



magnetic resources^{NL}

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2017

ABN 34 121 370 232



magnetic resources^{NL}

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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 2017.

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 2017 was \$962,468 (2016: \$781,224)

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 2017.

INTRODUCTION:

Gold Projects Summaries

Hawks Nest E38/3127

Magnetic has completed a programme of RC drilling (19 holes for 800m) on geochemical, geophysical and geological targets at its HN3, HN4, HN5 and HN6 targets on the Hawks Nest exploration licence (E38/3127) approximately 15km SW of Laverton (Figure 1 and Table 1). A new 151 soil sampling programme has been completed covering strong geochemical zones found previously at HN5 and HN6.

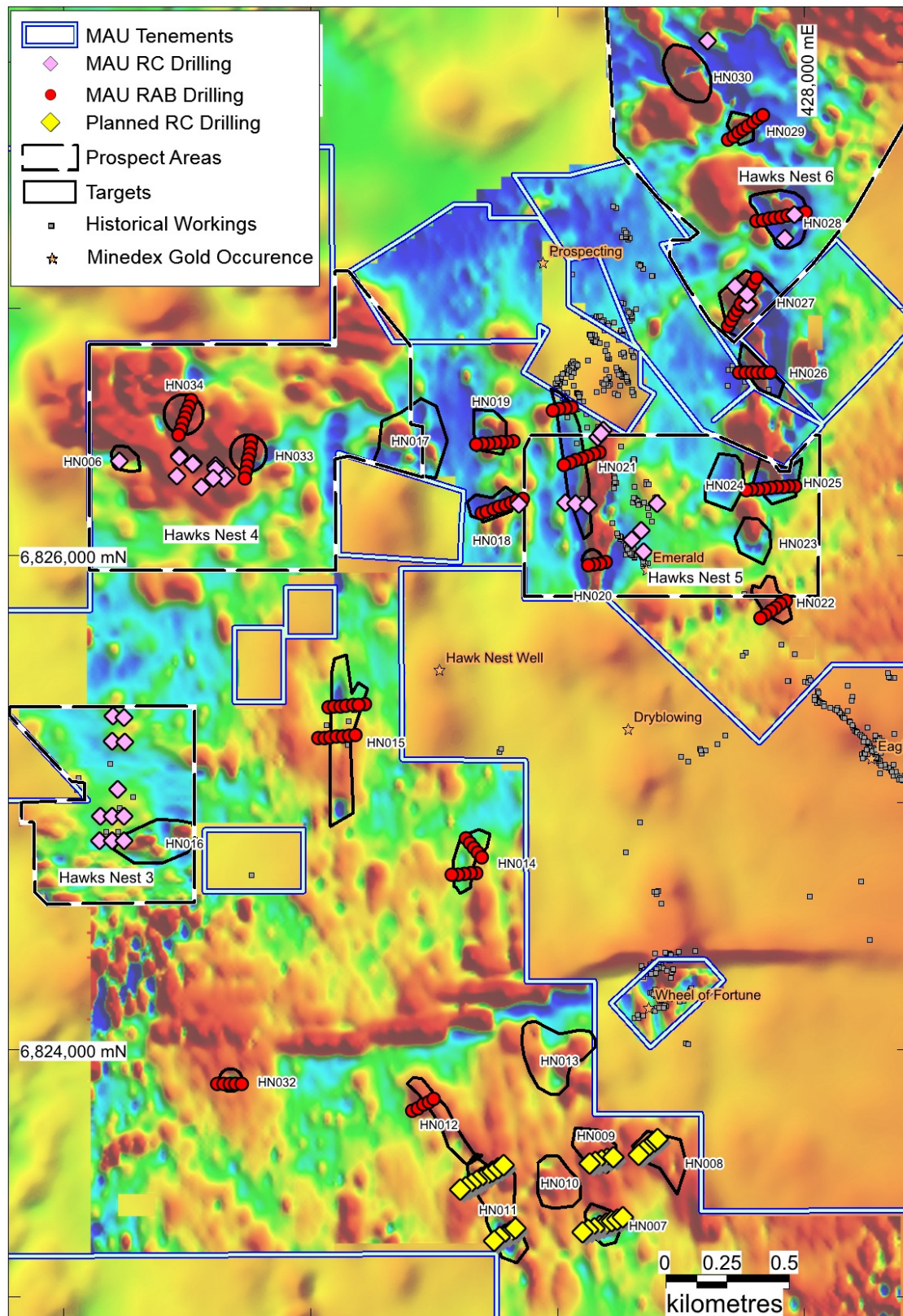


Figure 1. Hawks Nest E38/3127 Ground magnetics and Prospects HN3 to HN6

Table 1. Hawks Nest RC drilling December Quarter 2017

Hole ID	Depth	Azi	Dip	East	North	Prospect	Target	Hole type
MHNRC31	66	270	-50	427963	6827393	HN6	57ppb and 69ppb Au in soil on discrete magnetic high	RC
MHNRC32	70	270	-50	427925	6827300	HN6	91, 77 and 56ppb Au in soil on magnetic low	RC
MHNRC33	24	270	-50	427777	6827030	HN6	4m @ 0.6g/t Au in shallow RAB hole MHNRB020on complex magnetic high	RC
MHNRC33A	60	270	-50	427775	6827030	HN6	narrow N-S geochemical anomaly	RC
MHNRC34	50	270	-50	427723	6827104	HN6	Northern extension of 4m @ 0.6g/t Au in shallow RAB hole MHNRB020on complex magnetic high	RC
MHNRC46	70	270	-50	427770	6827071	HN6	Northern extension of 4m @ 0.6g/t Au in shallow RAB hole MHNRB020on complex magnetic high	RC
	340							
MHNRC35	78	225	-50	427344	6826115	HN5	1873ppb and 216ppb Au soil anomaly	RC
MHNRC36	60	40	-50	427167	6826493	HN5	HNR52 rock sample 3.55g/t Au	RC
MHNRC47	32	220	-50	427190	6826523	HN5	HNR52 rock sample 3.55g/t Au	RC
MHNRC48	60	220	-60	427179	6826508	HN5	HNR52 rock sample 3.55g/t Au	RC
	230							
MHNRC37	20	30	-60	425665	6826337	HN4	Rock chip HNR60 6.5g/t Au	RC
MHNRC38	45	30	-60	425653	6826327	HN4	Rock chip HNR60 6.5g/t Au	RC
MHNRC39	15	30	-60	425619	6826379	HN4	Rock chip HNR17 51.7g/t Au	RC
MHNRC40	30	30	-60	425618	6826366	HN4	Rock chip HNR17 51.7g/t Au	RC
MHNRC41	20	30	-60	425609	6826328	HN4	Rock chip HNR18 0.2g/t Au	RC
MHNRC42	15	30	-60	425530	6826387	HN4	Rock chip HNR61 1.4g/t Au	RC
MHNRC43	40	30	-60	425526	6826383	HN4	Rock chip HNR61 1.4g/t Au	RC
MHNRC44	15	30	-60	425472	6826421	HN4	Rock chips HNR54 27.3g/t HNR71 1.2g/t Au	RC
MHNRC45	30	30	-60	425471	6826412	HN4	Rock chips HNR54 27.3g/t HNR71 1.2g/t Au	RC
	230							
Total	800							

Hawks Nest 5

This area comprises the Emerald workings, a series of NW-trending gold diggings over a 200m strike length which intersect and sinistrally displace a N–S trending magnetic anomaly, which is 750m in length.

Two 500m-long gold and multi-element geochemical anomalies are associated with a 300m zone of quartz veins in porphyry and with the Emerald workings. A further 70 soil samples were completed to help close off both anomalous Au soil targets outlined above. **The western geochemical anomaly is planned to be drill tested and is a significant 500m by 80m wide in size and ranges from 56ppb to 227ppb Au.**

A programme of 4 shallow RC holes for 230m (Table 1) were completed to test historical workings with an anomalous rock sample of 3.55g/t Au (in the northern part of Figure 2), plus an anomalous soil anomaly of 1873ppb and 216ppb (427348mE, 6826118mN) close to the Emerald workings (Figure 2). Results are awaited.

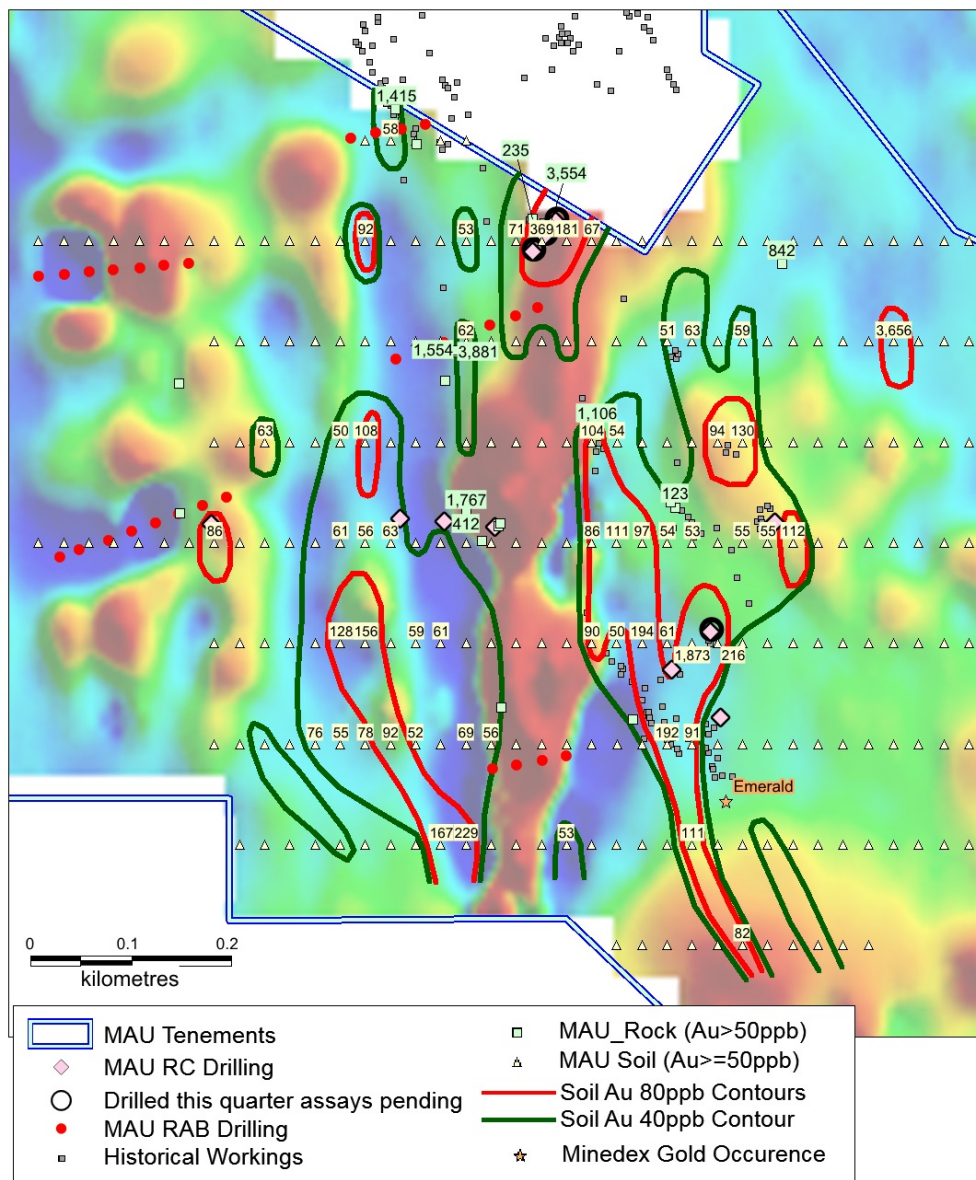


Figure 2. Hawks Nest HN5 ground magnetics with 2x500m soil geochemical anomalies and RC drilling

