

# **Mount Magnet South Limited**

(formerly Mount Magnet South NL)

ABN 93 096 635 246

## **Interim Financial Report**

**for the half-year ended 31 December 2015**

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## **CORPORATE DIRECTORY**

### **BOARD**

#### **Directors**

Alec Pismiris (Chairman)

David Leavy

Michael Fennell

#### **Company Secretary**

Shaun Menezes

#### **Principal & Registered Office**

Ground Floor, 10 Outram Street

West Perth, Western Australia 6005

Telephone: +61 8 9213 8900

Facsimile: +61 8 9213 8901

Email: [admin@mountmagnet.com.au](mailto:admin@mountmagnet.com.au)

#### **Auditors**

HLB Mann Judd

Level 4, 130 Stirling Street

Perth WA 6000

#### **Share Registrar**

Security Transfer Registrars

770 Canning Highway

Applecross, Western Australia 6153

Telephone: +61 8 9315 2333

#### **Securities Exchange Listing**

Australian Securities Exchange

Codes: MUM, MUMOA

## DIRECTORS' REPORT

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Your directors submit the financial report of the consolidated entity, comprising Mount Magnet South Limited (the "Company" or "MMS") and its controlled entity (collectively the "Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Alec Pismiris (Chairman)

David Leavy

Michael Fennell

### REVIEW OF OPERATIONS

#### ***Kirkalocka Gold Project (KGP)***

Activities at the KGP during the half year focussed on:

- Maintaining the KGP asset and ensuring compliance with all licence and regulatory requirements whilst minimising expenditure where appropriate.
- Continuation of site monitoring through agreement with the Kirkalocka Station owners with support for the MMS office staff. No significant security issues occurred during the period. Data gathered in security monitoring activities is assisting the station owner in feral pest management in the area.
- Implementing transfer of KGP and associated assets to Minjar Gold Pty Ltd ("Minjar").

On 17 November 2015 the Company announced the sale of the KGP to Minjar had been completed, with the Company receiving funds of \$1,861,825 (inclusive of GST) as settlement of the sale. The settlement amount included reimbursement of tenement rents paid by MMS in accordance with the terms of the Tenement Sale Agreement. An amount of \$50,000 was deducted from the settlement amount and held in escrow to meet any costs associated with keeping the tenements encompassed by the Tenement Sale Agreement in good standing.

Minjar also paid the contingent amount to Newcrest Mining Limited in accordance with the terms of the Equigold Agreement as a result of the disposal of the Kirkalocka Plant being a contingent event under that agreement.

The Company retains ownership of tenements E59/1361, E59/1778, E59/1962 and E59/2145 (pending application) which are known to host significant iron mineralisation. All gold rights associated with these tenements have been granted to Minjar. The Company intends to undertake a review of all historical data for these tenements and formulate a future exploration program (for iron).

### ***Results***

The consolidated loss for the half-year after tax was \$409,338 (2014: \$395,832).

## DIRECTORS' REPORT

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### **Corporate**

The Company continued its efforts to identify new project opportunities. The Company has been focused on potential acquisitions that are drill-ready exploration projects through to advanced projects with existing resources and upside potential. As a consequence of a significant deterioration in investor sentiment, the Company broadened its investment parameters to include industries outside the resources sector.

### **Receipt of 2014/2015 R&D Claim**

Following the completion and submission of the required documentation for the 2015 financial year, the Company received a cash refund of \$92,039 during the December 2015 quarter under the Federal Government's Research and Development (R&D) Tax Incentive Scheme. Under the Scheme, the Company was entitled to a cash refund of 45 cents per dollar spent on eligible R&D expenditure. The Company's claim predominantly related to costs incurred in relation to studies associated with the Kirkalocka Gold Project.

