



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

## **ANNUAL REPORT**

**FINANCIAL YEAR  
ENDED 30 JUNE 2015**

**ABN: 34 121 370 232**

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## CORPORATE DIRECTORY



magnetic resources<sup>NL</sup>

### DIRECTORS

GAVIN FLETCHER  
Managing Director

ERIC LIM  
Non-Executive Director

JOHN BLANNING  
Non-Executive Director

**COMPANY SECRETARY**  
BEN DONOVAN

**REGISTERED OFFICE**  
Ground Floor  
22 Delhi Street, West Perth WA 6005  
Telephone (08) 9226 1777  
Facsimile (08) 9325 3099

**WEBSITE**  
[www.magres.com.au](http://www.magres.com.au)

### FOR SHAREHOLDER INFORMATION CONTACT

**SHARE REGISTRY**  
Security Transfer Registrars Pty Ltd  
770 Canning Highway, Applecross WA 6153  
Telephone (08) 9315 2333  
Facsimile (08) 9315 2233

### FOR INFORMATION ON THE COMPANY CONTACT

**PRINCIPAL & REGISTERED OFFICE**  
Ground Floor  
22 Delhi Street, West Perth WA 6005  
Telephone (08) 9226 1777  
Facsimile (08) 9325 3099

**BANKERS**  
Bank of Western Australia Ltd  
Hay Street, West Perth WA 6005

**AUDITORS**  
Somes Cooke  
Chartered Accountants  
Level 2, 35 Outram Street, West Perth WA 6005

**STOCK EXCHANGE**  
Australian Securities Exchange (ASX)

**COMPANY CODE (quoted)**  
MAU (Fully paid shares)  
MAUCA (Partly paid shares)

### ISSUED CAPITAL

97,936,814 fully paid ordinary shares.  
20,418,862 partly paid shares (\$0.20 unpaid).  
2,145,000 options to acquire fully paid shares exercisable at \$0.4607 by 21 December 2015  
12,757,143 options to acquire fully paid shares exercisable at \$0.1499 by 27 December 2016  
4,000,000 options to acquire fully paid shares exercisable at \$0.17 on or by 31 December 2017  
150,000 options to acquire fully paid shares exercisable at \$0.18 on or by 31 December 2017

### PROJECTS SUMMARY

#### IRON ORE

Magnetic Resources (Magnetic or the Company) remains focused on exploring its iron ore holdings in the south west of Western Australian and on advancing its discovery of premium quality magnetite deposits close to existing rail and port infrastructure and is closer to bringing on stream a future magnetite mine.

A location map of the Company's current tenements is shown in Figure 1. During 2014-2015 the Company minimised or surrendered some of its tenement areas as part of austerity measures and this reflects reduced acreage over established projects and withdrawal from projects deemed of lesser importance.

The Jubuk project is now regarded a smaller scale project and has been able to achieve retention status with the Department of Mines and Energy which puts the project on a care and maintenance basis reviewed annually.

During the year emphasis was directed further north of the Company's Ragged Rock and Kauring coarse magnetite projects with two new pegged tenement areas, Mount Joy and Kingston Park, containing mapped and historically drilled coarse grained Banded Iron Formation (BIF) near to rail and road infrastructure close by to Northam.

The farming community in the Mount Joy vicinity has embraced with the Company to engage in future mine opportunity agreements.

Progress at Mount Joy involved drilling during the latter part of the year which aims to report a maiden 2012 Inferred JORC resource in 1Q 2015-2016. A future mine review at Mount Joy is also aimed at being reported on over the next 12 months, which will involve closer spaced drilling and mine establishment review.

Four key components exist at each of the four Company projects:

- ☐ LOCATION – Close to infrastructure
- ☐ METALLURGY & GEOLOGY - High quality deposit
- ☐ LOW CAPEX/LOW OPEX projections
- ☐ TRACK RECORD – Proven people

The Kauring Project and Ragged Rock Projects south of Northam through drilling and test work over the years has been most encouraging, identifying resource potential which has allowed advanced understanding of magnetite geology and metallurgy progression with Exploration Targets already announced for both project areas.

