



**magnetic** resources<sup>NL</sup>

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**HALF-YEAR FINANCIAL REPORT**  
31 DECEMBER 2014

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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 2014

### DIRECTORS

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

Mr George Sakalidis (Resigned 17 October 2014)

Mr Eric Lim

Mr Gavin Fletcher (Appointed Managing Director 20 October 2014)

Mr John Blanning (Appointed Non-executive Director 17 October 2014)

### REVIEW OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2014 was \$882,734 (2013: \$1,006,462)

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 2014.

Magnetic Resource NL (**Magnetic or the Company**) announced that the Company has recently entered into a 5yr Option agreement for the purchase of the farming land that covers a large area of the Central Target within the Company's 100% owned Kauring Project (**Kauring**).

#### **KAURING** (Magnetic 100%)

The Kauring Project (Figure.1) was identified as an opportunity in December 2013 (ASX Announcement dated 19 December 2013) and initial drilling demonstrated the presence of very coarse grained magnetite with yields much higher than typical magnetite deposits.

An agreement signed with the landholder gives Magnetic the option to purchase property covering most of the Central Target (Figure 2) at any time within the next 5 years for an agreed sum. An option fee of \$10,000 is payable to the farmer on each anniversary of the signing of the agreement. The agreement gives Magnetic the confidence to spend the required funds to develop the project knowing that the Company has the ability to take the project through to completion, subject to the normal mining approval process.

The initial 2013 drilling campaign consisted of 5 holes which identified a number of stacked banded iron formation (BIF) lenses in close proximity to each other. A number of the holes intersected the deposit within a weathered zone, however, one of the drill-holes (13KRC4) intercepted a very thick and continuous lens of fresh BIF which was tested as a bulk sample and gave exceptional results.

A composite sample was ground to a P80 of 100 micron (approx. 2-3 times coarser than most magnetite deposits) and yielded a high quality concentrate of 44.8% mass which is substantially higher than most other magnetite projects (typical yields of 20-30%). The coarseness of the magnetite, coupled with the very high mass yields bodes well for the economics of any future mining operation. Results from the first round of drilling encouraged the company to begin negotiations to secure tenure over the ground.

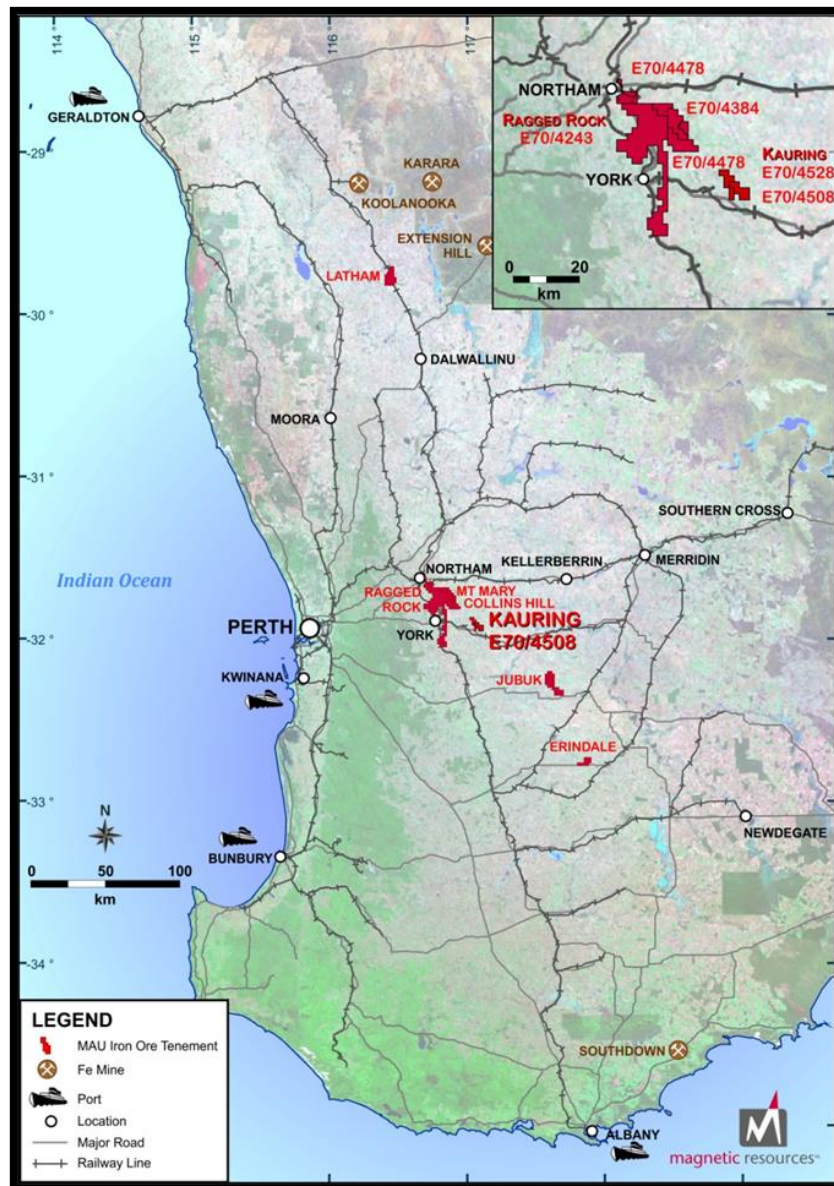


Figure 1: Location of tenements

**KAURING DRILLING 2014:**

Over the 2013-2014 period, a total of 11 DHs for 1266.2m [10 x RCDH for 1122m and 1 x DDH for 144.2m] has been drilled on the Central Target. Refer to Figures 3-4 below, which illustrates the geophysical tenor and a cross section respectively, incorporating nine (9) drill holes [8 x RC and 1 x DDH] in combination with ground and airborne geophysical data. Refer to Tables 1 and 2 which outline drill collars and pertinent data.

As a result of further drilling in late 2014 using a single diamond core drill hole (14KDD1) for 144.2m and five reverse circulation drill holes [14KRC1-5] for 676m, in total six (6) drill holes for 820.2m - a better interpretation and update on the Exploration Target at the Central Target will be made once assay results are available.

Table 1 Drill-hole Collars 13KRC4:14KDD1 twin

Hole ID	Easting	Northing	Dip	Azimuth	Fresh Massive BIF from	Fresh Massive BIF to	BIF Lens Width down hole
					metres	metres	metres
13KRC4	507217	6468467	60	207	69	120 EOH	51
14KDD1	507221	6468466	60	207	69.1	127.4	58.3