### **Restructure of Convertible Note**

The Company reached agreement with the holder of 66,666,667 unsecured convertible notes with an aggregate face value of \$1.0 million ("Convertible Notes") to vary certain terms of the Convertible Notes whereby it was agreed to redeem 40,000,000 of the existing Convertible Notes (with the aggregate face value of \$600,000) upon completion of the disposal of the Kirkalocka Tenement Interest and the Kirkalocka Plant. The terms of the remaining 26,666,667 Convertible Notes would be varied as follows:

- **Extension of the maturity date:** The maturity date to be extended by two years to 31 July 2017 which means that the date by which the Company must redeem any Convertible Notes that have not been redeemed or converted by 31 July 2017 and the Noteholder would have until that date to elect to convert the Convertible Notes.
- **Resetting of the conversion price:** The conversion price to be varied to \$0.006 per Share. This variation was intended to ensure that the price for the extended conversion period would be broadly consistent with the commercial principles on which the current conversion price was set.
- **Conversion:** The Convertible Notes will be convertible (in whole or in part) into 66,666,667 Shares at any time on or before the redemption date at the election of the noteholder or the Company into Shares at the new conversion price of \$0.006 per Share by delivering a conversion notice to the Company or the Noteholder (as applicable). One Convertible Note is therefore convertible into approximately 2.5 shares.

The remaining key terms of the Convertible Notes remain unchanged.

In December 2015, an amount of \$200,000 was repaid to the Convertible Noteholder on redemption of 40,000,000 Convertible Notes. The aggregate face value remaining of \$400,000 relating to the Convertible Notes redeemed remains owing at balance date.

## DIRECTORS' REPORT

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### **General Meeting of Shareholders**

The Company held a general meeting of shareholders on 25 September 2015 at which shareholder approval was obtained for the following:

- the sale of the Kirkalocka Tenement Interest to Minjar in accordance with the Tenements Sale Agreement;
- the sale of the Kirkalocka Plant to Minjar in accordance with the Plant Sale Agreement;
- the issue of securities pursuant to a prior placement and to a director in lieu of accrued fees;
- variation to the terms of the existing Convertible Notes;
- change of Company Type;
- change of Company Name; and
- adoption of a New Constitution.

### **Share Sale Facility**

During the December quarter the Company established a share sale facility ("**Facility**") for holders of less than a marketable parcel as defined in the ASX Listing Rules. The Closing Date for the Facility was 22 December 2015.

A registered shareholding of 333,333 shares or less held on the 4 November 2015 (the Record Date) qualified for the Facility.

The Facility was implemented so that holders of less than a marketable parcel could sell their shares without incurring any costs that would otherwise make a sale of their shares uneconomic. The Company will benefit from the future reduction in administrative costs associated with maintaining a large number of small shareholdings.

The sale price under the Facility was \$0.0015 per share being the volume weighted average sale price of the Company's shares quoted on the ASX for the five consecutive trading days preceding the Record Date and rounded to the nearest half cent.

### **Subsequent Events**

On 10 February 2016, the Company announced that it had entered into a binding agreement ("Agreement") pursuant to which it has agreed, subject to the satisfaction of certain conditions precedent, to acquire 100% of the issued share capital of a leading provider of custom fit mouthguards, Gameday International Pty Ltd ("Gameday").

Mount Magnet will pay \$150,000 to Gameday in three tranches on the following basis:

- a) \$50,000 on execution of the Agreement;
- b) \$50,000 on the day that is 1 month after the date of execution of the Agreement; and
- c) \$50,000 on the day that is 2 months after the date of execution of the Agreement.

Subject to satisfaction or waiver of conditions precedent to the acquisition outlined below, in consideration for acquiring 100% of Gameday's shares, the Company has agreed to issue upon completion, the following securities to the current shareholders of Gameday:

- a) 880 million fully paid ordinary shares in the capital of the Company (on a pre-Consolidation basis);

## DIRECTORS' REPORT

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### ***Subsequent Events (continued)***

- b) 800 million performance shares in the capital of the Company that convert on a one for one basis into fully paid ordinary shares (on a pre-Consolidation basis) as follows:
- i. 400 million performance shares that convert upon Gameday selling 30,000 dental devices in any 12 month period on or before the date that is 3 years from the time of issue ("Class A Performance Shares"); and
  - ii. 400 million performance shares that convert upon Gameday selling 60,000 dental devices in any 12 month period on or before the date that is 5 years from the time of issue ("Class B Performance Shares"),  
(the Performance Share terms are subject to ASX's approval, which approval is a condition precedent to completion of the Acquisition).