The 4 key Company projects (Fig 2) each with coarse grained premium quality magnetite are located in the South West of Western Australia. Each of the Company aspects at Mount Joy, Ragged Rock, Kauring and Jubuk are:

- ☐ All situated close to the vital, rail and road infrastructure. Government owned and open access.
- ☐ Global change in focus for high iron and low contaminants similar to our 3 projects.
- ☐ Projects within 5-15km of existing rail
- ☐ Rail capacity for up to 3Mtpa of Magnetite final product
- ☐ Access to port of Albany
- ☐ 2 regional centres within 15 km.
- ☐ Grid power readily available
- ☐ No mining camp or FIFO required

## REVIEW OF OPERATIONS



Most magnetite projects in Australia require very fine grinding (approx. 25-35µm) to achieve acceptable concentrate quality. The Company's coarse grained magnetite projects exhibit exceptional quality concentrates at substantially coarser grind sizes (75-150 microns). Reported to date at Jubuk, Ragged Rock and Kauring are concentrate quality of 68-70% Fe and combined SiO<sub>2</sub> and Al<sub>2</sub>O<sub>3</sub> of less than 3% is consistently being achieved at very coarse grind sizes.

Perhaps of greater significance is the Magnetic Resources projects are all situated close to vital, rail and road infrastructure required to get the product to market. This substantially de-risks the project which in combination with the coarser magnetite product reduces Capex and Opex costs in a major way, compared to most advanced and operating projects in Australia.

AREA	NAME	TARGET TONNAGE	TARGET TYPE	TARGET GRADES %Fe
1	MOUNT JOY	To Be Announced	BIF	30-40
2	RAGGED ROCK	100-270Mt	BIF	20-40
3	JUBUK	50Mt	BIF	20-25
4	KAURING	50-100Mt	BIF	20-30

Table 1: Target Tonnage

At Table 1 the target tonnage at Areas 2, 3, 4 is based on drilling results, aeromagnetic and ground magnetic models, historical data, density of 3.5 and target depth of 100m for BIF styles and density of 2.8 and target depth of 250m for gneiss styles. The potential quality and grade is conceptual in nature as there has not yet been sufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

	Kauring	Ragged Rock	Other WA Projects
Grind size required	100µm	150µm	26µm→35µm
Concentrate grade	66%	66%	64%-66%
Recovery	45%	35%	20-30%
Energy (total)	~25	~25	≈ 50-60