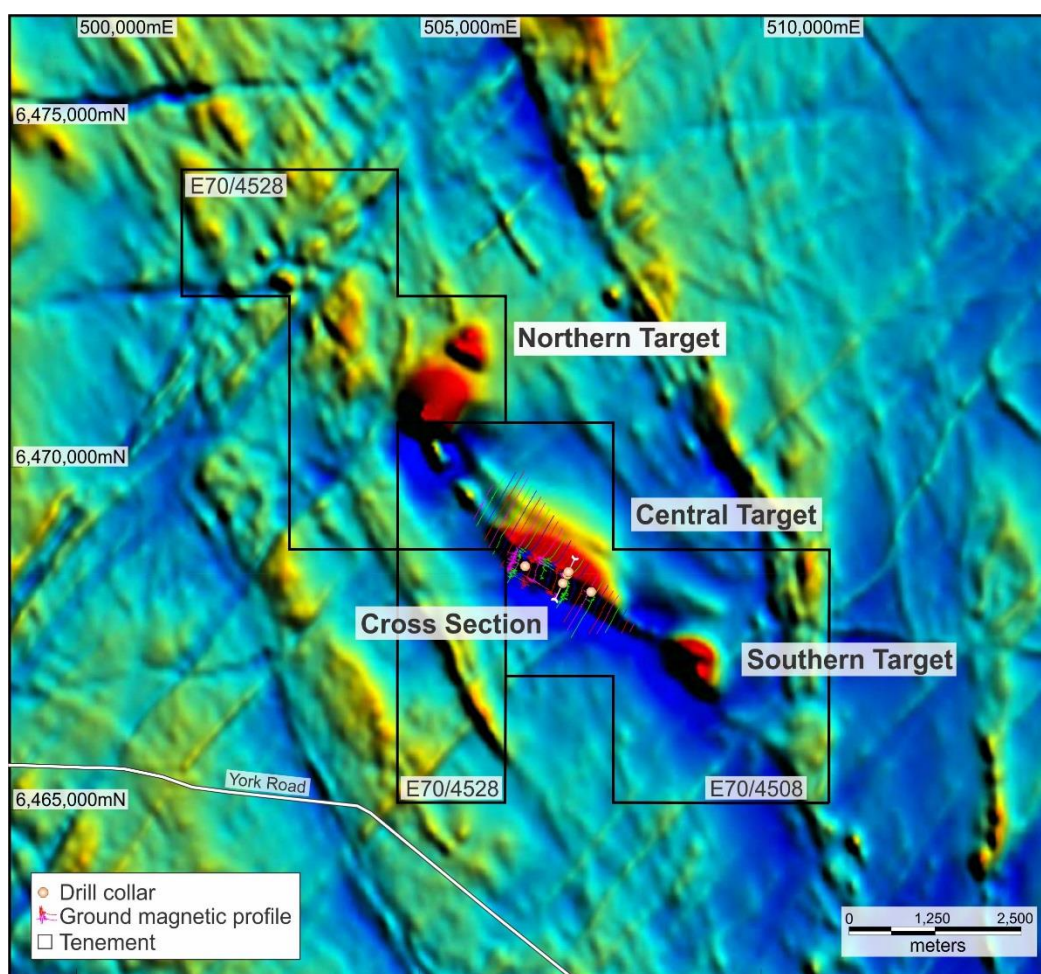


Figure 2: Kauring Aeromagnetic Image Showing Targets and Drilling

The initial 2013 drilling indicated a number of stacked lenses in close proximity to each other, with combined thickness in the order of 120m width. An initial number of the reverse circulation drill-holes intercepted BIF lenses in the weathered zone. Whilst these weathered zones demonstrate good potential for a beneficiated hematite (ASX Announcement September 2014 Quarterly), the Company required to gain an understanding of the fresh magnetite BIF which is now confirmed to lie below the weathered zone from 4Q-2014 drilling.

A schematic of the initial drilling campaign below (refer Fig 3) outlines the Company's understanding of the deposit and the weathered zone up until November 2014 and the reinterpretation (refer Figure 4) at December 2014.



**2014 Drilling Outcomes:**

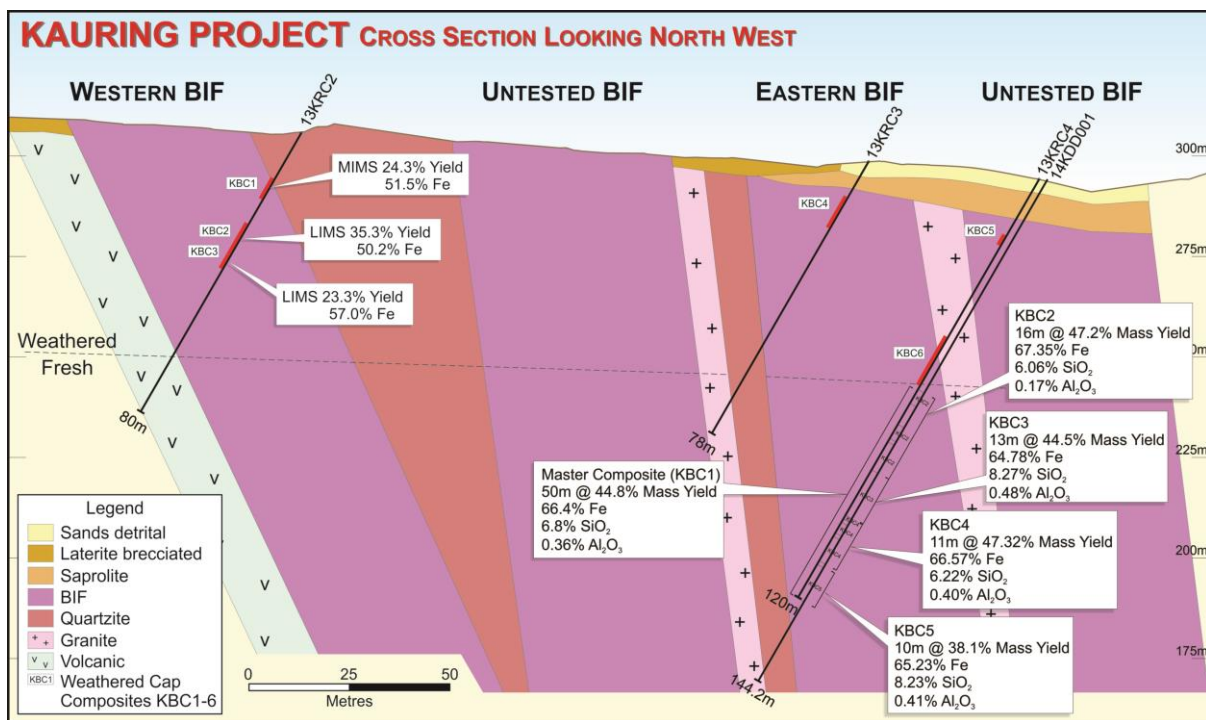
An additional untested Central Zone of BIF is confirmed to exist between the previously reported Eastern and Western BIF's. Evidence from drilling extends the true width for the Eastern BIF and also provides confidence of continuity at depth (currently 200m).

Intersecting all previously reported weathered BIF lenses at depths below the weathered zone in order to assess the properties of underlying fresh BIF has been achieved.

The additional drill-hole data now provides a more accurate understanding of the dip of these lenses, contacts with granite and gneiss rock types and suggestion that a synclinal fold structure exists at depth which may provide for even greater widths at depth.

Thickening of the BIF at depth is interpreted (refer to Figure 4).

Fresh BIF in all three identified BIF zones which has extended the accumulated BIF true width from an interpreted 145m width near to surface to an interpreted 180m width at about 200m depth over an approximate 300m width on surface and assuming a strike length of approximately 1200m along the section drilled.

