (a) identifying all and only the indigenous peoples with a relevant interest;
- (b) registering an indigenous land use agreement;
- (c) obtaining access to land without infringing the provisions of the Aboriginal Heritage Act;

are open ended, can involve substantial delay and cost and there can be no certainty as to the outcome with it being possible for projects to be entirely frustrated.

This could be the case, for instance, even in circumstances where:

- (a) a native title party consents to the grant of an exploration licence and assists the exploration endeavour thereon (and the discovery of an otherwise economic deposit);
- (b) the Company, in order to exploit that discovery, applies for a mining lease (or other required approval, consent, authority etc.) but such grant, approval, consent or authority is not forthcoming by reason of an objection by the same or another native title party.

Freehold Access

The interests of holders of freehold land encroached by tenements are given special recognition by the Mining Act (WA). As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. There can be no assurance that the Company will secure rights to access those portions of the tenements encroaching freehold land either at all or for all purposes but, importantly, the grant of freehold extinguished native title so wherever the tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters will still be a consideration.

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes:
 - (a) comply with Accounting Standard AASB 134 : *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the Company as at 31 December 2016 and its performance for the half-year ended on that date.
2. 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.

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

Signed at Perth:

A handwritten signature in black ink, appearing to read 'Eric Lim', with a horizontal line drawn underneath.

Eric Lim
Non-Executive Chairman

Dated this 2 March 2017

Independent Auditor's Review Report

To the members of Magnetic Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnetic Resources NL, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and comprehensive income, statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Magnetic Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magnetic Resources NL is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Magnetic Resources NL financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – inherent uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to note 1 in the financial statements which outlines the ability of the company to continue as a going concern is dependent on the ability of the company to raise additional funds as required to pay its debts as and when they fall due.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd



Andrew May
Audit Director

2 March 2017
Perth