Table 2: Kauring and Ragged Rock comparative data

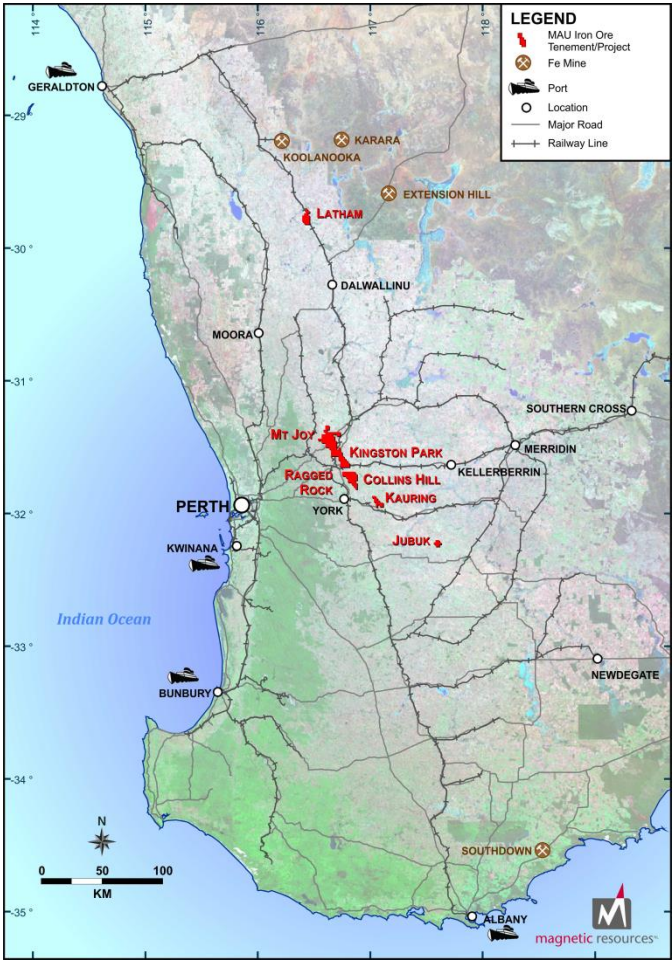


Figure 1: Location Map

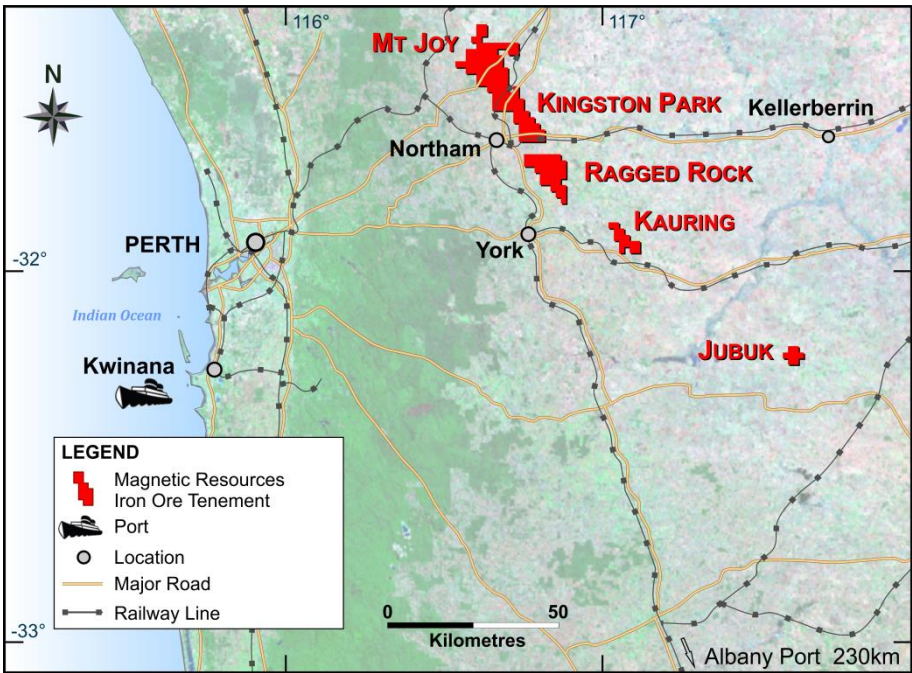


Figure 2: Project Map

### **MOUNT JOY PROJECT (Magnetic 100%):**

#### **Introduction:**

Magnetic Resources NL commenced a drilling program in 2015 designed to delineate a maiden JORC resource on a small but highly prospective area, called MJ1 of the newly acquired Mt Joy tenement located within 6km of the town of Northam and the Trans Australian Railway Line which links to the Port of Kwinana.

The application for the Mt Joy tenement area was announced on 30 March 2015 and as outlined in that announcement, early engagement with the farmers in the area resulted in an agreement being reached over land containing a number of highly prospective anomalies. A subsequent connecting tenement to Mt Joy tenement called Kingston Park is pegged (Figure 3).

Normally the Company would make an initial evaluation of the deposit with 1 or 2 drill holes to gain an understanding of the geology and potential thickness of mineralisation, however, in this case, the owner of the land was able to provide a substantial amount of information regarding historical diamond drilling which was carried out in the late 1960's and this gave the Company sufficient confidence to commence an Inferred JORC drilling program without delay. Results of the 2012 JORC Inferred Mineral Resource are pending.

#### **Historical Drilling:**

The information supplied by the owner of the land included geological logging of 25 vertical diamond drill holes representing approximately 3041 metres of diamond drilling and also 17 percussion drill (PD) holes for about 321 metres over target MJ1 (Figure 4) which were likely targeting DSO style material in the outcrop of the mineralisation. Unfortunately the assay data from this drilling could not be located. However, the half core remaining from the diamond drilling is still located on an adjacent farm and has been purchased by the Company.

Validation of the diamond core is ongoing and to date a number of the holes have been identified which will prove to be invaluable in assessing the deposit and also conducting initial engineering design test work on the deposit. These engineering tests provide the key parameters to design and cost a processing facility in the future. The diamond core can also be used for pit design test work as the project is further developed.