In addition, subject to satisfaction or waiver of conditions precedent to the acquisition outlined below, at completion of the acquisition, the Company will also issue:

- a) 193,750,000 fully paid ordinary shares in the capital of the Company (on a pre-Consolidation basis); and
  - b) 23,437,500 free attaching options exercisable at \$0.0064 (on a pre-Consolidation basis) on or before 31 December 2018,
- to existing holders of convertible notes issued by Gameday.

Completion of the acquisition of Gameday is subject to a number of conditions precedent, including, but not limited to:

- **Shareholder and regulatory approval:** The Company obtaining all necessary shareholder and regulatory approvals required in relation to the acquisition and other matters contemplated by the Agreement (which includes receipt of ASX's conditional approval to reinstate the Company's quoted securities to trading);
- **Consolidation:** If required to satisfy the ASX Listing Rules, completion of a consolidation of the capital of Mount Magnet on the minimum ratio required to satisfy the ASX Listing Rules and to be agreed between Mount Magnet and Gameday ("Consolidation");
- **Re-Compliance Capital Raising:** The Company undertaking an equity capital raising and receiving valid applications for at least \$2,000,000 ("Capital Raising"); and
- **100% Acquisition:** The Company entering into binding arrangements with all minority shareholders of Gameday for the sale and purchase of their shares, such that the Company will hold 100% of the issued share capital of Gameday following completion of the acquisition; and
- **Escrow Arrangements:** to the extent required by ASX, each of the Gameday shareholders entering into a restriction agreement as required by ASX imposing such restrictions on trading of those securities as mandated by the ASX Listing Rules.

The conditions precedent for completion must be satisfied by 31 May 2016 (or such later date as the parties may agree).

Other than the above, in the period between the end of the half-year and the date of this report there has not arisen any other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## **DIRECTORS' REPORT**

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### **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this Directors' Report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.



Alec Pismiris  
Chairman  
Perth  
8 March 2016



**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Mount Magnet South Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia  
8 March 2016**