Hawks Nest 4

Geological mapping has identified at least two cherty ironstone (BIF) horizons, one of which has been traced intermittently for about 750m with evidence of old prospecting pits along its length (Figure 3). Rock chip sampling has shown **highly anomalous values ranging from 0.07 to 51.7g/t Au. Eight of the 17 samples had over 1g/t Au.** Nine shallow RC holes for 230m (Table 3) have been completed and results are pending.

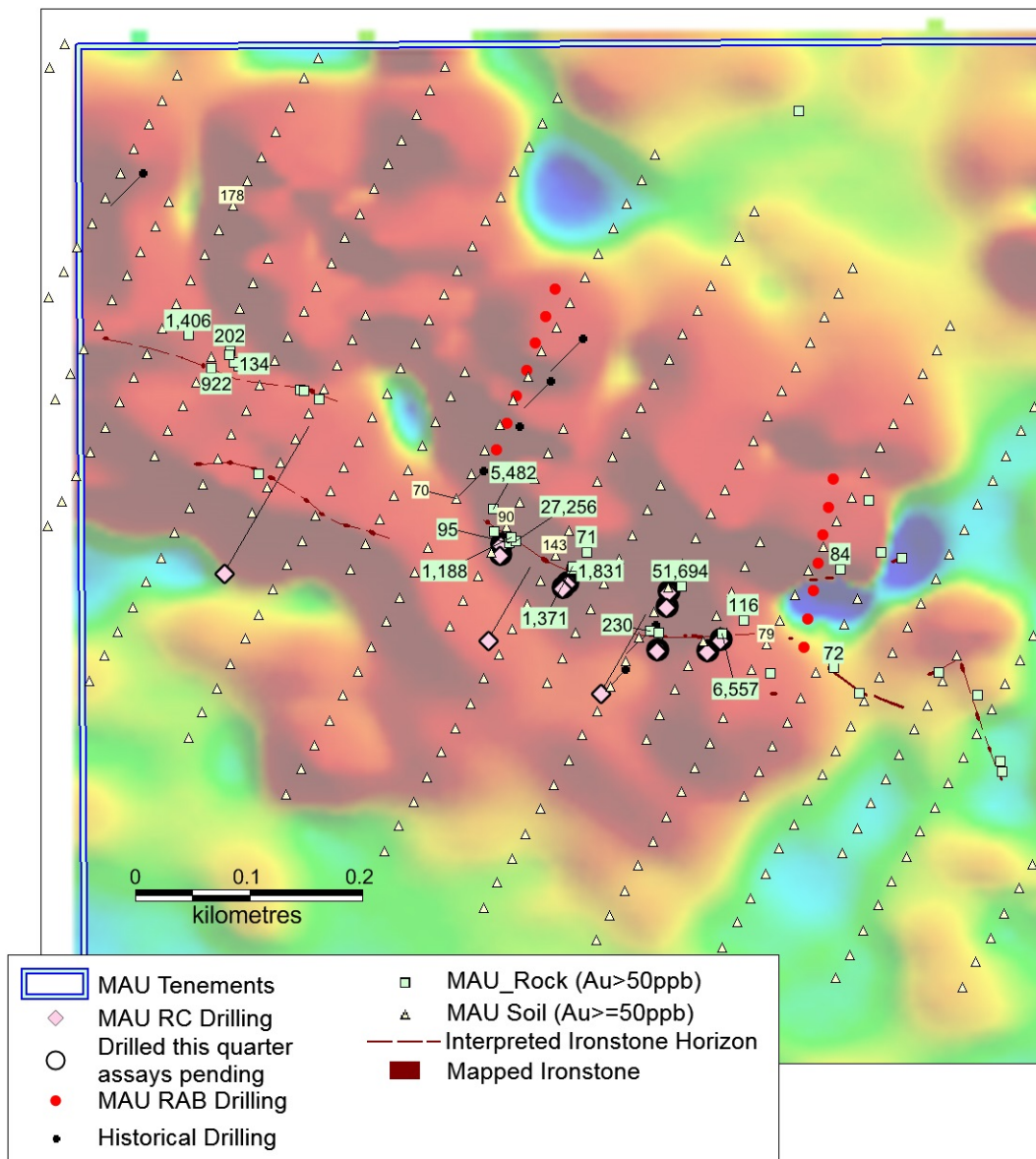


Figure 3. HN4 ground magnetics showing highly anomalous rock chip samples and RC drilling within a quartz ironstone

Hawks Nest 6

This prospect comprises a 1.5km-long arcuate magnetic trend with some old gold diggings. Wide-spaced shallow geochemical traverses were carried out over selected magnetic targets with anomalous gold in the range 0.06 to 0.70g/t Au recorded in amphibolite in several locations (Figure 4).

A programme of soil sampling (81 samples) over the 1.5km trend has been completed with a new 500m anomalous geochemical zone defined. Six RC holes totaling 340m tested soil anomalies between 56 and 91ppb associated with a complex strong remanent low (427940mE, 6827300mN), plus an anomalous shallow RAB intersection of 4m at 0.7g/t from surface (427777mE, 6827030mN). Results are awaited.

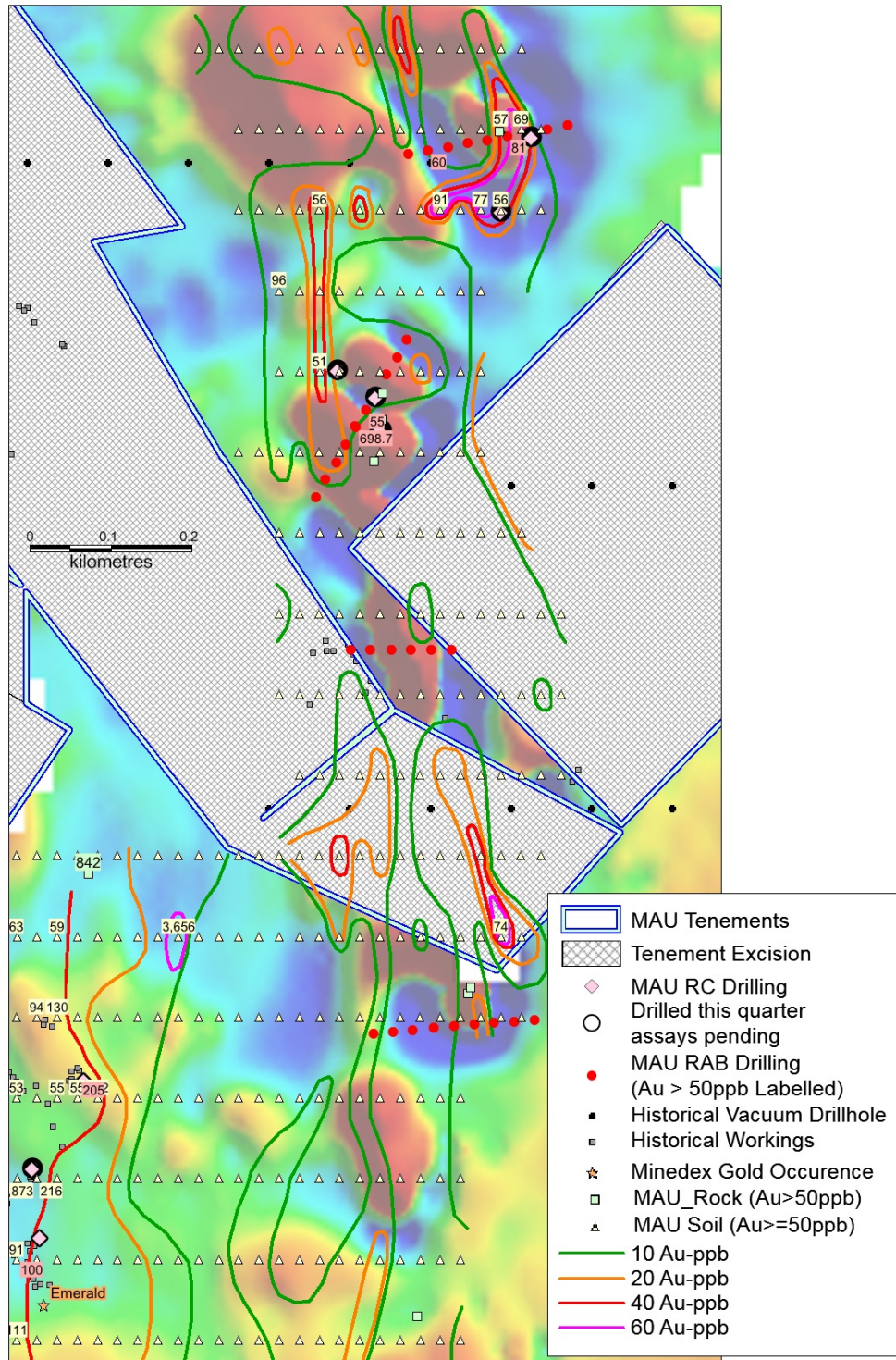


Figure 4. Hawks Nest E38/3127 HN6 on ground magnetics showing current RC drilling and soil programme

Mt Jumbo East

Mt Jumbo East comprises 11km² of new tenement applications, with at least 3 prospects. Significant shallow historical drill intersections at the No Name prospect include 6m @ 5.8g/t Au from 10m in drillhole MJC09, including 3m @ 10.9g/t Au from 13m (see previous quarter). Very anomalous surface samples from 1.8 to 3.2g/t are found at the Horseshoe Pass prospect (Figure 5).