The location of the historical diamond holes are generally in the outcropping areas of the deposit which suggests that the previous Company was targeting a DSO style resource. This is further evidenced by the lack of drilling over one very prominent target to the south west, MJ2, which does not display substantial outcrop and was likely not drilled for this reason. The old maps have correlated very well with existing fence lines, roads and property boundaries. These locations have been plotted on the magnetic anomaly images for the area. It can be noted that the historical drilling does not extensively test the down dip potential of the deposit where the magnetic signature remains quite strong.

#### **Consultation with the Landholders:**

The Company has been very proactive in the area since making the Mount Joy and Kingston Park tenement applications and has met with many of the farmers to negotiate land access agreements.

At least one agreement has been concluded over a target MJ1 and the Company is in the advanced stages of negotiation with the surrounding farmers.

The negotiated agreement covers a feasibility stage and operations phase but most important, Magnetic has the ability to take the project all the way through to a mine which gives the Company the confidence to commence drilling on the project

The agreement involves a number of staged payments on normal industry terms when certain milestones are reached, followed by a production royalty payment to the landholder if the project eventually reaches production.

The Company is sufficiently convinced of the mineral potential of this strategic landholding (based on historical drilling information from the late 1960's) that a drill program already undertaken delineating a maiden Inferred JORC resource over the MJ1 target area will reinforce historical drilling.



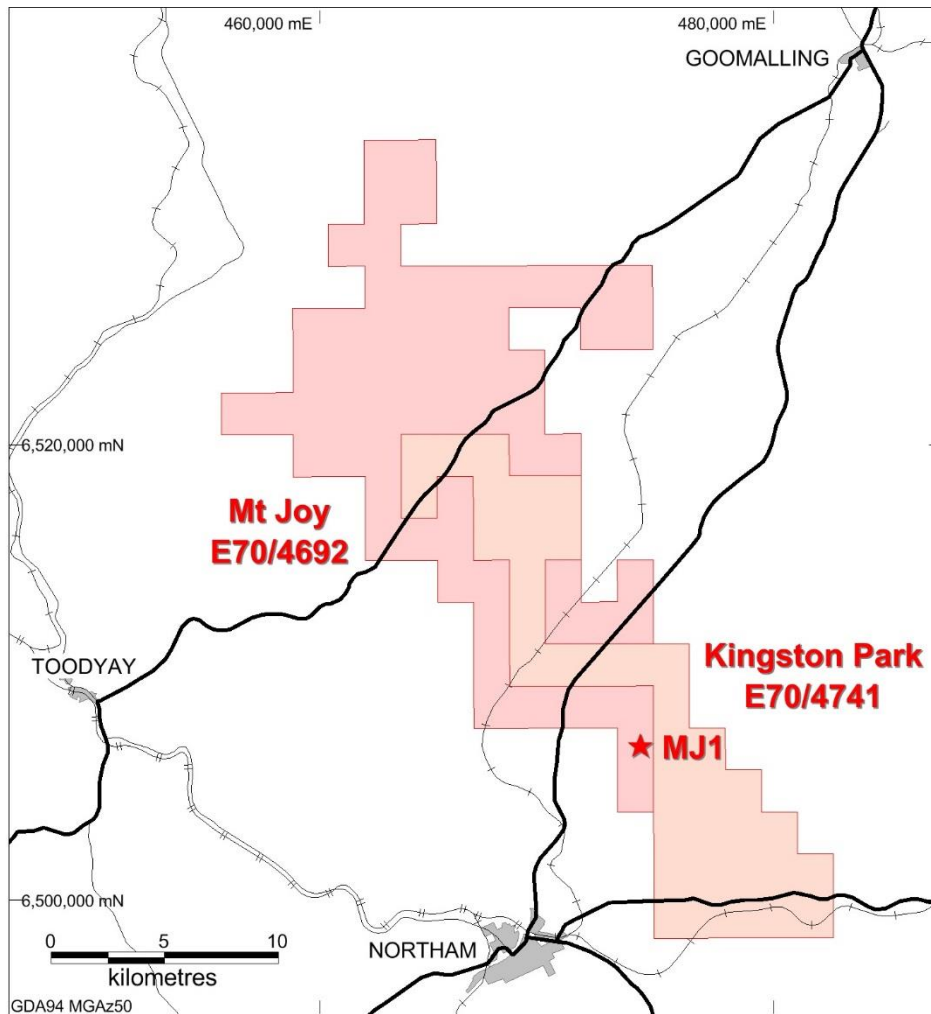


Figure 3: Mt Joy tenement location and Target MJ1

## Tenement Applications:

On 2 February 2015 the Company made an application for 66 sub blocks (19,306 Ha) with Exploration License EL 70/4692. A competing application E70/4693 was made by Radar Iron Limited; another ASX listed Company on the same day for a sub lot of 19 blocks (approx. 5600Ha) with EL 70/4693, but has since been withdrawn.