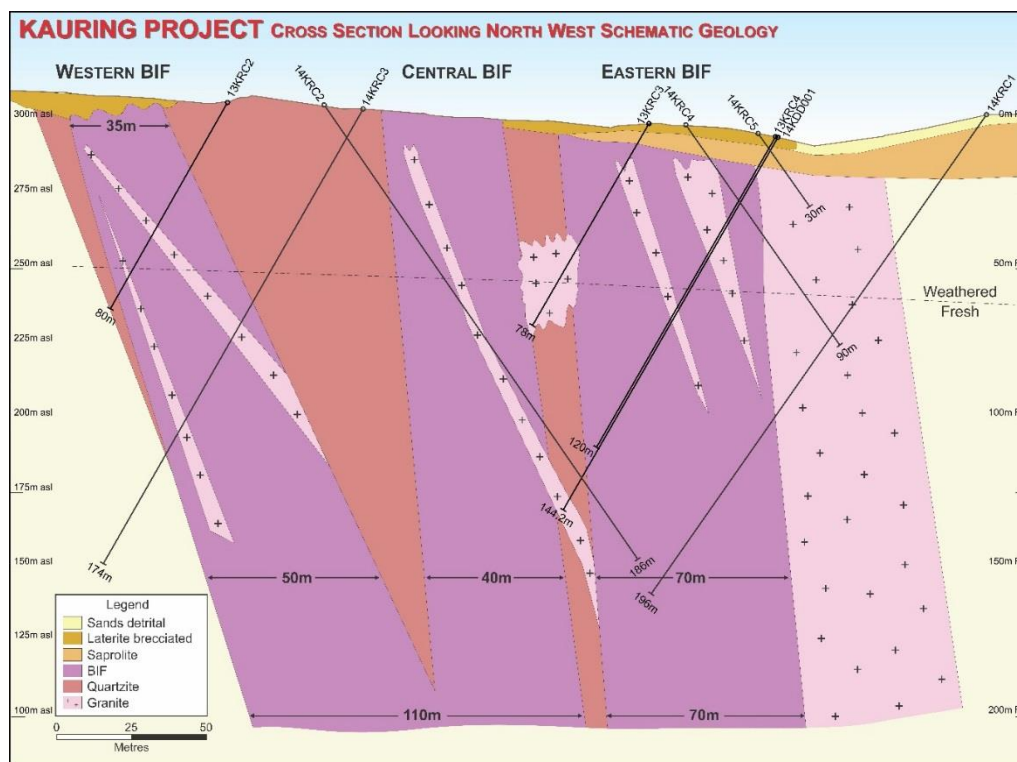


**Figure 3: Kauring Project Cross Section 14KDD1 with DTR fresh BIF and composite LIMS and MIMS assay test work on parts of weathered BIF**

**Table 2: 2013/2014 Drill-Hole Data:**

Drill Hole	Easting MGA94	Northing MGA94	Azimuth	Dip	Depth	Weathered BIF from-to	Fresh BIF from-to	Metres BIF down hole
13KRC1	507548	6468176	210	060	84	6-13/31-56		7+25 weathered
13KRC2	507134	6468303	210	060	80	13-72		59 weathered
13KRC3	507198	6468429	210	060	78	21-48		27 weathered
13KRC4**	507217	6468467	207	060	120	16-31	60-64/69-120 open ended	15 weathered 55 fresh open ended
13KRC5	506586	6468550	210	060	84	26-40		14 weathered
14KRC1	507257	6468526	210	055	196		124-196 open ended	72 fresh open ended
14KRC2	507152	6468330	20	055	186	41-54	58-80/92-128/153-156/160-176/181-186 open ended	13 weathered 72 fresh open ended
14KRC3	507145	6468349	200	060	174	29-46	73-82/89-118/125-129	15 weathered ochre 42 fresh
14KRC4	507204	6468440	30	055	90	18-33		15 weathered hematite
14KRC5	507218	6468460	30	055	30	0		granite
14KDD1**	507221	6468466	207	060	144.2	18.6-24.6/25.5-45.7	52.6-58/61.5-63.5/69.1-127.4	26.2 weathered / 7.4 part weathered / 58 fresh

An \*EIS funded twinned diamond core drill-hole 14KDD1, recently completed to 144.2m for QA/QC and engineering purposes, confirmed the 13KRC4 drill-hole in all aspects of QA/QC logging. Refer to Table 1 for collar details. (\*EIS: the Exploration Incentive Scheme of the State of WA through the Department of Mines and Petroleum).



**Figure 4: Cross Section update with 2013-2014 drill holes 13KRC2, 3, 4, 14KDD1 and 14KRC1-5**

**Future Considerations for Weathered BIF:**

Weathered BIF overlies reported drilled BIF (fresh BIF with a mass yield of 44.8% over 50m of consistent magnetite grade from an underlying fresh BIF zone with 66%Fe quality at a coarse 100 micron grind in drill-hole 13KRC4 (ASX releases 07 April 2014 and 30 April 2014). Refer to Figure 5.

The upper weathered portion of the two BIF systems comprises mostly of weathered BIF comprising alteration to goethite – hematite – martite – magnetite quartzite BIF. Refer to Figure 6.

At this stage the two styles of BIF is not considered to alter the magnetite potential as assay data supports a similar head assay chemistry in both weathered BIF, one drill-hole at 13KRC4 intersecting a coarse grained crystalline quartzite-BIF. Refer to Figures 5 and 7.

The BIF zone within drill hole 13KRC4 is very consistent in a grade and magnetite content which would be considered amenable to a future mining operation. The average magnetite content (as measured by Satmagan) is high with 35% average over 55m of BIF, including zones as high as 58.2% magnetite.

A Program of Works [POW] for additional drill holes already exists and a recent EIS grant will incorporate this POW.

**Composite Sampling of Weathered Cap:**

Initial test work was undertaken on a number of composite samples from the weathered cap of Kauring. Methods used included Low Intensity Magnetic Separation (1000 gauss), Medium Intensity Magnetic Separation (4000 gauss) and simple gravity table test work. The results were mixed. Two of the samples returned promising mass yield and grade for LIMS, all samples



returned high mass yield, but low concentrate quality for MIMS test work, and all samples displayed low mass yield but promising concentrate quality for the gravity tabling test work. These tests were initially conducted at 150 micron and results (especially MIMS) suggest that a finer grind size may be required and also further test work to better understand the mineralogy of each composite sample. Refer to Tables 3 and Table 4 for results.