A 300-lag sampling programme has been planned over at least 6 targets and 201 samples have been taken to date (Figure 5). Follow up drilling is expected from these mainly Au in BIF style targets.

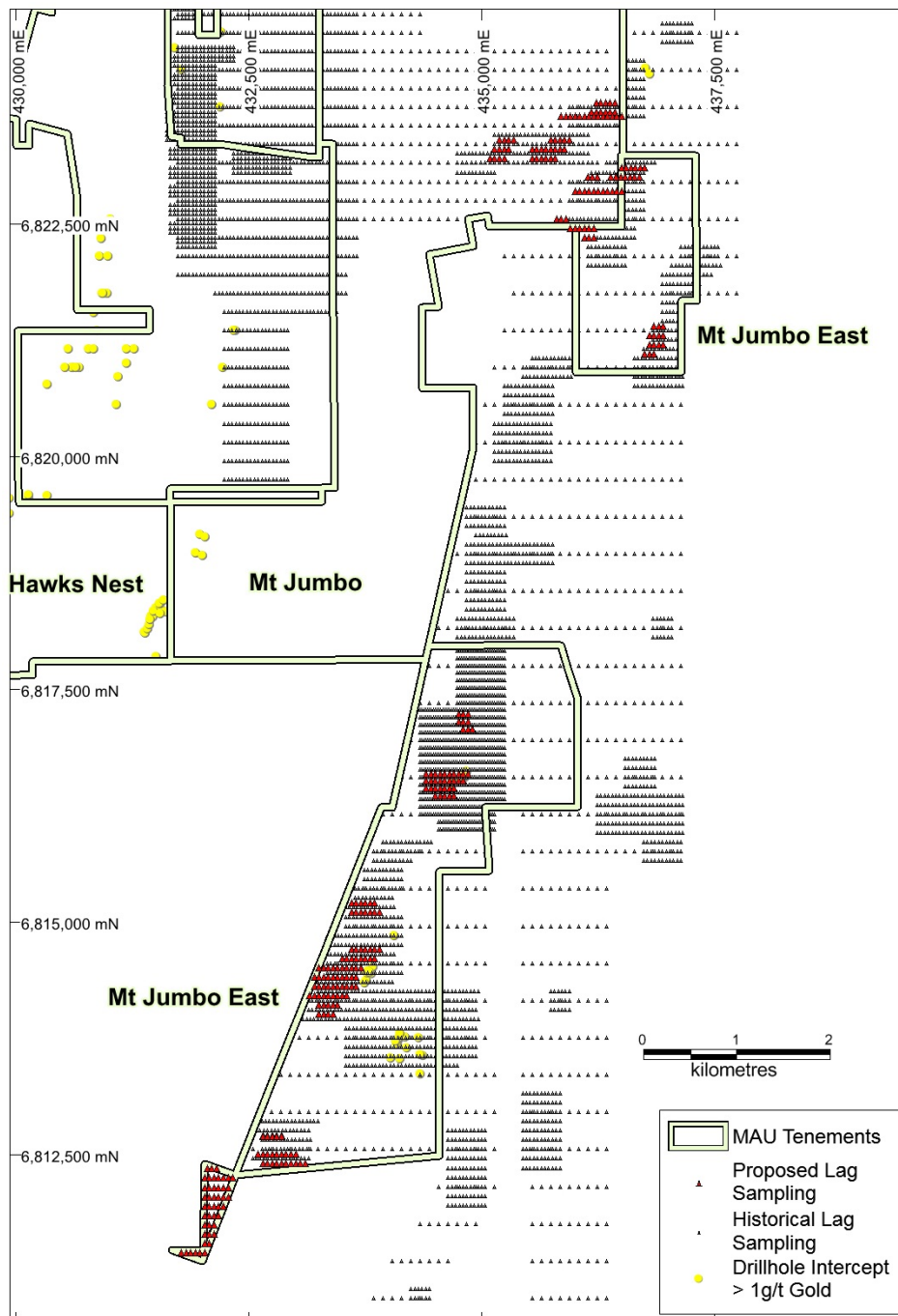


Figure 5. Mt Jumbo - Mt Jumbo East Lag Sampling in progress

Mertondale E37/1258

Magnetic Resources has 180km² of tenements in the Mertondale region (Figure 6), which has numerous dilation targets at changes in orientation of the Mertondale shear and parallel shears.

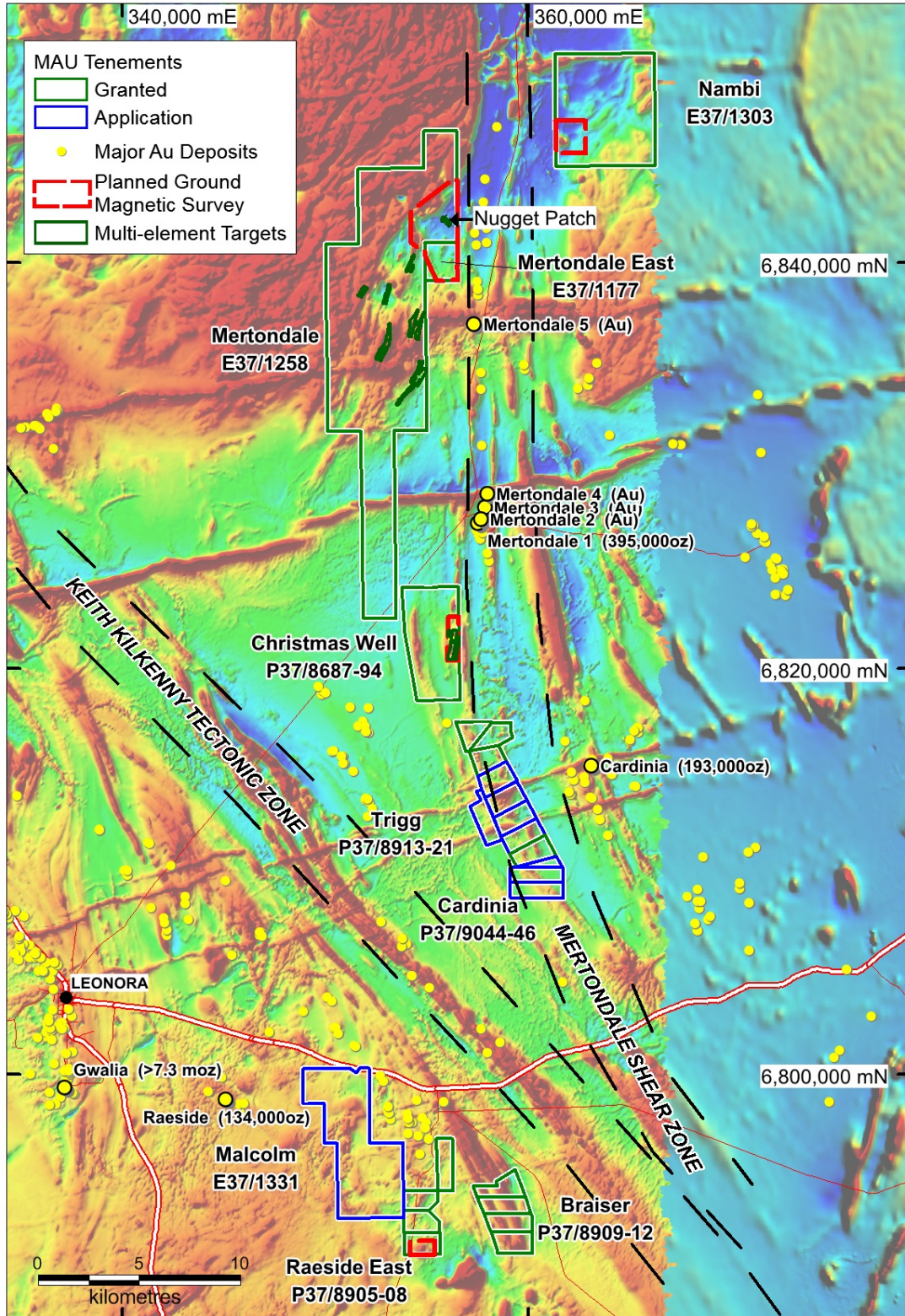


Figure 6. Mertondale, Mertondale East, Christmas Well, Trigg, Raeside, Raeside East, Braiser and Nambi Projects. Showing major shear zones, targets and Gold deposits and historic workings

About 8.4km of multi element geochemical targets have been delineated after below hardpan shallow RAB drilling has been completed approximately 20km NW of the Cardinia Gold Project (193,000oz) and only 5km west of the Mertondale Deposit (395,000oz). Previous soil geochemical work was too shallow to be effective. Three intrusive targets like the Wallaby deposit signature are to be tested as well.

Mertondale Large Gold Nuggets

Over the last several months more than 70oz of large gold nuggets are estimated to have been recovered within the NE part of Magnetic's Mertondale tenement (E37/1258) by prospectors including the local pastoralist, see Figures 7–10. These nuggets are very large with the latest nugget estimated to contain over **20oz** (356218mE, 6842145mN) and being 10cm long by 5cm in size (Figures 9 and 10; MAU ASX Release 2 November 2017).

These nuggets are reported to occur at shallow depths of 0-2m within a lateritic profile and are likely to be sourced from the underlying bedrock because of the angular nature and size of the nuggets, which have been located using hand held metal detectors.



Figure 7. Mertondale gold nuggets, including one 11oz nugget



Figure 8. Mertondale fine gold from panning from the original gold patch



Figure 9. Large 21oz (670g) gold nugget recovered from Mertondale



Figure 10. Excavation at Mertondale for some of the large nuggets including the 21oz nugget

The area where the nuggets have been found as well as surrounding areas (8km²) has now been covered with a detailed soil sampling programme (599 samples), as well as 486 laterite samples, 74RAB drillholes and 26shallow RC holes to approximately 60m depth each (Figure 11).