On 30 June 2015 the Company applied for another Exploration License application E70/4741 for 37 sub blocks (10,823 Ha), giving the Company access to a greater area of geophysical targets previously held by competitors. Figures 1 and 2 outline the location of the 2 tenement applications with other Company projects.

Refer to Figures 3 and 4 for detail about the tenement applications and targets MJ1- 3 over part of the Mt Joy tenement E70/4692.



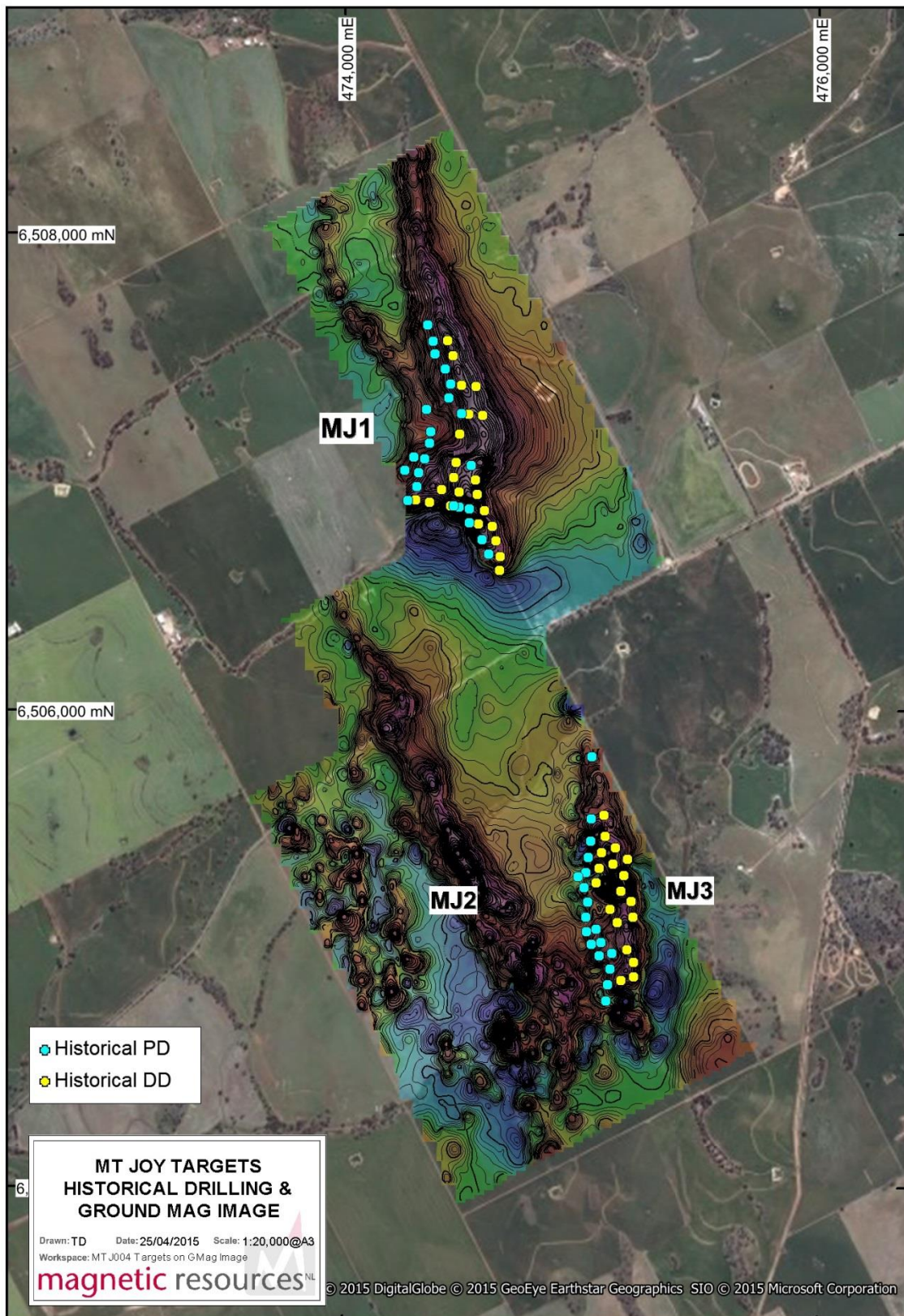


Figure 4: Historical drilling and TMI image from ground magnetic surveying

## 3D Modelling:

The Company entered all of the geological interpretation logs into a 3D model in order to gain a better understanding of the potential size of the deposit on this property as outlined in the following images (Figures 5-8).