**N G Neill  
Partner**

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2015 \$</b>	<b>31 December 2014 \$</b>
Other income		8,079	8,644
Employee benefits expense		(61,500)	(135,554)
Finance costs		(53,700)	(56,972)
Administration		(93,843)	(233,281)
Compliance, legal and regulatory		(65,894)	(84,401)
Exploration written off	2	(192,820)	-
Loss on sale of Kirkalocka Gold Project	6(a)	(41,699)	-
<b>Loss before income tax expense</b>		<b>(501,377)</b>	<b>(501,564)</b>
Income tax benefit (R&D tax incentive)		92,039	105,732
<b>Net loss for the period</b>		<b>(409,338)</b>	<b>(395,832)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(409,338)</b>	<b>(395,832)</b>
Basic loss per share (cents per share)		(0.03)	(0.06)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December</b>	<b>30 June 2015</b>
		<b>2015</b>	
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,041,213	175,997
Trade and other receivables		7,991	8,102
Other financial asset		52,359	21,108
Assets classified as held for sale	6(b)	-	6,028,000
<b>Total current assets</b>		<b>1,101,563</b>	<b>6,233,207</b>
<b>Non-current assets</b>			
Deferred exploration expenditure	2	18,215	-
<b>Total non-current assets</b>		<b>18,215</b>	<b>-</b>
<b>Total assets</b>		<b>1,119,778</b>	<b>6,233,207</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		161,788	235,829
Borrowings	3	404,450	993,770
Liabilities directly associated with assets held for sale	6(b)	-	4,530,000
<b>Total current liabilities</b>		<b>566,238</b>	<b>5,759,599</b>
<b>Non-current liabilities</b>			
Borrowings	3	357,435	-
<b>Total non-current liabilities</b>		<b>357,435</b>	<b>-</b>
<b>Total liabilities</b>		<b>923,673</b>	<b>5,759,599</b>
<b>Net assets</b>		<b>196,105</b>	<b>473,608</b>
<b>Equity</b>			
Issued capital	4	34,757,876	34,701,557
Reserves		3,472,513	3,396,997
Accumulated losses		(38,034,284)	(37,624,946)
<b>Total equity</b>		<b>196,105</b>	<b>473,608</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 December 2015 \$	31 December 2014 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(310,089)	(236,773)
Payment for exploration activities	(164,047)	(370,855)
Interest received	1,591	1,885
Research & development tax incentive	92,039	105,732
<b>Net cash provided by / (used in) operating activities</b>	<b>(380,506)</b>	<b>(500,011)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of assets	1,691,825	6,759
Costs associated with sale of assets	(243,699)	-
Payments for property, plant & equipment	-	(3,482)
<b>Net cash provided by / (used in) investing activities</b>	<b>1,448,126</b>	<b>3,277</b>
<b>Cash flows from financing activities</b>		
Gross proceeds from issue of shares and options	-	828,021
Costs of share issue	(2,404)	(12,600)
Repayment of convertible notes	(200,000)	-
<b>Net cash provided by / (used in) financing activities</b>	<b>(202,404)</b>	<b>815,421</b>
Net increase in cash and cash equivalents	865,216	318,687
Cash and cash equivalents: beginning of the period	175,997	396,321
<b>Cash and cash equivalents: end of the period</b>	<b>1,041,213</b>	<b>715,008</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Issued Capital \$	Option Premium Reserve \$	Convertible Notes Reserve \$	Equity Benefits Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2015</b>	34,701,557	206,905	332,622	2,857,470	(37,624,946)	473,608
Total comprehensive loss	-	-	-	-	(409,338)	(409,338)
Equity portion on convertible note	-	-	68,016	-	-	68,016
Transaction costs	(3,681)	-	-	-	-	(3,681)
Share based payment expense	60,000	-	-	7,500	-	67,500
<b>Balance at 31 December 2015</b>	<b>34,757,876</b>	<b>206,905</b>	<b>400,638</b>	<b>2,864,970</b>	<b>(38,034,284)</b>	<b>196,105</b>

Consolidated	Issued Capital \$	Option Premium Reserve \$	Convertible Notes Reserve \$	Equity Benefits Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2014</b>	34,056,174	-	332,622	2,765,649	(35,087,053)	2,067,392
Equity portion on convertible note	-	-	-	-	(395,832)	(395,832)
Total comprehensive income	547,783	206,007	-	-	-	753,790
<b>Balance at 31 December 2014</b>	<b>34,603,957</b>	<b>206,007</b>	<b>332,622</b>	<b>2,765,649</b>	<b>(35,482,885)</b>	<b>2,425,350</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Mount Magnet South Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX listing rules.

#### Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a loss for the half-year (after tax) of \$409,338 and experienced net operating cash outflows of \$380,505 after an R&D Tax Incentive of \$92,039.

The directors believe that it is appropriate to prepare the financial statements on a going concern basis as they believe the Group has the capacity to obtain additional funds through issues of equity, attract farm-in partners to some of the Company's mineral properties and also further reduce expenditure.

The ability of the Group to continue as a going concern is dependent on the ability to source additional funds from debt and/or equity markets to meet working capital requirements and for future exploration and development activity.

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Group be unable to source additional funds from debt and/or equity markets, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

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### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

#### **Adoption of New and Revised Accounting Standards**

In the half-year ended 31 December 2015, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2015.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised standards and interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change necessary to Group accounting policies.

#### **Basis of preparation**

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

The interim report has been prepared on an historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Group is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

#### **Significant Accounting Judgements and Key Estimates**

The preparation of interim financial reports require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 2. DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:	Half-Year Ended 31 December 2015 \$	Year Ended 30 June 2015 \$
<b>Exploration and evaluation phase</b>		
Balance at the beginning of the period	-	4,200,000
Expenditure incurred	211,035	722,922
Exploration written off	(192,820)	(1,897,311)
Reclassified as asset held for sale	-	(3,025,611)
<b>Total deferred exploration expenditure</b>	<b>18,215</b>	<b>-</b>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase are dependent on the successful development and commercial exploitation or sale of the respective areas.