Magnetic has signed a tribute agreement with Mr Matt Taylor the Mertondale pastoralist. The main points are that a 500t sample can be dozed and metal detected at any one time with the approval from Magnetic. Magnetic will receive 15% of the gross sale value of all minerals including gold extracted, mined, produced or won from the tenement. Matt Taylor will be responsible for the rehabilitation of the land. Due to the success of this dozing and detecting programme, an additional 1000t has been approved.

Laterite sampling

Broader spaced (100m x 100m) laterite sampling to the north of the recent gold nugget discoveries (MAUASX Releases 7 August 2017 & 2 November 2017) has outlined a 1000m-long north-trending gold anomaly (+10ppb, peak 40ppb, background 1–4ppb) on the eastern margin of E37/1258 Mertondale, starting about 300m north of the original gold nugget discovery on 7 August 2017 (Figure 11). This large laterite anomaly is being mapped in detail prior to a further RC/AC drilling programme.

This linear feature parallels the mineralized Mertondale Fault situated 2km to the east and represents a worthwhile target for gold nuggets, gold-rich ironstone and deeper-seated mineralisation. A second laterite gold anomaly (+10ppb, peak 22ppb) has been identified about 400m west of the original nugget discovery, trending WNW over a 600m strike length (Figure 11).

Numerous secondary ironstone occurrences have been identified in this area, some of which are gold bearing based on reports from local prospectors who have used metal detectors and then crushed and panned the ironstone (Figure 12).

The main prospecting activity is currently focused on a north-trending secondary ironstone exposed by shallow mechanized trenching about 100m east of the original nugget discovery (MAU ASX release 7 August 2017). The ironstone is approximately 5m wide and has been so far traced for a strike length of 150m. About 40 nugget locations have been recorded by prospectors along the ironstone, with nugget sizes reported to range from 1cm to 10cm.

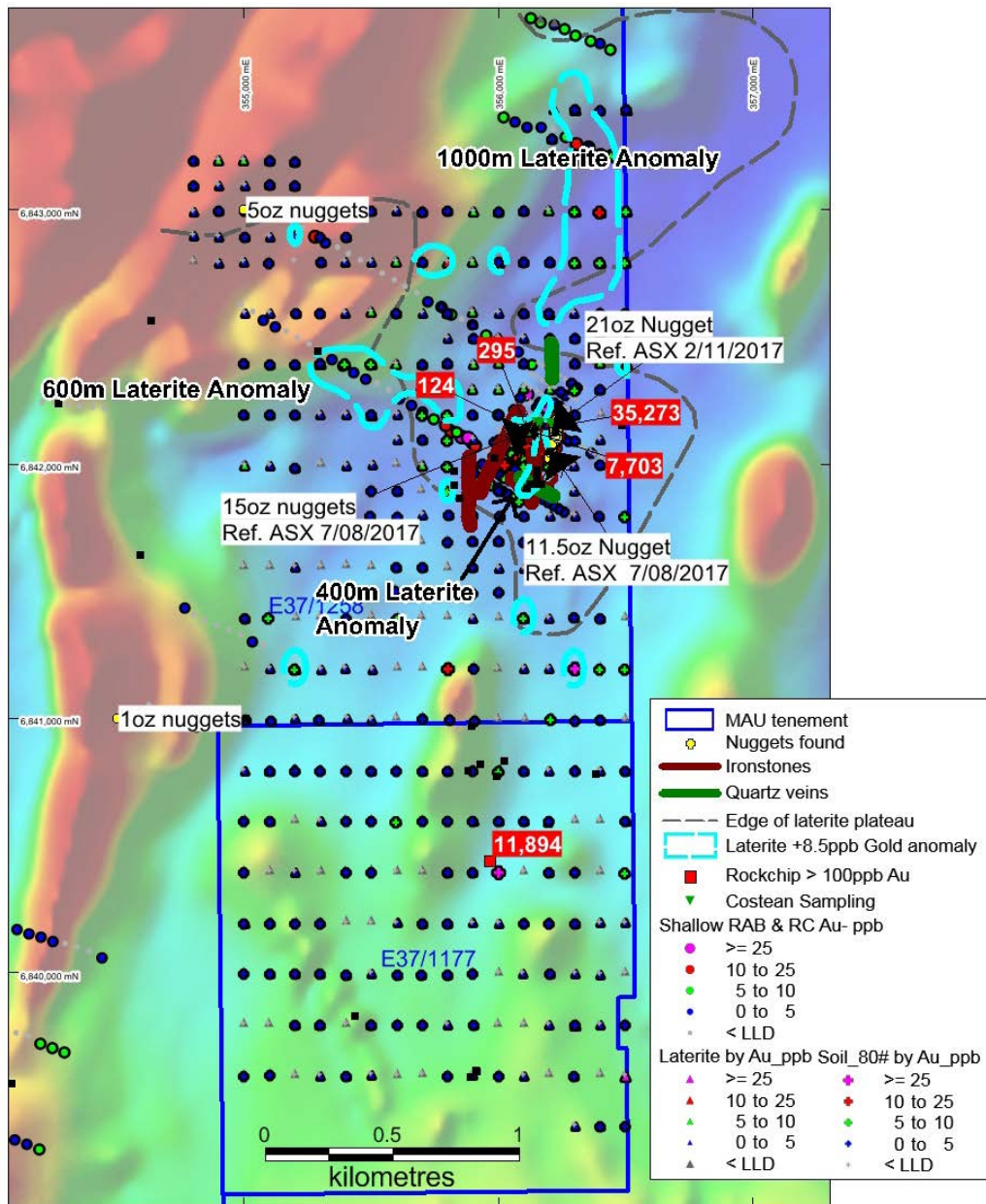


Figure 11. Mertondale Laterite gold anomalies, gold nugget trench samples and RC drilling

The 21oz nugget (10cm) was reported in the ASX release of 2/11/2017. Reports from the prospector is that most of the nuggets are embedded in the ironstone/calcrete material which appears like a conglomerate or a silcrete.

In the northern part of the Mertondale tenement, more than 70oz of gold nuggets have been located to date. Mapping and sampling of this and other ironstones in the area is in progress. A programme of scout RC drilling has just been completed in this area, with analysis of drill samples in progress.

A detailed trench sampling programme is being assessed to elucidate the economic potential for the extensive ironstones mapped here.

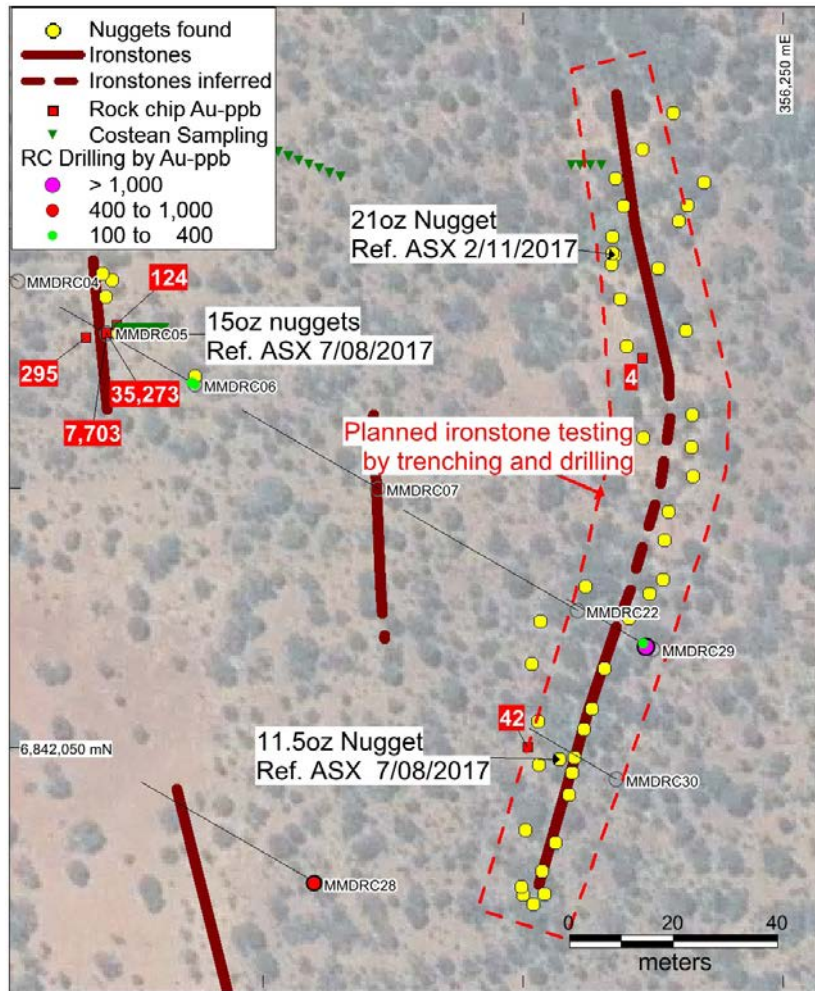


Figure 12. Gold nugget and ironstone summary of the nugget patch area, with a total of about 70oz gold nuggets found to date within the nugget patch area

Follow-up shallow geochemical RAB drilling in the central part of the exploration licence has identified further anomalous gold values of 71ppb and 132ppb, open to the south. These anomalous values occur on a major 3.1km long structural offset of a Proterozoic dyke, a potentially favourable structural position for gold mineralization (Figure 14). Further shallow RAB geochemical drilling has been completed with 242 samples being assayed.

George Sakalidis commented, “we are very encouraged by the nugget patch and the local surrounds, which contain large numbers of coarse nuggets, which appear to have shed off the extensive mapped ironstones in this area. Two other large anomalous areas in the laterite of 1km and 0.6km in length are prospective for these nuggets, ironstone and deep mineralisation potential and will be investigated with future programmes.