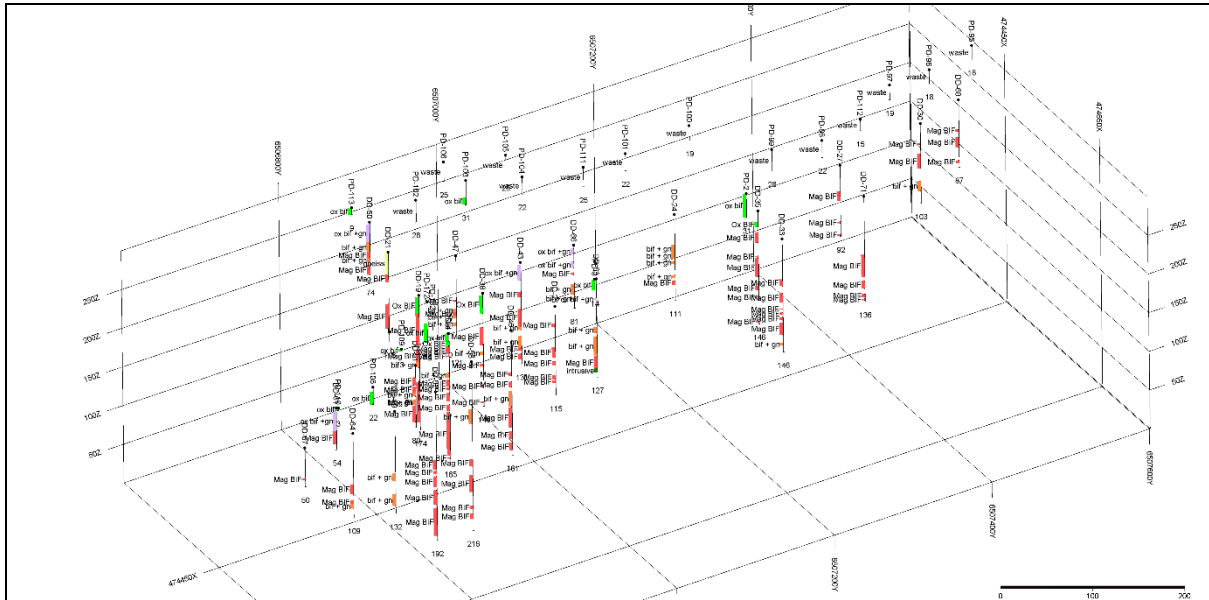


Figure 5: Plot of geological interpretation showing BIF and gneiss intersections

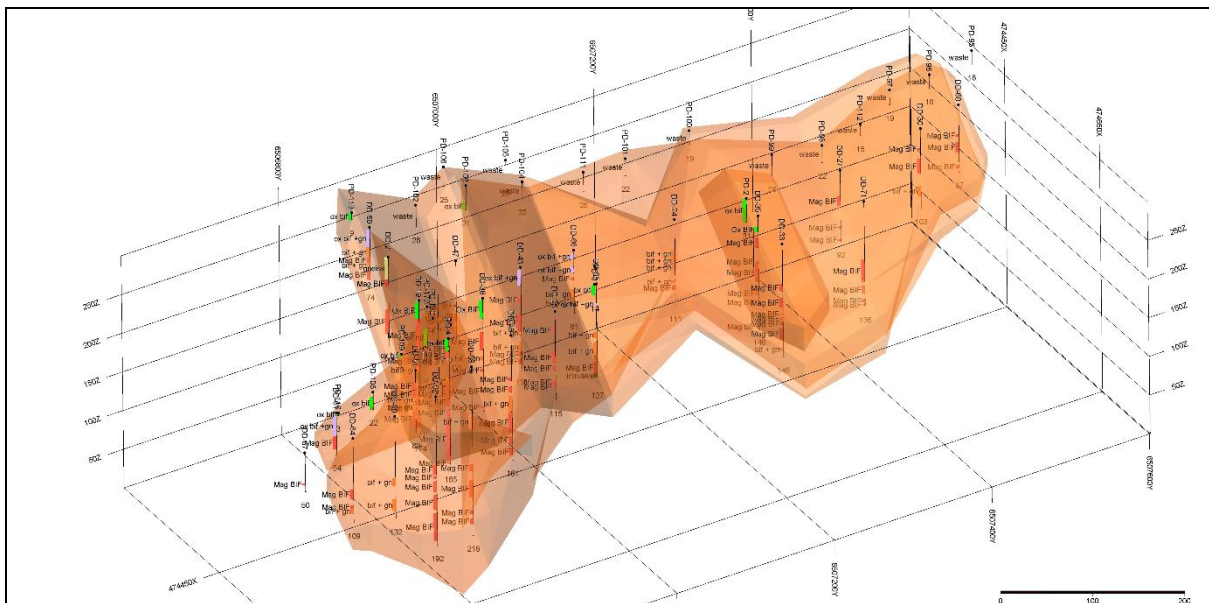


Figure 6: Wireframe of conceptual ore body based on geological interpretation