### 3. BORROWINGS (CURRENT AND NON-CURRENT)

#### Convertible Notes

	\$	\$
Classified as current liabilities	400,000	993,770
Classified as non-current liabilities	357,435	-
<b>Total Convertible Notes</b>	<b>757,435</b>	<b>993,770</b>
Other (current)	4,450	-
<b>Total Borrowings</b>	<b>761,885</b>	<b>993,770</b>
<b>Summary of Balance</b>		
Convertible notes – face value	800,000	1,000,000
Amount classified as equity	(68,016)	(105,416)
Unwinding of interest	25,451	99,186
<b>Carrying amount of liability</b>	<b>757,435</b>	<b>993,770</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 4. ISSUED CAPITAL

#### Ordinary shares

	Number	\$
At 1 July 2015	1,240,034,693	34,701,557
Share-based payment	15,000,000	60,000
Capital raising costs		(3,681)
<b>At 31 December 2015</b>	<b>1,255,034,693</b>	<b>34,757,876</b>

#### Options - listed

At 31 December 2015 the Company had on issue 358,506,939 options exercisable at \$0.006 expiring on 31 December 2018.

#### Options – unlisted

At 31 December 2015 the Company had on issue 90,000,000 options exercisable at \$0.006 expiring on 31 December 2018.

### 5. OPTION PREMIUM RESERVE

#### Listed options

	Number	\$
At 1 July 2015	276,006,939	206,905
Placement (1 June 2015)*	82,500,000	-
<b>At 31 December 2015</b>	<b>358,506,939</b>	<b>206,905</b>

\*Part of placement of shares undertaken on 1 June 2015, options approved by shareholders at a General Meeting on 25 September 2015.

#### Terms and conditions

Options are exercisable at \$0.006 with a 31 December 2018 expiry.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 6. ASSETS AND LIABILITIES HELD FOR SALE

On 25 March 2015, the Company entered into a conditional binding offer with Ozchina Enterprises Pty Ltd ("Ozchina"), whereby Ozchina has agreed to acquire the Kirkalocka Gold Project for a cash consideration of \$1,700,000 subject to various conditions precedent. The agreement was subsequently assigned to Minjar Gold Pty Ltd ("Minjar") with the consent of the Company. The formal sale and purchase agreements comprising a Plant Sale Agreement and a Tenement Sale Agreement were executed on 14 July 2015 and the sale was completed on 17 November 2015.

#### (a) Consideration received

	Consolidated 2015 \$
Cash and short term deposits	1,700,000
Less cost to sell	(243,699)
Total disposal consideration	1,456,301
Less: net assets disposed of	(1,498,000)
Loss on disposal before income tax	(41,699)
Income tax expense	-
Loss on disposal after income tax	(41,699)

#### (b) Assets and liabilities held for sale

The major classes of assets and liabilities of comprising the operations classified as held for sale at balance date are as follows:

	Consolidated 30 June 2015 \$
<u>Assets</u>	
Property, plant and equipment	3,000,000
Deferred exploration and evaluation expenditure	3,025,611
Inventory	2,389
Total assets	6,028,000
<u>Liabilities</u>	
Provision for rehabilitation	(3,530,000)
Deferred Vendor consideration	(1,000,000)
Total liabilities	(4,530,000)
Net assets classified as held for sale	1,498,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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### 7. SEGMENT INFORMATION

#### Operating segment by business activity

The Group predominately operates in the mineral exploration sector of Western Australia. The directors have reviewed the Group's operating segments in accordance with "management approach" guidelines and have identified the Group as being a single operating segment.

### 8. SUBSEQUENT EVENTS

On 10 February 2016, the Company announced that it had entered into a binding agreement ("Agreement") pursuant to which it has agreed, subject to the satisfaction of certain conditions precedent, to acquire 100% of the issued share capital of a leading provider of custom fit mouthguards, Gameday International Pty Ltd ("Gameday").