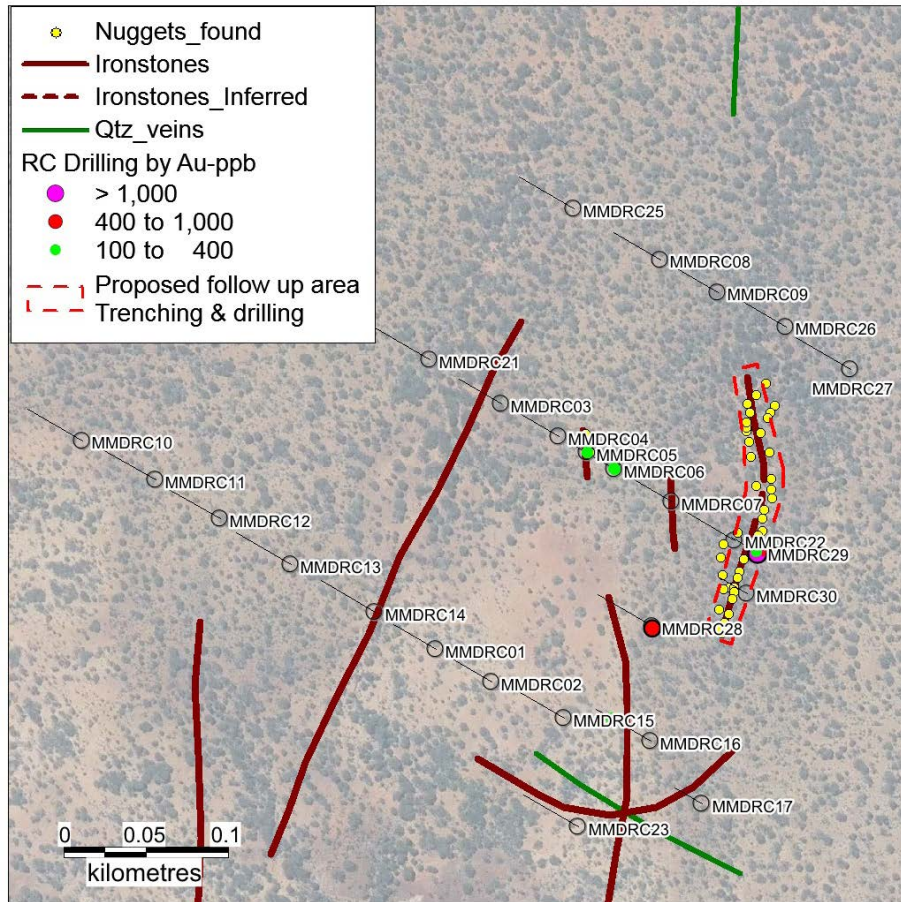


Figure 13. RC drilling, Ironstones and gold nugget occurrences

Drilling

RC drilling at Mertondale (Figure 6, Table 2) have intersected gold mineralisation in lateritic ironstone within the recent nugget discoveries by local prospectors (refer to MAU ASX releases of 7/08/2017, 2/11/2017, 21/11/2017). Also, three trench samples in the original gold nugget patch area have high gold results of **35.3g/t**, **7.7g/t** and 0.3g/t from 3 separate 1kg samples within the western wall of the pit (Figure 12). In addition, a brecciated quartz vein in laterite within E37/1177 returned a high-grade gold value of **11.9g/t** (Figure 11).

The RC drilling programme was designed predominately to test the original nugget find near drillhole MMDRC05 (see Figure 11) and has not adequately covered the main 150m-long nugget patch 100m to the east which has only two holes drilled there, as it was discovered at the end of the RC programme.

RC gold intersections in laterite include 1m at 1.11g/t from 2m, 1m at 0.46g/t from surface, 3m at 0.13g/t from 2m and 2m at 0.11g/t from surface. A deeper intercept of 4m at 0.28g/t from 42m occurs in basalt in hole MMDRC-16. The drill intercepts are summarised in Table 2.

The drilling intersected a sequence of mafic volcanic rocks (basalt) capped by 1-10m of laterite overlying variably ferruginised saprolite to depths of 10-30m. Secondary ironstone intercepts occur at various positions within the saprolite zone but are mainly associated with the laterite in the top 10m of the profile.

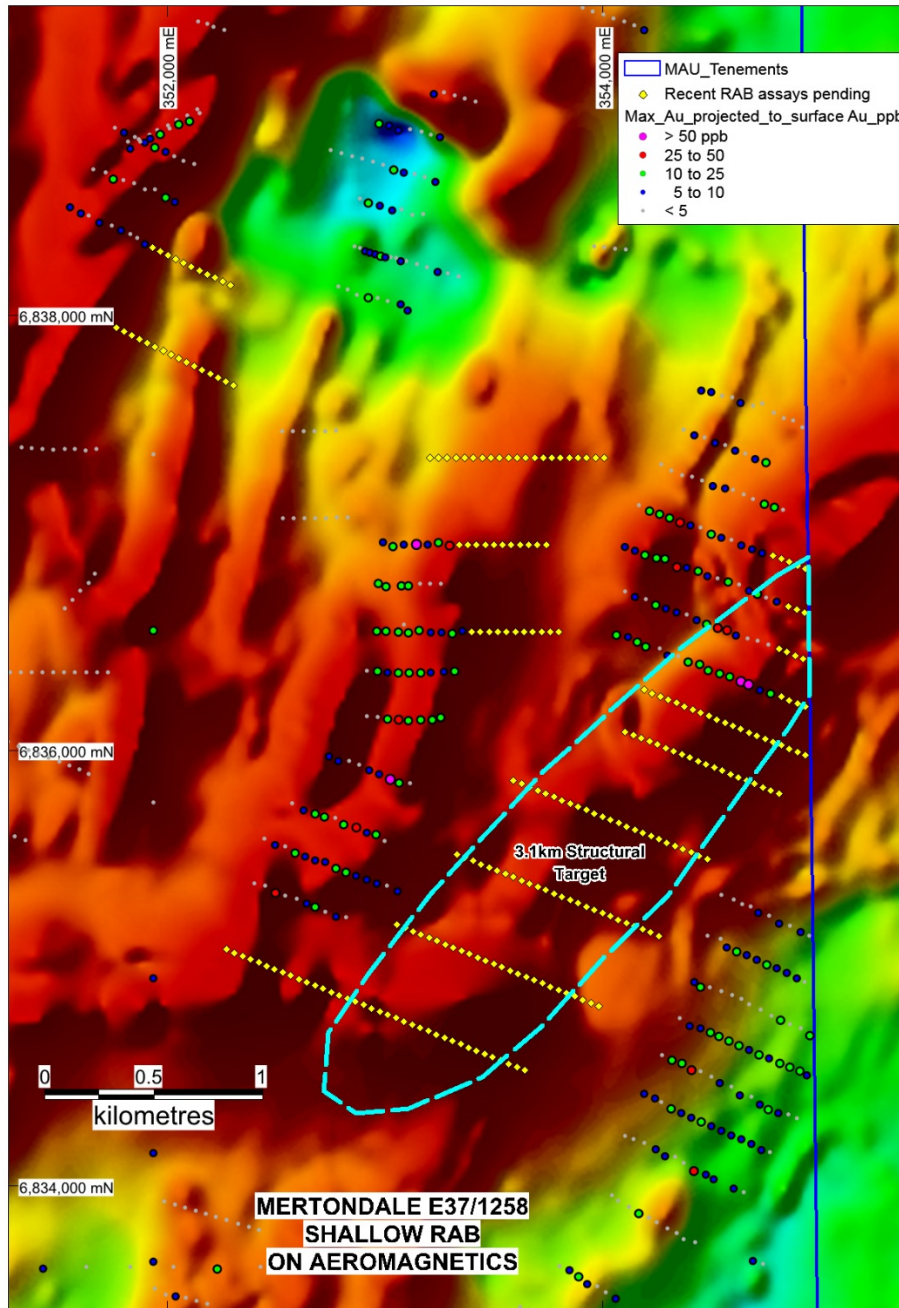


Figure 14. Anomalies and completed shallow RAB drilling on the 3.1km-long structural offset of a Proterozoic dyke

The density of drilling at the larger 150m-long eastern nugget zone is low as only two holes have been drilled here and further drilling will be required to assess this area. One of these holes MMDRC29 returned 1m at 1.11g/t from 2m. It is also recognized that owing to the nuggetty character of the gold in the laterite and ironstone, drilling may not be providing enough sample to adequately assess the grade. To this end a programme of trenching across the eastern nugget zone and the original nugget patch at 25m intervals is planned to expose the lateritic ironstone and allow larger samples to be taken for gold analyses. At this stage the source of the gold nuggets is thought to have shed off these linear NS ironstones as shown in Figure 12 and 13, where 40

nuggets were found including very large 21oz and 11.5oz nuggets (also refer to ASX release 21/11/2017).

In the meantime, infill surface sampling of the gold-in-laterite anomalies situated to the north and west of the nugget occurrences (shown in Figure 11) has been completed and assaying is in progress. This will allow Magnetic to also start testing the much larger 1km gold in laterite target 300m north of the 150-m long eastern nugget patch (Figure 11).

The nugget patch areas have consistently had large and plentiful nuggets associated with the Ironstones outlined by prospectors and a geologist. More drilling and trenching is now required to ascertain the average gold content especially within the eastern 150m long gold patch which has only had 2 holes drilled there and the northern 1000m long anomalous gold in laterite area.

Table 2. RC Drilling Results

Drill hole	From	To	Interval	Grade
	m	m	M	g/t Au
MMDRC05	2	5	3	0.13
MMDRC06	0	2	2	0.11
MMDRC16	42	46	4	0.28
MMDRC28	0	1	1	0.46
MMDRC29	2	3	1	1.11

Christmas Well P37/8687-94

Shallow RAB (<4m) below hardpan geochemical sampling have been carried out at the Christmas Well project (P37/8687–8694) 10km NW of Kin Mining's Cardinia project (Figure 15).