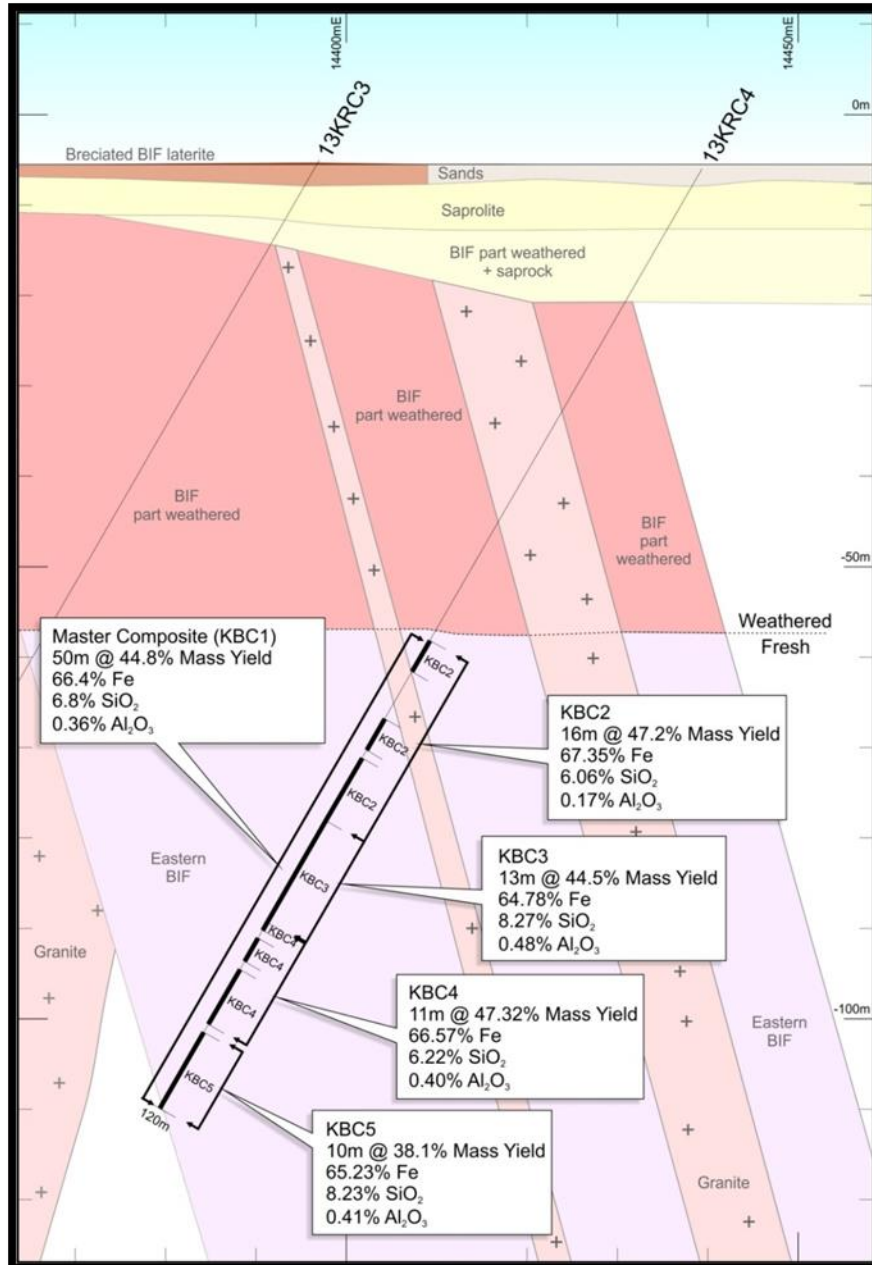


Figure 5  
**Kauring Project showing DH 13KRC 4 - DTR  
of fresh BIF with 20% Fe bottom cut off.**

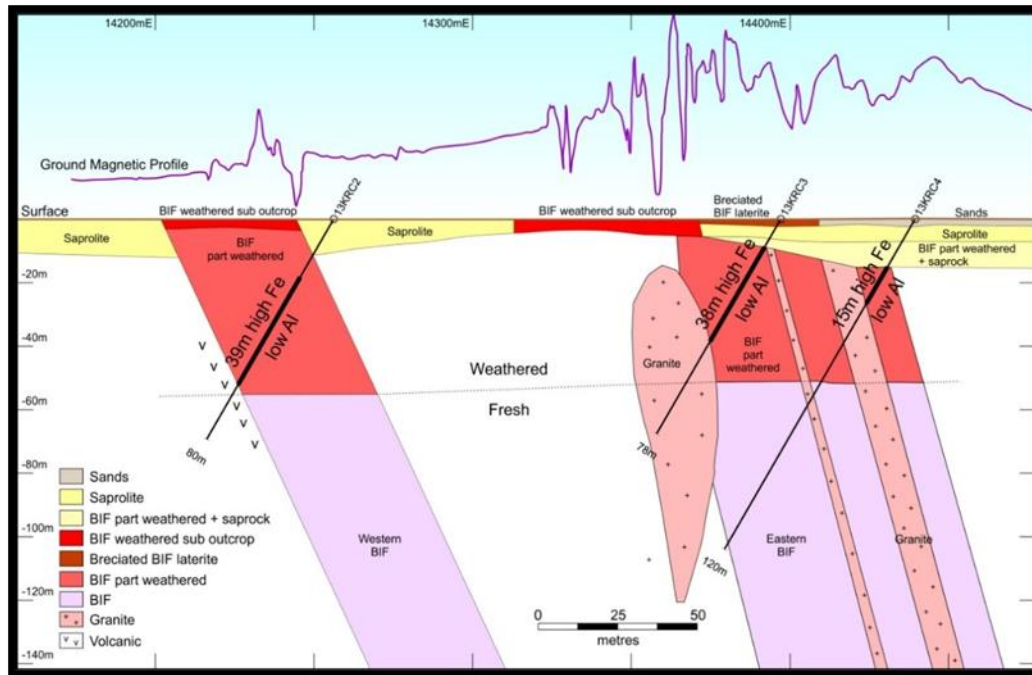


Figure 6  
**Kauring Project showing DTR DH's 13KRC2-4 with ground magnetic profile and weathered BIF relationship Central Target Section**

Table 3: Composite Samples Weathered BIF - Kauring

Drill Hole	Comp ID	From	To	From	To	From	To
13KRC2	KBC001	13	19	20	26		
13KRC2	KBC002	26	35				
13KRC2	KBC003	35	39	40	59	60	65
13KRC3	KBC004	10	19	21	39	40	48
13KRC4	KBC005	16	19	20	31		
13KRC4	KBC006	45	59				

Table 4: Weathered Cap initial test work

Composite	Weathered Cap - recoveries at P80 - 150 micron					
	LIMS recovery (1000 gauss)		MIMS recovery (4000 gauss)		Gravity table recovery	
	Yield(%)	Fe(%)	Yield(%)	Fe(%)	Yield(%)	Fe(%)
KBC001	19.5%	36.68	24.3%	51.55	7.1%	59.97
KBC002	35.3%	50.2	32.4%	33.12	6.9%	61.78
KBC003	23.3%	57.05	40.1%	30.03	4.5%	55.81
KBC004	6.0%	34.58	42.5%	37.19	3.4%	55.01
KBC005	14.3%	40.03	54.5%	35.26	5.2%	58.38
KBC006	22.6%	40.87	30.3%	37.21	2.8%	48.61

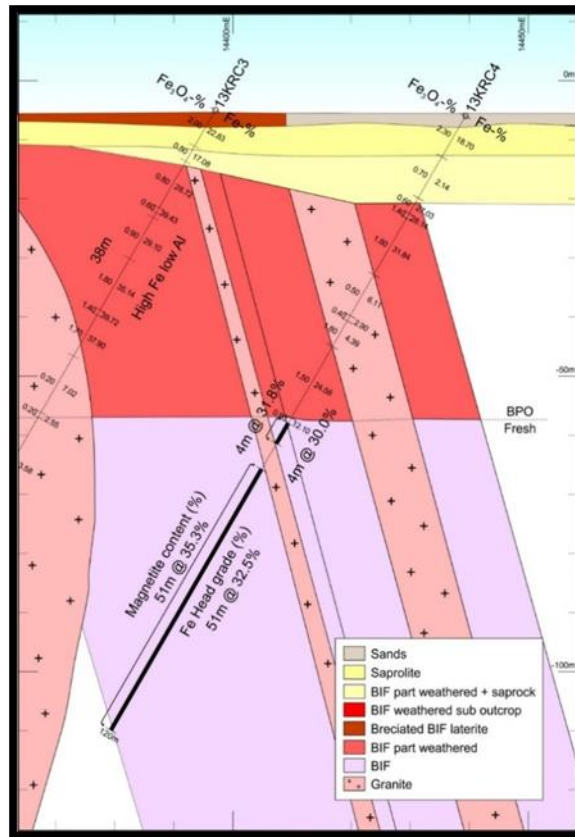


Figure 7  
**Kauring Project showing DH's 13KRC3-4 with weathered BIF relationship over magnetite at 13KRC4 Central Target Section**

**KAURING MEDIUM TERM PLANS:**

Subject to the assay results pending from the 2014 drilling campaign, the Company is now in a position to undertake further drilling with the intention of delineating a future 2012 JORC resource over the next 12-24 months.

