

31 January 2018

Isabelle Andrews
ASX Compliance
Adviser, Listings Compliance (Perth)
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

1st Floor
44A Kings Park Road
West Perth WA 6005
PO Box 1388
West Perth WA 6872
Telephone 08 9226 1777
www.magres.com.au

ABN: 34 121 370 232

Dear Isabelle,

RE: Appendix 5B

I refer to your letter dated 30 January re the Appendix 5B for the period ended 31 December 2017 for Magnetic Resources NL (**Magnetic** or the **Company**).

Answers below correspond to the numbering of your questions in your letter.

- 1. Does MAU expect that it will continue to have negative operating cashflows for the time being and, if not, why not?**

Magnetic Resources NL is an exploration company and therefore it is expected to have negative operating cashflows continue while it undertakes additional exploration, which will be financed by numerous funding initiatives including research and development grants and capital injections from shareholders.

- 2. Has MAU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

The Company has had success in its recent drilling initiatives resulting in a need to raise additional capital. The Company has a loyal base of shareholders including directors who participate in capital raisings and is evaluating a number of funding initiatives including capital raisings to new and existing shareholders. The Company has the full 15% placement capacity and the special 10% placement capacity available to it under Listing Rule 7.1 and 7.1A.

- 3. Does MAU expect to be able to continue its operations and meet its business objectives and, if so, on what basis?**

The Company has plans to continue exploration of its promising gold tenements with the view to establishing a proven resource, which like all exploration companies will continue to be funded through various capital initiatives.

- 4. Please provide any other information that MAY considers may be relevant to ASX forming an opinion on whether MAU is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing)**

The Company confirms it is compliance with Listing Rule 12.2, as set out in points 1 to 3 above.

- 5. Please confirm that MAU is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.**

The Company is, to the best of its knowledge and belief, in compliance with the ASX listing rules in particular, listing rule 3.1.

- 6. Please confirm that MAU's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MAU with delegated authority from the board to respond to ASX on disclosure matters.**

The Company confirms that the responses to the questions have been approved by the Board.

Regards

Ben Donovan
Company Secretary



30 January 2018

Mr Ben Donovan
Company Secretary
Magnetic Resources NL
Level 1
44A Kings Park Road
West Perth WA 6005

Dear Mr Donovan

Magnetic Resources NL (“MAU”): Appendix 5B Query

I refer to MAU’s Appendix 5B quarterly report for the period ended 31 December 2017 lodged with ASX Market Announcements Platform on 30 January 2018 (the “Appendix 5B”).

ASX notes that MAU has reported:

- negative net operating cash flows for the quarter of \$162,000;
- cash at the end of the quarter of \$857,000; and
- estimated cash outflows for the next quarter of \$670,000.

It is possible to conclude, based on the information in the Appendix 5B that if MAU were to continue to expend cash at the rate indicated by the Appendix 5B, MAU may not have sufficient cash to continue funding its operations. In view of that, ASX asks MAU to respond separately to each of the following questions and requests for information:

1. Does MAU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MAU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does MAU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that MAU considers may be relevant to ASX forming an opinion on whether MAU is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that MAU is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

6. Please confirm that MAU's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MAU with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **05:00 pm AWST on Friday 2 February 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MAU's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MAU's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at TradingHaltsPerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to MAU's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MAU's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MAU's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Isabelle Andrews
Adviser, Listings Compliance (Perth)
P: 13 12 79