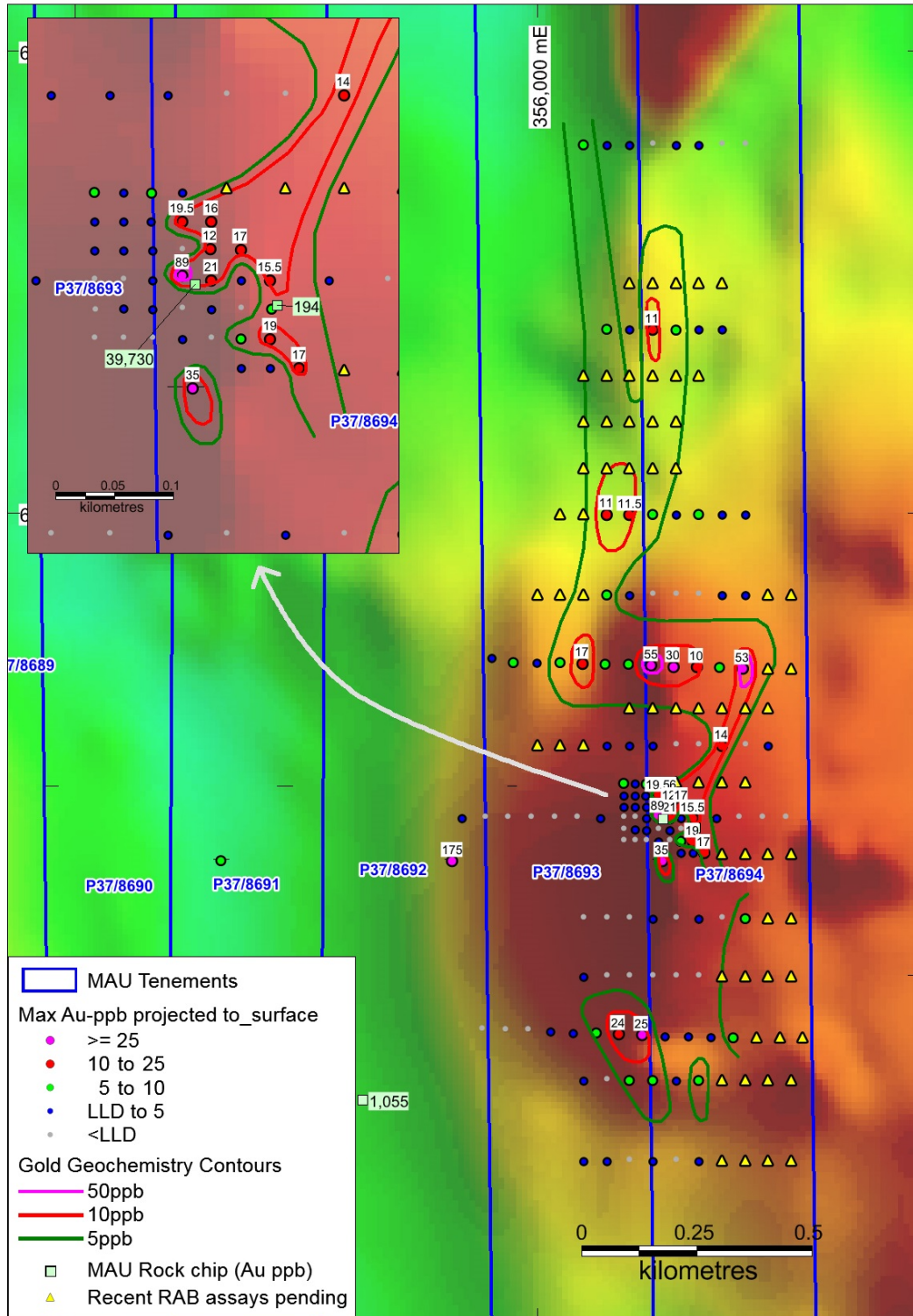


Figure 15. Christmas Well Shallow RAB Results, Aeromagnetics Image

A significant 2000m-long N–S anomalous gold zone has been defined with values up to 194ppb and 39.7g/t (39,730ppb) centred on the historical Triumvirate workings (Figure 15).Historically

similar high grades were mined with 1500g of gold being recovered from 50 tonnes of ore extending over 110m of workings, striking SSE in a vertically dipping quartz lode hosted by meta-basalts near the contact with felsic schists (WAMEX report A27915).

A further 65 infill shallow RAB holes have recently been completed and assays are pending. This N–S structural zone is parallel and close to the Mertondale shear zone where many significant mines occur including Mertondale 1,2,3,4,5 (395,000oz) and the recent Kin Mining Discovery at Cardinia (>193,000oz). Magnetic Resources is encouraged by these early geochemical results and RC/AC holes are planned to test the best parts of the 2000m long geochemical anomaly.

Birthday Patch Gold Tenements

In January 2018 Magnetic Resources entered into an option to purchase agreement with prospector Lynsay Masters on the Birthday Patch prospect comprising tenements E53/1978 (application pending), P53/1627(granted) and P53/1628 (granted) totalling 37km², situated 123km east of Wiluna and 225km north of Magnetic's Leonora–Laverton Project (**Figure 16**). A \$5000 option fee payment has been paid and Magnetic has the right to explore for a further 9 months before an option exercise price of \$35,000 needs to be paid for 100% ownership of the tenements.

Magnetic has also applied for E53/1981 totalling 138km², which surrounds the optioned tenements. E53/1981 is not part of the option with Lynsay Masters and once this tenement is granted it will be owned 100% by Magnetic.

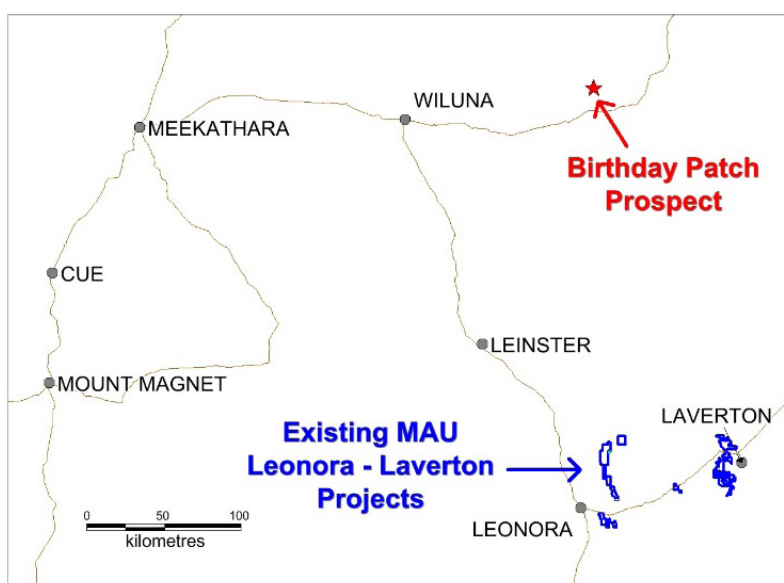


Figure 16. Birthday Patch Prospect Location

Birthday Patch is a virgin discovery of high-grade gold as evidenced by the gold in quartz recovered to date. The absence of any historical drilling and the coincidence with our interpretation of a large shear zone make this a very attractive drilling proposal, giving Magnetic yet more upside in its search for high-grade gold resources.

The optioned tenements cover a 700m-long corridor within which near-surface gold nuggets have been reported by prospectors using metal detectors (Figure 17). Examples of the gold in quartz and gold nuggets reported from this area are shown in Figures 18 and 19 respectively. GSWA mapping indicates that the nugget occurrences are situated on a granite-sediment contact (Figure 20).