If the findings of the short term program are consistent with the Company's understanding of the size, width and dip of the BIF lenses stated in the Central Exploration Target (ASX release 19 February 2014), it is believed this central zone of Kauring indicates approximately 145m near surface to an interpreted 180m of magnetite BIF at 200m depth over an approximate 300m width on surface and a strike length of approximately 1200m.

Once all assay results are known a statement of a revised Exploration Target will be released.

Based on this relatively small footprint, the Company believes that a 2012 JORC inferred mineral resource can be delineated with a relatively modest drill program of approximately 20 drill-holes, subject to ability to drill to target depths.

**RAGGED ROCK PROJECT: (Magnetic 100%)**

The Ragged Rock project area is located south of Northam, Western Australia, close to rail, road and port infrastructure. Refer to Figure 1 for location. Drilling future exploration targets will be subject to end agreements with land holders.

**Targets T3 and T4 further Explored by Geophysics:**

During the period the Company embarked on field visits to review other target areas. From mapping and geophysical interpretation two additional areas Targets 3 and 4 have been outlined for attention (Fig 8).

In order to facilitate exploration further down the track an end agreement is being sought with private land holders to warrant exploration expenditure and provide sovereign rights to mine particularly where minerals to owner title is encountered.

In the interim, ground geophysics and geological mapping was carried out to provide a much greater understanding of the potential of these new targets.

**Ground Magnetic Surveying:**

A total of 144.4 line kilometres of ground magnetic survey at 100m line spacing was carried out over regional Targets 3 and 4 (Figure 8). The extent of ground magnetic survey and the interpreted geophysical responses is highlighted in Figures 9 and 10.