Mount Magnet will pay \$150,000 to Gameday in three tranches on the following basis:

- d) \$50,000 on execution of the Agreement;
- e) \$50,000 on the day that is 1 month after the date of execution of the Agreement; and
- f) \$50,000 on the day that is 2 months after the date of execution of the Agreement.

Subject to satisfaction or waiver of conditions precedent to the acquisition outlined below, in consideration for acquiring 100% of Gameday's shares, the Company has agreed to issue upon completion, the following securities to the current shareholders of Gameday:

- a) 880 million fully paid ordinary shares in the capital of the Company (on a pre-Consolidation basis);
- b) 800 million performance shares in the capital of the Company that convert on a one for one basis into fully paid ordinary shares (on a pre-Consolidation basis) as follows:
  - iii. 400 million performance shares that convert upon Gameday selling 30,000 dental devices in any 12 month period on or before the date that is 3 years from the time of issue ("Class A Performance Shares"); and
  - iv. 400 million performance shares that convert upon Gameday selling 60,000 dental devices in any 12 month period on or before the date that is 5 years from the time of issue ("Class B Performance Shares"),  
(the Performance Share terms are subject to ASX's approval, which approval is a condition precedent to completion of the Acquisition).

In addition, subject to satisfaction or waiver of conditions precedent to the acquisition outlined below, at completion of the acquisition, the Company will also issue:

- a) 193,750,000 fully paid ordinary shares in the capital of the Company (on a pre-Consolidation basis); and
- b) 23,437,500 free attaching options exercisable at \$0.0064 (on a pre-Consolidation basis) on or before 31 December 2018,  
to existing holders of convertible notes issued by Gameday.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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### 8. SUBSEQUENT EVENTS (CONTINUED)

Completion of the acquisition of Gameday is subject to a number of conditions precedent, including, but not limited to:

- **Shareholder and regulatory approval:** The Company obtaining all necessary shareholder and regulatory approvals required in relation to the acquisition and other matters contemplated by the Agreement (which includes receipt of ASX's conditional approval to reinstate the Company's quoted securities to trading);
- **Consolidation:** If required to satisfy the ASX Listing Rules, completion of a consolidation of the capital of Mount Magnet on the minimum ratio required to satisfy the ASX Listing Rules and to be agreed between Mount Magnet and Gameday ("Consolidation");
- **Re-Compliance Capital Raising:** The Company undertaking an equity capital raising and receiving valid applications for at least \$2,000,000 ("Capital Raising"); and
- **100% Acquisition:** The Company entering into binding arrangements with all minority shareholders of Gameday for the sale and purchase of their shares, such that the Company will hold 100% of the issued share capital of Gameday following completion of the acquisition; and
- **Escrow Arrangements:** to the extent required by ASX, each of the Gameday shareholders entering into a restriction agreement as required by ASX imposing such restrictions on trading of those securities as mandated by the ASX Listing Rules.

The conditions precedent for completion must be satisfied by 31 May 2016 (or such later date as the parties may agree).

Other than the above, in the period between the end of the half-year and the date of this report there has not arisen any other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years

### 9. COMMITMENTS AND CONTINGENCIES

There have been no material changes to commitments and contingencies since the last annual reporting date, and as disclosed in the Group's annual financial report for the year ended 30 June 2015.

## **DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

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In the opinion of the directors of Mount Magnet South Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
2. Subject to the matters set out in Note 1 "Going Concern", 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Alec Pismiris

Perth  
8 March 2016

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Mount Magnet South Limited

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Mount Magnet South Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 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 the company, 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 Mount Magnet South Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of matter*

Without modifying our conclusion, we draw attention to Note 1 to the financial report which indicates that the Company will be required to raise additional funding to enable it to continue as a going concern. If the Company does not obtain sufficient funding as outlined in Note 1, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.



**HLB Mann Judd**  
**Chartered Accountants**



**N G Neill**  
**Partner**

**Perth, Western Australia**  
**8 March 2016**