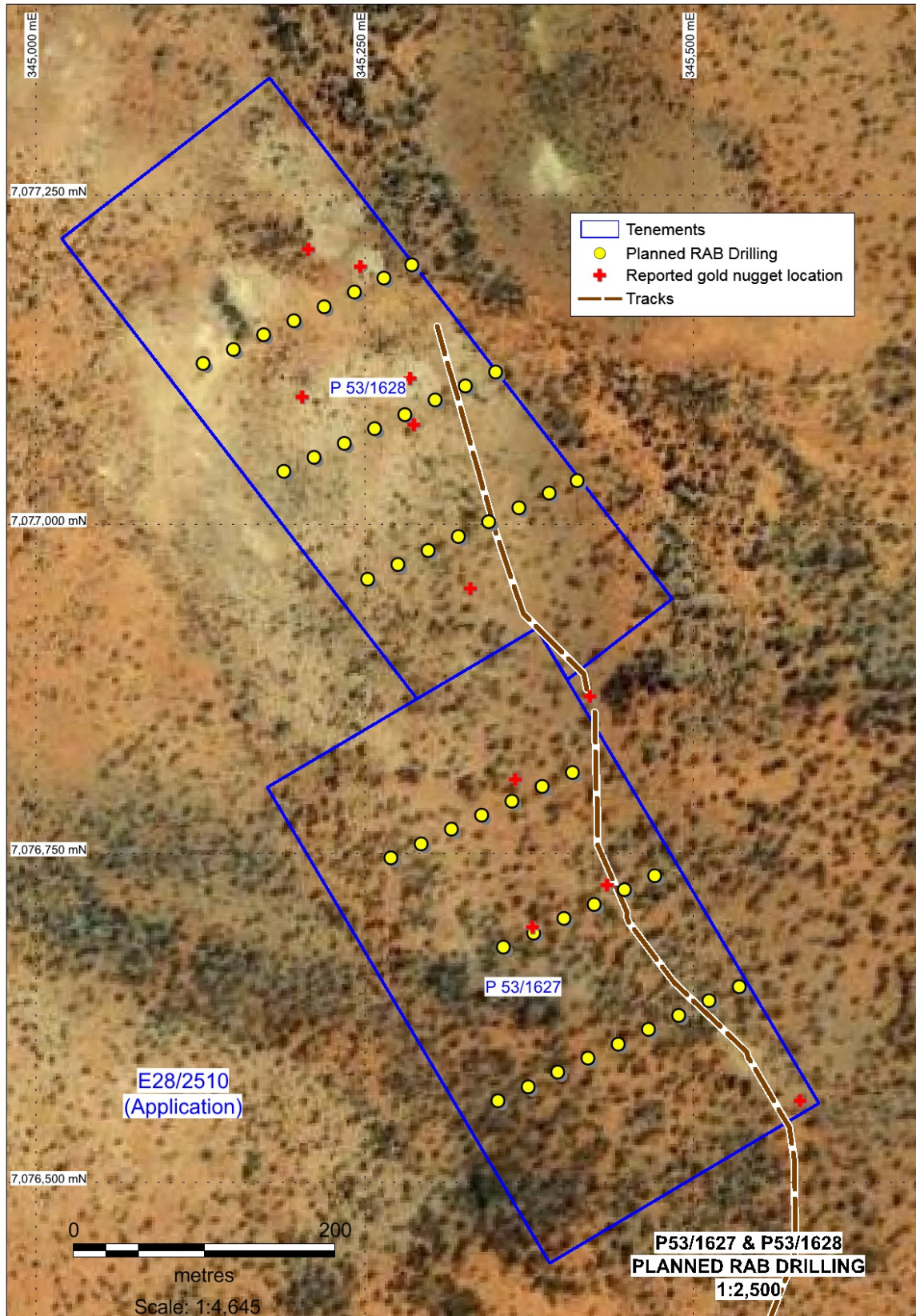


Figure 17. P53/1627,1628 Gold Nugget Locations and Proposed Drilling



**Figure 18. High Grade Gold in Quartz from P53/1627
(largest specimen approximately 10cm in length)**



Figure 19. Gold Nuggets from P53/1627 and 1628

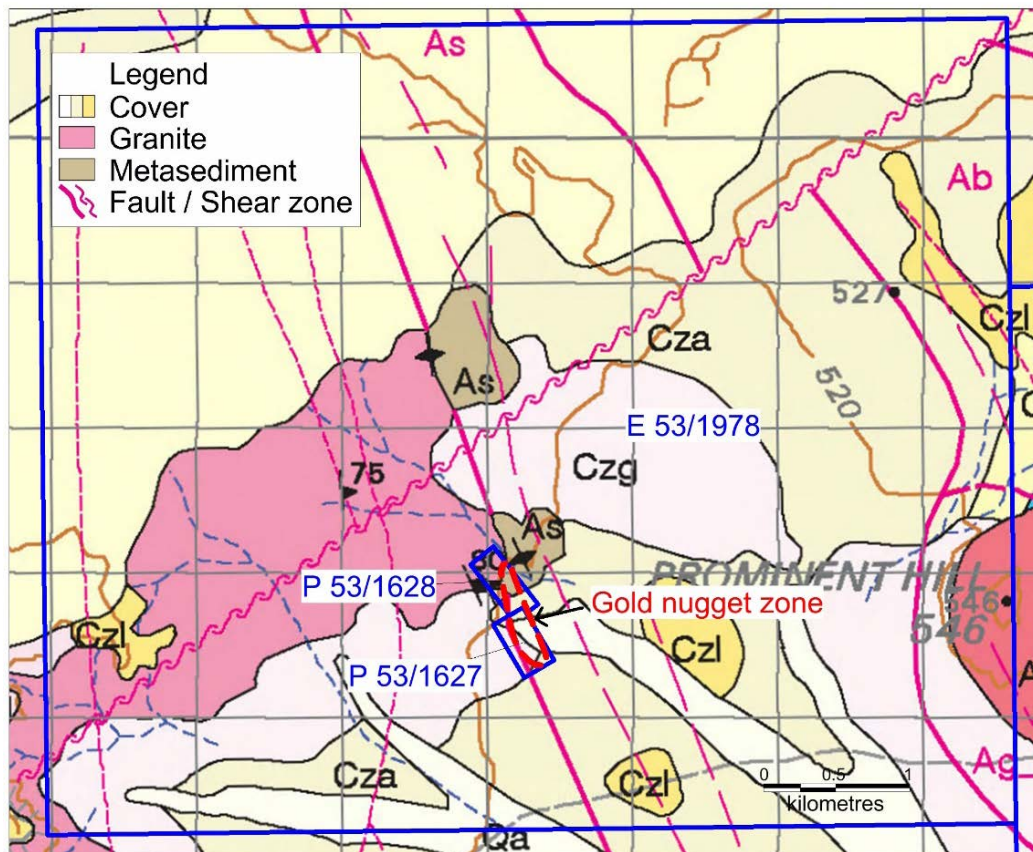


Figure 20. E53/1978 Geology (source GSWA)

A geological inspection of the area revealed evidence of sheared ultramafic rocks underlying the nugget occurrences and supported by a linear aeromagnetic anomaly in this position. **Outcropping granite to the west of the nugget zone shows a very strong foliation, supporting the interpretation of a sheared contact with the ultramafics and sediments to the east.** The granite hosts several large white quartz veins parallel with the foliation, which appear to be barren.

The nugget zone is soil and hardpan covered, however two low mounds comprise cemented pebbles and sub-rounded to angular fragments of grey quartz interpreted to be the basal gravel of a paleochannel. Nearby, hand excavation by the prospectors discovered gold in fragments of similar grey quartz beneath shallow hardpan (Figures 18 and 21). The grey gold-bearing quartz is quite different in appearance from the white quartz in the granite-hosted veins to the west and is considered to have a different source.

Although the source of the gold-bearing quartz and gold nuggets is yet to be determined, the sub-rounded to angular nature of some of the quartz pebbles suggests that the source is not distal. There are several examples in the Eastern Goldfields of gold-bearing paleochannels being underlain by or in near proximity to bedrock mineralisation, such as at Kanowna east of Kalgoorlie and at Higginsville south of Kalgoorlie. **The presence of a large interpreted shear zone adds weight to the potential for a nearby high-grade bedrock source of the gold.**

Significantly, the aeromagnetics shows a pronounced bend in the interpreted position of the shear zone, which can be a favourable location for gold mineralization (**Figure 22**). The magnetic signature of the ultramafic unit in this position is somewhat weaker; one possible explanation being hydrothermal destruction of magnetite, which could be associated with gold mineralisation.

Magnetic has also applied for an exploration licence (E53/1891) covering a 9km extension of the interpreted shear zone to the north and a 6km extension to the south (**Figure 23**). A pronounced bend on the northern end of this structure evident on aeromagnetics will become an early exploration target upon grant of the tenement.

A 48-hole shallow RAB programme is planned shortly to test for this gold bearing quartz in a major shear zone within an ultramafic in the two PLS. Upon grant of the exploration licence and statutory drilling permits Magnetic plans to test for a bedrock source below and adjacent to the nugget zone and to test the structural target on the shear zone to the north. This initial drilling will cover a strike length of 4km.

Under the terms of the option agreement Magnetic may purchase the tenements (E53/1978, P53/1627 and P53/1628) for a total of \$40,000 during the period to 30 September 2018 (extendable to 31 December 2018) and may withdraw at any time during that period.



Figure 21. Location of Gold in Quartz Specimens in Shallow Excavation on P53/1627

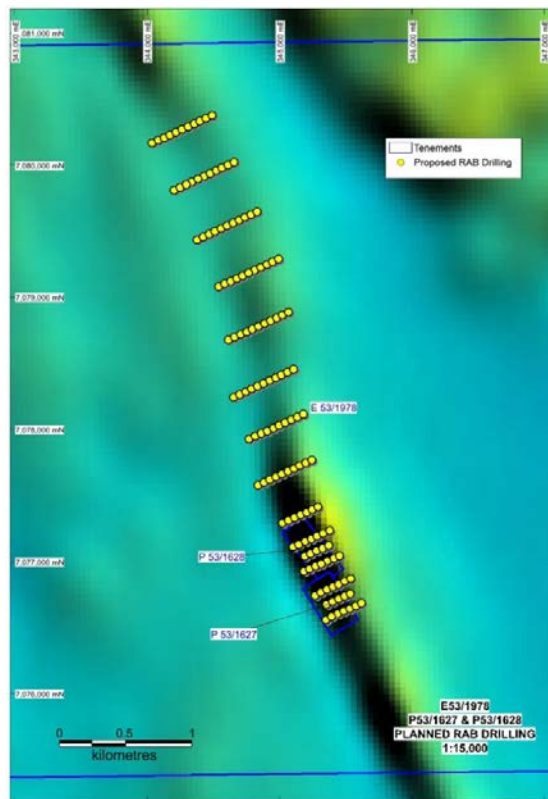


Figure 22. E53/1978 Proposed RAB Drilling on Aeromagnetic Dilational Structural Target

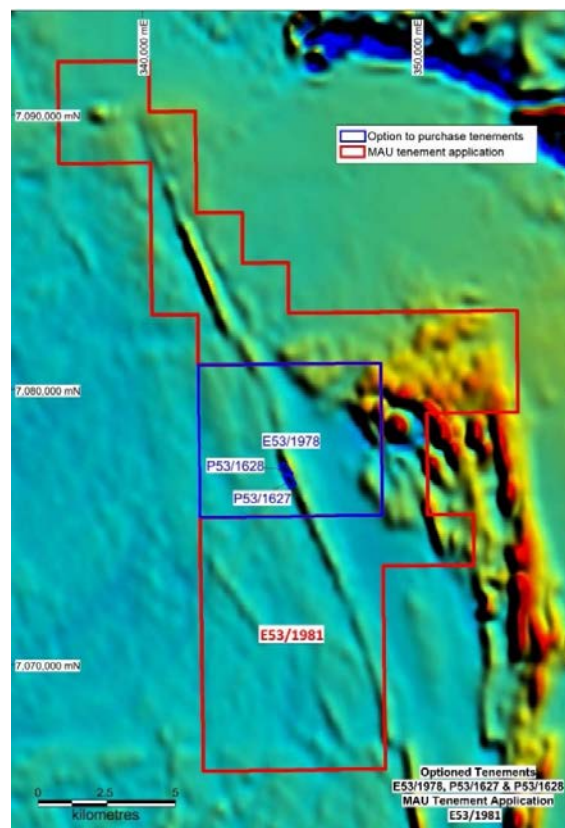


Figure 23. Magnetic's Exploration Licence Application and Optioned Tenements on an Aeromagnetics Image

IRON ORE PROJECTS:

A Purchase agreement was signed during the year with Northam Iron Pty Ltd. Following a 3-month due diligence period, the Company received its first payment of \$500,000 on 28 November 2017. The agreement includes further payments totalling \$1,000,000 and a sliding scale royalty with payments starting at \$0.25/t for a sale price of \$80.00/t or less, and thereafter, for every increase in the sale price of \$10.00/t the royalty rate will increase by \$0.25/t.

OTHER PROJECTS

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

CORPORATE:

On 29 August 2017, the Company announced a placement to raise \$757,050 via the issue of new shares at \$0.115 per share, to new and existing shareholders including directors.

On 20 November 2017, the Company held its Annual General Meeting with all resolutions passing unanimously on a show of hands.

On 6 December 2017, the Company issued 1,304,348 fully paid shares and 3,000,000 options exercisable at \$0.377 per option expiring on or before 31 December 2021 to directors following shareholder approval at the Annual General Meeting.

On 31 December 2017, 3,800,000 unlisted options exercisable at \$0.17 and 150,000 unlisted options exercisable at \$0.18 per option, expired. Mr George Sakalidis exercised 200,000 options at \$0.17.

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.

DIRECTORS' REPORT



INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 28 for the half-year ended 31 December 2017.