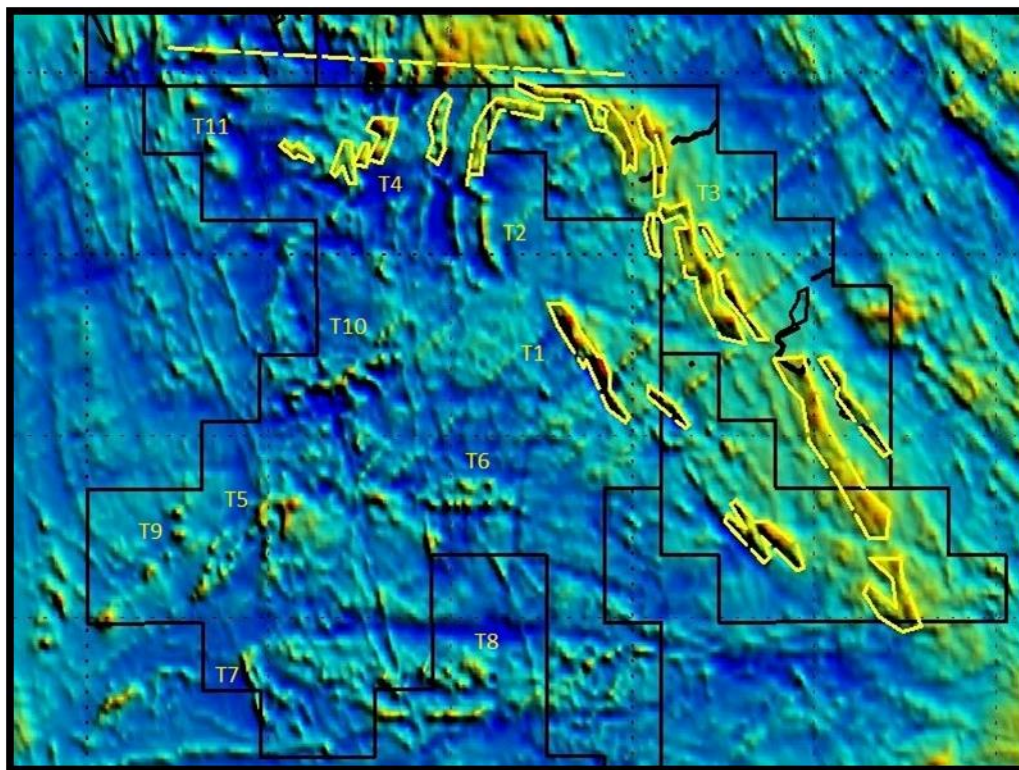


Figure 8  
**Ragged Rock Aeromagnetic Image Showing Targets**



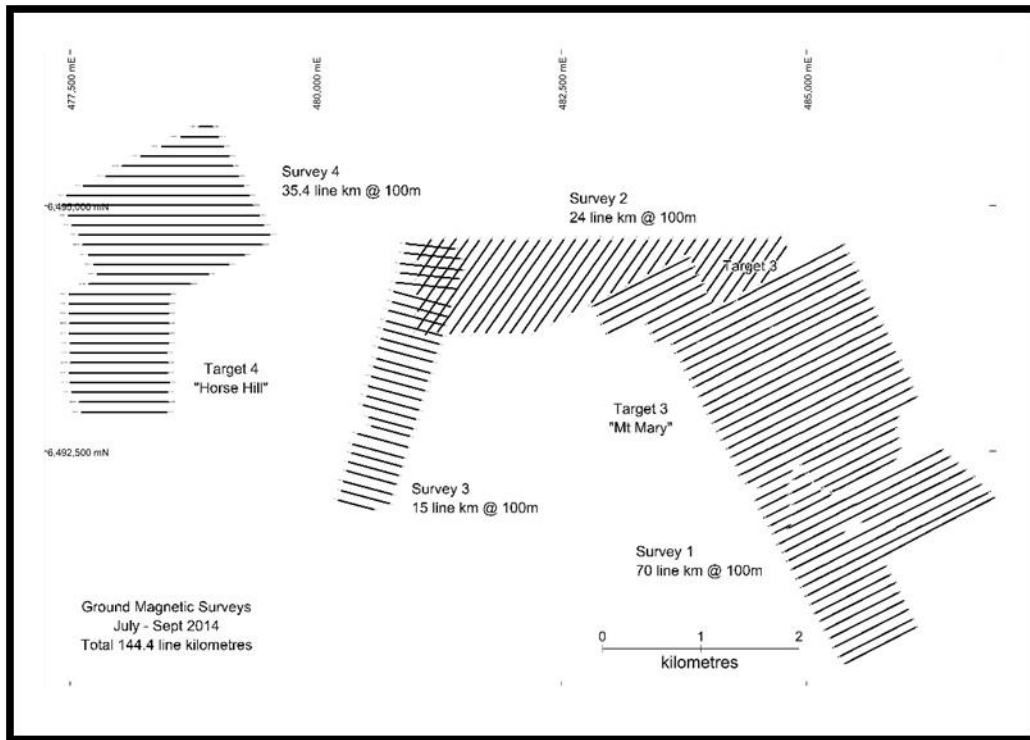


Figure 9  
Ground magnetic surveys 1-4

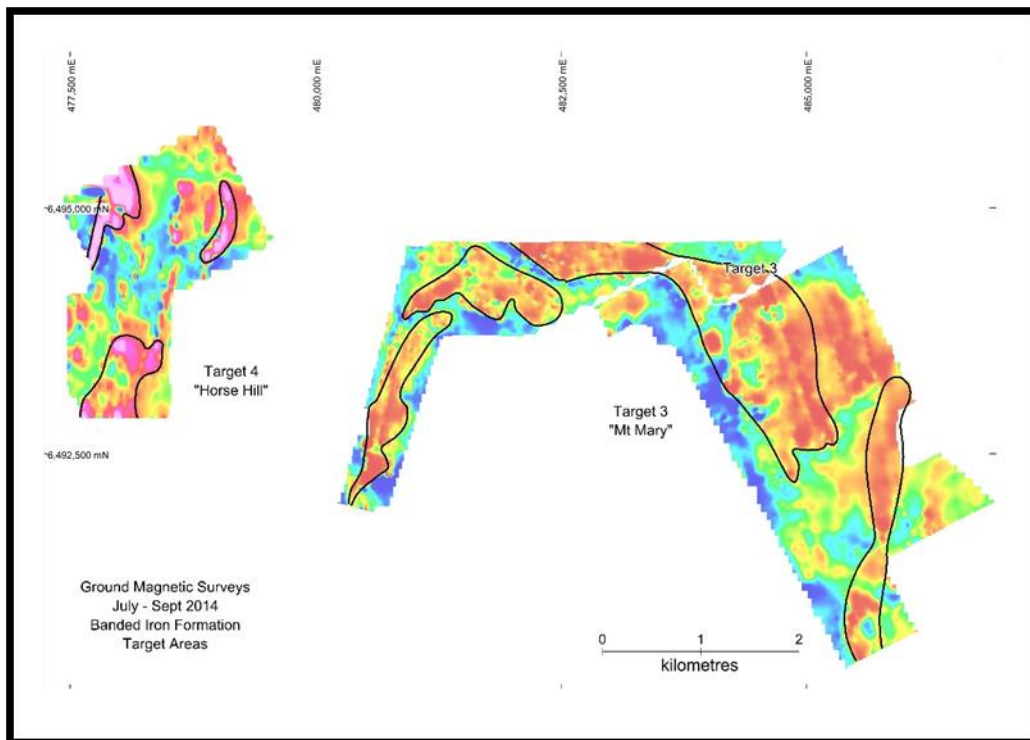


Figure 10  
Ground magnetic Image outlining identified targets



The results of the ground magnetic survey and mapping has encouraged target areas to be drill tested subject to land owner end agreements reached.

### **JUBUK PROJECT:** (Magnetic 100%)

Application for retention and extension status has been made for the Jubuk coarse grained magnetite deposit near Corrigin. This will allow Magnetic to focus on evaluating its Ragged Rock and Kauring projects. The Company has been advised of a 5 year extension of exploration licence was granted in January 2015. Application for Retention Status is pending.

### **OTHER TENEMENTS:**

Magnetic has rationalised its tenement holdings in order to focus on its Kauring and Ragged Rock projects. As a result of this focus, no exploration was carried out on Magnetic's other tenements during the quarter.

### **CORPORATE:**

On 19 August 2014, the Company completed a placement for 7,205,000 new shares to sophisticated investors at \$0.20 per share to raise approximately \$1.44m.

On 26 August 2014, the Company also announced it had received a R&D tax refund.

On 20 October 2014, Magnetic announced a board restructure, with the resignation of Mr George Sakalidis from the position of Managing Director of the Company, and the appointment of Mr Gavin Fletcher to the position of Managing Director. The board also appointed, Mr John Blanning as a non-executive director, with Mr Blanning having significant experience in mining, production and project development.

On 27 November 2014, Magnetic issued 119,056 shares in consideration of drilling expenses.

The Company's Annual General Meeting was held on 27 November 2014 with all resolutions passing unanimously.

For more information on the company visit [www.magres.com.au](http://www.magres.com.au)

### **Competent Person's Statement**

The information in this report that relates to exploration results is based on information compiled or reviewed by Mr Cyril Geach BSc (Hons-Geology) who is a member of the Australian Institute of Geoscientists. Cyril Geach is an independent consultant with his own business, Cyril Geach - Geologist and 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'. Cyril Geach consents to the inclusion of this information in the form and context in which it appears in this report.

# DIRECTORS' REPORT



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JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data	
(Criteria in this section apply to all succeeding sections)	<b>Magnetic Resources Kauring Report Release 19 December 2013 update with Magnetic Resources Kauring Report Release 19 February 2014 update with Magnetic Resources Kauring Report Release 04 &amp; 20 March 2014 update with Magnetic Resources Kauring Report Release 07 April 2014 update with Magnetic Resources Quarterly Report to 30 September 2014 update with Magnetic Resources Kauring Report 24 November 2014 and this release January 2015</b>
Sampling techniques	Reverse Circulation Drilling collected at 1m , 2m and 4m interval and sub sample split through a cyclone rotary splitter
	Duplicates taken using a 75:25 riffle splitter at every 20-30m and standards introduced at every 30-40m
	Susceptibility readings taken at each 1m from larger sample collected using a Georadus K10 magnetic susceptibility meter x10-3SI
	Hand held Delta Dynamic XRF Model DP-4000-C Serial No 510246 used to test every 5-7 metres of collected sample for early recognition of Fe content. Error 5-10%Fe to assay expected.
Drilling techniques	Reverse Circulation Drill Rig owned by Orbit Drilling Pty Ltd, Breakthru Drilling PL using a 140mm RC hammer drill bit, pre-collar to 6m and Mt Magnet Drilling HQ and NQ DDH
Drill sample recovery	Visual observation and noted where water occurs - water was minimal and 90% of sample recovery water free
	Drilling companies engaged ensure the efficiency is acceptable and audit of machine efficiency through Duplicates carried out.
	It is assumed minimal bias to sample recovery and grade and if so expect at the 1m interface between geological horizons bias to occur backed up where susceptibility and duplicates are a measure of down-hole consistency. Duplicate results indicate in a number of samples that future improved recovery at the rig is required, but as this is an exploratory drill program results are deemed acceptable at this initial level, but would need to improve QA/QC consistency for JORC purposes at MR level when testing the weathered horizon in particular.
Logging	Logging at 1m intervals to assess the geological interpretation. DDH 14DD1 was accurate in duplicating 13KRC4 DH log detail to within 1m of the fresh interface.
	RC sampling at 1m interval is quantitative using Hand Held XRF and will become qualitative after assaying is carried out. Assay results previously reported in ASX release February 2014 and March 2014 are firm data.
	Total length of intersections logged 1266.2 metres as 100% of the drilling at Kauring
Sub-sampling techniques and sample preparation	RC sampling at 1m, 2m and 4m interval is quantitative using Hand Held XRF and became qualitative after assaying data is to be released.
	Composite sub sampling was on a volumetric method taking a scoop <1kg from a shaken calico sub sample of 1m collected drill material and combined repeatedly equally as a scoop sub sample with other samples for 2 or 4m combined. Portable XRF assays are recorded of the sub samples in the field to be compared v lab assay to detect any major errors. Duplicate samples are 1m samples only.
	Rotary Split at rig at 1m intervals into Calico for 0.5-2.0kg sub samples and riffle split at 75:25 for duplicates >3Kg
	Dry samples into calico bags for assay vary with size of collected sample between 0.5-2.0kg weight - expect the sample to be homogenous over the 1m collected
	Cyclone cleaned regularly at every 5-10m to prevent cross contamination or cleansed more if clayey or damp conditions prevailed however minimal <10%
	Duplicate at every 20-30m to measure continuity of the drill rig and sample recovery, particularly the BIF. Duplicate results indicate in a number of samples that future improved recovery at the rig is required, but as this is an exploratory drill program results are deemed acceptable at this initial level, but may need to improve QA/QC consistency for JORC purposes at MR level when testing the weathered horizon in particular.
	Grain size mostly fine powdery in weathered zone and fresh zone
Quality of assay data and laboratory tests	Total digest and XRF methods employed for Fe suite elements when assaying to be employed. Hand Held XRF used as quantitative tool not qualitative.
	Hand held XRF self-calibrating specific for Fe and limited to testing a portion of the calico sub sample. Susceptibility readings an average reading across a 1m sample not all the sample able to be read. Hand held XRF tested against known standards to determine any start, middle and end bias. So far accuracy extremely good for Fe% and within tolerable ranges of 2S for Al, P, S.
	Quality control methods using 3 x Geostats CRM standards and duplicates. Duplicates to be tested at 2 laboratories for umpire testing in later rounds of drilling. No blanks used. Internal checks and standards satisfy control of lab methods Fire Assay Fe suite XRF / ICP /MS methods by certified laboratory Bureau Veritas.
Verification of sampling and assaying	At this juncture no independent verification of geology apart from personnel involved in recovery of samples and log chip tray observation by third parties and management.
	One twinned holes to date proved accurate for validating previous fresh BIF drill hole 13KRC4
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols carried out
	Discuss any adjustment to assay data not carried out. Weighted assays for composite samples not viable in the field taken as a volumetric scoop size. Weighted in the lab.
Location of data points	No surveys or verification of drill holes apart from GPS located. Magnetic variation occurs which has potential to throw out magnetic bearing by up to 10 degrees and noted.