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

For and on behalf of the Directors

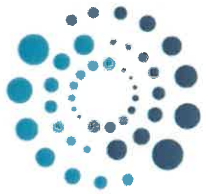
Signed:

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

Eric Lim

Non- Executive Chairman

13 March 2018



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 2017, 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

13 March 2018
Perth

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**



magnetic resources™

	Notes	Half Year Ended 31 Dec 2017 (\$)	Half Year Ended 31 Dec 2016 (\$)
Revenue:			
Sundry Income	3	530,435	831
Interest income		5,741	20,988
R&D Rebate		-	158,652
Expenses:			
Depreciation expense		(1,360)	(2,163)
Exploration and tenement expenses		(712,554)	(462,882)
Share based payments expense	6	(414,000)	-
Other expenses		<u>(370,730)</u>	<u>(496,650)</u>
(Loss) before income tax expense		(962,468)	(781,224)
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from continuing operations		(962,468)	(781,224)
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets	4	<u>68,628</u>	<u>(5,971)</u>
Other comprehensive income for the period, net of tax		<u>68,628</u>	<u>(5,971)</u>
Total comprehensive income for the period attributable to members of the Company		<u><u>(893,840)</u></u>	<u><u>(787,195)</u></u>
Basic (loss) per share (cents per share)		(0.6636)	(0.5808)
Diluted (loss) per share (cents per share)		<u>(0.6636)</u>	<u>(0.5808)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**



	Notes	31 Dec 2017 (\$)	30 June 2017 (\$)
Current Assets			
Cash and cash equivalents		857,498	722,396
Trade and other receivables		72,800	54,089
Other assets		26,044	30,392
Total Current Assets		956,342	806,877
Non-Current Assets			
Property, plant and equipment		21,088	22,448
Other financial assets	4	122,322	53,694
Total Non-Current Assets		143,410	76,142
TOTAL ASSETS		1,099,752	883,019
Current Liabilities			
Trade and other payables		117,714	184,093
Total Current Liabilities		117,714	184,093
TOTAL LIABILITIES		117,714	184,093
NET ASSETS		982,038	698,926
Equity			
Contributed equity	5	19,289,847	18,513,572
Reserves	6	482,628	277,100
Accumulated losses		(18,790,437)	(18,091,746)
TOTAL EQUITY		982,038	698,926

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**



	Contributed Equity (Net of Costs) (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 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	-	-	(787,195)	(787,195)
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 December 2016	18,513,572	277,100	(17,093,097)	1,697,575
Balance at 1 July 2017	18,513,572	277,100	(18,091,746)	698,926
Comprehensive Income				
Operating loss for the period	-	-	(962,467)	(962,467)
Other comprehensive income	-	68,628	-	68,628
Total Comprehensive Income for the period	-	68,628	(962,467)	(893,839)
Transactions with owners, in their capacity as owners and other transfers				
Share issue	762,951	-	-	762,951
Issue of Options	-	414,000	-	414,000
Expiry of options	13,324	(277,100)	263,776	-
Total transactions with owners and other transfers	776,275	136,900	263,776	1,176,951
Balance at 31 December 2017	19,289,847	482,628	(18,790,437)	982,038

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**



	Note	Half Year Ended 31 Dec 2017 (\$)	Half Year Ended 31 Dec 2016 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(451,472)	(422,101)
Interest received		5,741	6,196
Other Receipts		530,435	831
Drilling Rebate		-	158,652
Net cash (used in) operating activities		<u>84,704</u>	<u>(256,422)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(468)
Purchase of new tenements		(40,000)	-
Payments for exploration and evaluation		(672,554)	(399,083)
Net cash (used in) investing activities		<u>(712,554)</u>	<u>(399,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	5	762,952	1,953,827
Proceeds from borrowings		-	-
Net cash provided by financing activities		<u>762,952</u>	<u>1,953,827</u>
Net (decrease)/ increase in cash held		135,102	1,297,854
Cash and cash equivalents at the beginning of the financial period		<u>722,396</u>	<u>478,580</u>
Cash and cash equivalents at the end of the financial period		<u><u>857,498</u></u>	<u><u>1,776,434</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 2017 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 2017, 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 \$452,581.
- (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.

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 SUNDRY INCOME	Half Year Ended 31 Dec 2017 (\$)	Half Year Ended 31 Dec 2016 (\$)
Sale of tenements (see also Note 10)	500,000	-
Sub contract income labour / hire	29,269	-
Other income	1,168	831
	<u>530,434</u>	<u>831</u>

NOTE 4 OTHER FINANCIAL ASSETS

	(\$)
Available for sale financial assets	
Balance at beginning of period	53,694
Changes in the fair value during the period	68,628
Closing balance	<u>122,322</u>

NOTE 5 EQUITY

Contributed Equity - Ordinary Shares

	Number	\$
At the beginning of the period	141,538,659	18,513,572
Shares issued during period	6,783,044	776,275
Closing balance	<u>148,321,703</u>	<u>19,289,847</u>

Contributed Equity - Contributing Shares – Partly-paid

At the beginning of the period	20,418,862	-
Contributing shares issued during period	-	-
Closing balance	<u>20,418,862</u>	<u>-</u>
Total Contributing Equity	<u>168,740,565</u>	<u>19,289,847</u>

NOTE 6 RESERVES

Share Based Payments Reserve

Balance at beginning of the period	277,100
Expiry of options	(277,100)
Issue of options (i)	414,000
Closing balance	<u>414,000</u>
Available for sale financial asset Reserve	<u>68,628</u>
Total Reserves	<u>482,628</u>

Options exercisable at \$0.377 each on or before 31 December 2021 3,000,000

Total Options at 31 December 2017 3,000,000

A total of 3,800,000 Options exercisable at \$0.17 each, and 150,000 Options exercisable at \$0.18, expired on 31 December 2017

(i) Fair Value of Options Granted

Fair value basis

The following table sets out the assumptions made in determining the fair value of the options granted during the period which were estimated at the date of grant using the Black-Scholes model.

Grant date	6 December 2017
Expiry date	31 December 2021
Dividend yield	0.00%
Expected volatility	102.28%
Risk-free interest rate	2.3%
Option exercise price	\$0.377
Expected life (years)	4.07
Share price on date of issue	\$0.22

NOTE 7 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 8 EVENTS SUBSEQUENT TO REPORTING DATE

Other than outlined below, there have been no matters or circumstances that have arisen since 31 December 2017 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.

NOTE 9 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.

NOTE 10 CONTINGENT ASSETS

Tenement Sales Agreement

The following relates to a contingent consideration in terms of the sale of tenements agreement

- (a) If the Development Conditions are satisfied on or before the third anniversary of the Effective Date (the "Effective Date" being 14 July 2017), the Purchaser must make a payment of \$1,000,000 to an account nominated by the Vendor (Milestone Payment).
- (b) The Milestone Payment is conditional on the following conditions precedent being satisfied or waived before the third anniversary of the Effective Date:
 - (i) a minimum of a 100,000,000 tonne JORC 2012 compliant iron ore inferred resource being certified by a competent person as existing within any of the Tenements or the area of Mutual Interest (AM1), in any number of deposits in any one or more of the Tenements or the AM1 provided that in aggregate the total resources is equal to or greater than 100,000,000 tonnes of iron ore;
 - (ii) the Purchaser receiving all approvals, consents and authorities required under the Mining Act to commence mining of at least 2,000,000 tonnes per annum on any one or more of the Tenements or within the AM 1;
 - (iii) the Purchaser receiving all approvals, consents and authorities required under all Environmental Laws to commence mining and development on any one or more of the Tenements or the AM1; and
 - (iv) the Purchaser receiving all other statutory approvals, consents and authorities required to commence mining and development on any one or more of the Tenements or the AM together, the Development Conditions).
- (c) The Purchaser will give the Vendor written notice of the satisfaction of the Development Conditions within 14 days of the satisfaction of the last Development Condition (Development Notice) and make the payment into an account nominated by the Vendor within 14 days of the Development Notice.

- (d) In its absolute discretion, the Purchaser may waive the requirement for the satisfaction of the Development Conditions in writing and make the Milestone Payment at any time on or before the third anniversary of the Effective Date.

Development Delay Payments

- (a) If the Purchaser has not issued a Development Notice:

- (i) by the third anniversary of the Effective Date and provided that:

- (A) the condition in clause (b) is satisfied; and
(B) the Purchaser has not exercised its rights under clause (c)

the Purchaser will pay the Vendor a payment of \$500,000 into an account nominated by the Vendor within 30 days of the third anniversary of the Effective Date **(14 July 2020)**; and

- (ii) by the sixth anniversary of the Effective Date and provided that the purchaser has not exercised its rights under clause 4(d), the Purchaser will pay the Vendor a payment of \$500,000 into an account nominated by the Vendor within 30 days of the sixth anniversary of the Effective Date **(14 July 2023)**,

(together, the Development Delay Payments). For the avoidance of doubt, if the Purchaser makes the first Development Delay Payment, the Milestone Payment will not be payable by the Purchaser.

- (b) The obligation to make the First Development Delay Payment is contingent upon a minimum amount being spent on the Tenements by the Purchaser being equal to the total of the:

- (i) minimum statutory expenditure under the Mining Act;
(ii) rates and rents; and
(iii) any fees associated with the Option and any access fees payable to landowners;
calculated from the Completion Date to the third anniversary of the Completion Date.

- (c) At any time before the third anniversary of the Completion Date, the Purchaser, in its sole discretion, may hand back the Tenements by:

- (i) subject to the receipt of all relevant consents and approvals under the Mining Act, including the consent of the Minister, transferring its interest in the Tenements and the AMI (or any successor tenements) to the Vendors for nil consideration; and
(ii) procuring that all security granted over the Tenements by the Purchaser is released.

- (d) At any time between the third and sixth year anniversary of the Completion Date, the Purchaser, in its sole discretion, may hand back the Tenements by:

- (i) subject to the receipt of all relevant consents and approvals under the Mining Act, including the consent of the Minister, transferring its interest in the Tenements (or any successor tenements) to the Vendors for nil consideration; and
 - (ii) procuring that all security granted over the Tenements by the Purchaser is released.
- (e) If the Purchaser exercises its right to hand back the Tenement to the Vendor:
- (i) under clause (c), the Purchaser will not be required to make the Development Delay Payments.
 - (ii) under clause (d), the Purchaser will not be required to make the Second Development Delay Payment.
- (f) If the Purchaser exercises its rights under clauses (c) or 4(d) of this Agreement, both parties agree to do all things necessary or convenient to procure that the Tenements (or any successor tenements) are transferred to the Vendor as expeditiously as possible.
- (g) In the event that the Purchaser does not pay either of the Development Delay Payments when they are due and payable, the Development Delay Payments will be a debt due and payable by the Purchaser under this Agreement.

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 2017 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 13 March 2018

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 2017, 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 2017 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 2017 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 half-year financial report 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

A handwritten signature in black ink, appearing to read 'AM' followed by a stylized flourish.

Andrew May
Audit Director

13 March 2018
Perth