# DIRECTORS' REPORT



	GPS grid system to date
	GPS topographic control and located data from GSWA airborne survey
Data spacing and distribution	Data spacing for reporting of Exploration Results and Exploration Target are conceptual and not relevant at this juncture leading to a MR which may or may not be determined.
	Data spacing adequate along cross section enables appropriate geological control for Mineral Resource use at present requires further drilling to ascertain a MR.
	Sample compositing so far has been applied to parts of the drill column (February and March 2014 data to ASX) and at 1m and 2m spacing for zones of BIF of interest such as fresh BIF at Kauring.
Orientation of data in relation to geological structure	DDH 14KDD1 has confirmed a steep 85 degree dip for the eastern BIF. Orientation of sampling depends on the down hole travel of the drill string not yet determined apart from the DDH. Further drilling will assist in determining any bias.
	Mineralised structures and sample bias - too early to understand this affect
Sample security	Samples personally delivered to the laboratory and also stored on site for repeat sampling if necessary
Audits or reviews	Sample audits at this stage are duplicate and standards taken.
<b>Section 2 Reporting of Exploration Results</b>	
(Criteria listed in the preceding section also apply to this section.)	
Criteria	JORC Code explanation
Mineral tenement and land tenure status	E70/4508 granted 100% to Magnetic Resources no third party arrangement apart from standard Department of Mines and Energy requirement access agreements with farm owners, no Native Title or extricated land apart from the Avon Valley water catchment. Land ownership is private used as farm land. Future end agreements will have to be entered into with farmers and discussions begun with a select few. One 5 year option agreement in November 2014 has been signed with the farm owner over the Central Target.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area is subject to a Program of Work approval by DMP and granted for reconnaissance drill holes over Minerals to Crown land. Remnant bush may require a DEC survey in the future for flora and fauna. Minerals to Owner title may exist requiring agreements separate to DMP requirement.
Exploration done by other parties	No search for Fe by other parties known at Ragged Rock and Kauring.
Geology	Outcropping Banded Iron Formation (BIF) comprising weathered BIF and fresher BIF at depth within a gneissic strati-form layered succession steeply dipping NE including orthopyroxenite – hornblende in western BIF that differs from the eastern BIF which is a quartzite BIF at Kauring. Weathered BIF is partial weathered to goethite, hematite, and martite after magnetite at Kauring. Minor sulphide noticed in volcanics and testing to see if sulphide in fresh BIF in the eastern BIF can be separated by DTR analysis at Kauring. Work is ongoing with regard to understanding the relationship of weathered (hematite and martite) alteration over magnetite BIF at Kauring. Layered peridotite / pyroxenite / gabbro footwall to western BIF supports an EIS grant of \$141,323 for 20 x RC and 1xDDH in June 2014 quarter.
Drill hole Information	Data summary forms part of an ASX release dated 19 December 2013 and 19 February 2014 and ASX quarterly reports for December 2013, March 2014 and November 2014.
	o easting and northing of the drill hole collar provided
	o elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar estimated not outlined
	o dip and azimuth of the hole provided
	o down hole length and interception depth provided
	o hole length provided
	azimuths are submitted with an error to 10% over the magnetic BIF until further accurate data can be submitted but not critical at such an early stage of reporting of ER or ET
Data aggregation methods	The use of Hand Held XRF data taken at 5-7m intervals is purely quantitative with expected errors of <1%Fe against known standards and Si / Al not reported until assay data is available and further reported
	Susceptibility readings taken at each 1m RC drill sample from larger sample collected using a Georadus K10 magnetic susceptibility meter x10-3SI vary across a wide and reported only an average until assay results are posted which will project a better understanding of the Fe% and susceptibility measured at 1m intervals or as composited samples that are yet to be determined.
	The assumptions used for any reporting of metal equivalent values should be clearly stated not undertaken or represented. Not used for this purpose.
Relationship between mineralisation widths and intercept lengths	These relationships are particularly important in the reporting of Exploration Results as outlined in the ASX release dated about 19 December 2013 by MAU. Fresh BIF sampled at 1m, 2m intervals whilst weathered BIF sampled at 2m and 4m composite levels on composites unreleased in current drill program. Incompatible elements in head grade by XRF on fresh BIF further determined using Satmagan and then if positive - Davis Tube Recovery to see if they are removed. Results awaited in January 2015. Sulphur was an element that showed normal and above normal levels down-hole in 13KRC drill samples but considered to be workable in context of the very low

## DIRECTORS' REPORT



	Al, P incompatible elements and high Fe% at a coarse grind at 100 micron at Kauring in overall sample collection.
	If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported and is outlined in Figure 3 this report January 2014 at Kauring.
	If it is not known and only the down-hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). True widths and down hole widths reported together in Figure 3 this report January 2015.
Diagrams	Appropriate maps and sections (with scales) and tabulations of intercepts should be included are reported in Figures 1-3 and Tables 1-2.
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable – results released and prior reported and as detailed in Notes to the Exploration Target in December 2013, February 2014 and March 2014 ASX releases about Ragged Rock and Kauring.
Other substantive exploration data	Improved exploration data know about the physical - chemical nature of the reported logged drill intercepts occurs at this point. Metallurgy is an increasing determination and reported identifying coarse magnetite recoverable at a coarse grind. We know that a BIF sequence of rocks with 3 zones of BIF a western, central and eastern zone, occurs at Kauring as reported up to January 2015. Overburden of 50m of weathered BIF reported at Kauring with evidence parts are commercially interesting to date but not affirmative along strike.
Further work	Further work will require further drilling to improve the geological model being reported broader ground magnetic survey, infill ground magnetics.
	Figure 2 outlines the Kauring Project is subject to further access agreements over the north and south targets and future negotiations with farmers to determine a JORC MR.

### INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 18 for the half-year ended 31 December 2014.

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

For and on behalf of the Directors

A handwritten signature in black ink, appearing to read 'Gavin Fletcher'.

**GAVIN FLETCHER**

Managing Director  
27 February 2015

## 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 period ended 31 December 2014, 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.

SOMES COOKE

SOMES COOKE

NICHOLAS HOLLENS

NICHOLAS HOLLENS  
Partner

27 February 2015  
Perth



**STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



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	Notes	Half Year Ended 31 Dec 2014 (\$)	Half Year Ended 31 Dec 2013 (\$)
<b>Revenue:</b>			
Drilling rebate		-	53,240
Interest income		15,558	12,212
<b>Expenses:</b>			
Depreciation expense		(15,803)	(30,988)
Exploration and tenement expenses		(469,603)	(377,983)
Share based payment expenses		-	(286,729)
Other expenses		(412,886)	(376,214)
<b>(Loss) before income tax expense</b>		(882,734)	(1,006,462)
Income tax expense		-	-
<b>(Loss) from continuing operations</b>		(882,734)	(1,006,462)
<b>Other comprehensive income:</b>			
Changes in the fair value of available-for-sale financial assets		25,043	9,301
<b>Other comprehensive income for the period, net of tax</b>		25,043	9,301
<b>Total comprehensive income for the period attributable to members of the Company</b>		(857,691)	(997,161)
Basic (loss) per share (cents per share)		(0.9203)	(1.1146)
Diluted (loss) per share (cents per share)		(0.9203)	(1.1146)

*The accompanying notes form part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**



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	Notes	31 Dec 2014 (\$)	30 June 2014 (\$)
<b>Current Assets</b>			
Cash and cash equivalents		1,194,712	397,452
Trade and other receivables		22,320	306,041
Other assets		27,486	26,363
<b>Total Current Assets</b>		<u>1,244,518</u>	<u>729,856</u>
<b>Non-Current Assets</b>			
Property, plant and equipment		30,824	46,626
Other financial assets	3	92,950	67,907
<b>Total Non-Current Assets</b>		<u>123,774</u>	<u>114,533</u>
<b>TOTAL ASSETS</b>		<u>1,368,292</u>	<u>844,389</u>
<b>Current Liabilities</b>			
Trade and other payables		77,208	154,045
<b>Total Current Liabilities</b>		<u>77,208</u>	<u>154,045</u>
<b>TOTAL LIABILITIES</b>		<u>77,208</u>	<u>154,045</u>
<b>NET ASSETS</b>		<u>1,291,084</u>	<u>690,344</u>
<b>Equity</b>			
Contributed equity	4	15,651,445	14,193,014
Reserves	4	1,165,152	1,251,534
Accumulated losses		(15,525,513)	(14,754,204)
<b>TOTAL EQUITY</b>		<u>1,291,084</u>	<u>690,344</u>

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



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	<b>Contributed Equity (Net of Costs) (\$)</b>	<b>Reserve (\$)</b>	<b>Accumulated Losses (\$)</b>	<b>Total (\$)</b>
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<b>Balance at 1.7.2013</b>	13,343,546	768,809	(13,208,571)	903,784
Operating (loss) for the period	-	-	(1,006,462)	(1,006,462)
Other comprehensive income	-	9,301	-	9,301
Share based payments expense	-	284,426	-	284,426
Shares issued during the period	539,997	-	-	539,997
<b>Balance at 31.12.2013</b>	13,883,543	1,062,536	(14,215,033)	731,046

<b>Balance at 1.7.2014</b>	14,193,014	1,251,534	(14,754,204)	690,344
Operating (loss) for the period	-	-	(882,734)	(882,734)
Other Comprehensive Income	-	25,043	-	25,043
Options expired	-	(111,425)	111,425	-
Shares issued during the period	1,458,431	-	-	1,458,431
<b>Balance at 31.12.2014</b>	15,651,445	1,165,152	(15,525,513)	1,291,084

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



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	Note	Half Year Ended 31 Dec 2014 (\$)	Half Year Ended 31 Dec 2013 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers and contractors		(486,747)	(474,349)
Interest received		15,558	11,065
Other Receipts		279,921	-
Drilling Rebate		-	53,240
<b>Net cash (used in) operating activities</b>		<u>(191,268)</u>	<u>(410,044)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		-	(8,874)
Payments for exploration and evaluation		(452,472)	(432,080)
Purchase of new tenements		-	-
<b>Net cash (used in) investing activities</b>		<u>(452,472)</u>	<u>(440,954)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new issues of shares	4	1,441,000	251,043
Proceeds from the issue of share options		-	500
<b>Net cash provided by financing activities</b>		<u>1,441,000</u>	<u>251,543</u>
Net increase in cash held		797,260	(599,455)
Cash and cash equivalents at the beginning of the financial period		<u>397,452</u>	<u>1,170,011</u>
Cash and cash equivalents at the end of the financial period		<u><u>1,194,712</u></u>	<u><u>570,556</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 2014 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 2014, 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.

**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 2014**



**NOTE 2 OPERATING SEGMENTS**

**Segment Information**

**Identification of reportable segments**

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

**Revenue and assets by geographical region**

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

**Major customers**

Due to the nature of its 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	67,907
Changes in the fair value during the period	25,043
Closing balance	<u>92,950</u>

**NOTE 4 EQUITY**

**Contributed Equity - Ordinary Shares**

	Number	\$
At the beginning of the period	90,612,758	14,193,014
Shares issued for cash during the period	7,205,000	1,441,000
Share based payments during the period	119,056	17,431
<b>Closing balance</b>	<u>97,936,814</u>	<u>15,651,445</u>

**Contributed Equity - Contributing Shares – Partly-paid**

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

**Total Contributing Equity**

<u>118,355,676</u>	<u>15,651,445</u>
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**Share Based Payments Reserve**

Balance at beginning of the period	1,251,534
Options expired during the period	(111,425)
Closing balance	<u>1,140,109</u>

**Available for Sale Reserve**

Balance at beginning of the period	-
Movement in the fair value of investment held	25,043
Closing balance	<u>25,043</u>
<b>Total Reserves</b>	<u>1,165,152</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



Options exercisable at \$0.4607 each on or before 21 December 2015	2,145,000
Options exercisable at \$0.1499 each on or before 27 December 2016	12,757,143
Options exercisable at \$0.18 each on or before 31 December 2017	150,000
Options exercisable at \$0.17 each on or before 31 December 2017	4,000,000
<b>Total Options</b>	<u>19,052,143</u>

**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.

The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to \$268,000. 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**

There have been no matters or circumstances that have arisen since 31 December 2014 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 7 CONTINGENT LIABILITIES**

**Native Title**

The Company's activities are 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014



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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 2014 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 be 'G. Smith', written over a light blue rectangular background.

Managing Director

Dated this 27 day of February 2015

## 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 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Magnetic Resources NL 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 gives a true and fair view and 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 Magnetic Resources NL's financial position as at 31 December 2014 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:

- (a) giving a true and fair view of the Magnetic Resources NL's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



SOMES COOKE



NICHOLAS HOLLENS

Partner

27 February 2015

Perth