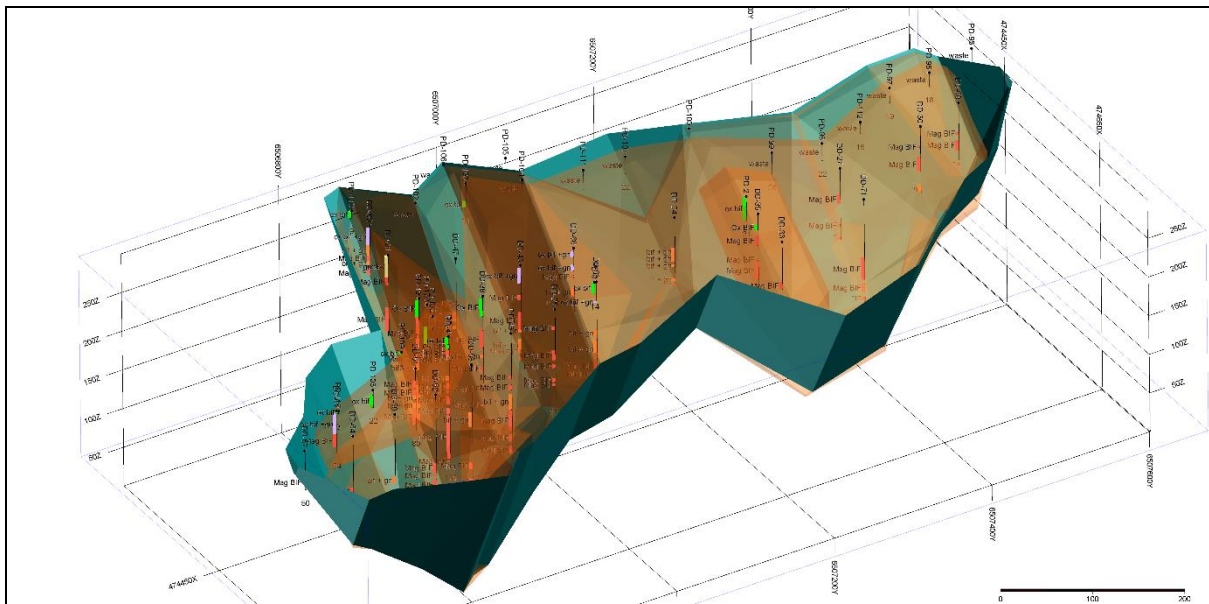


Figure 7: Conceptual pit design based on known areas of mineralisation suggests the possibility of a very low stripping ratio in a future mining operation

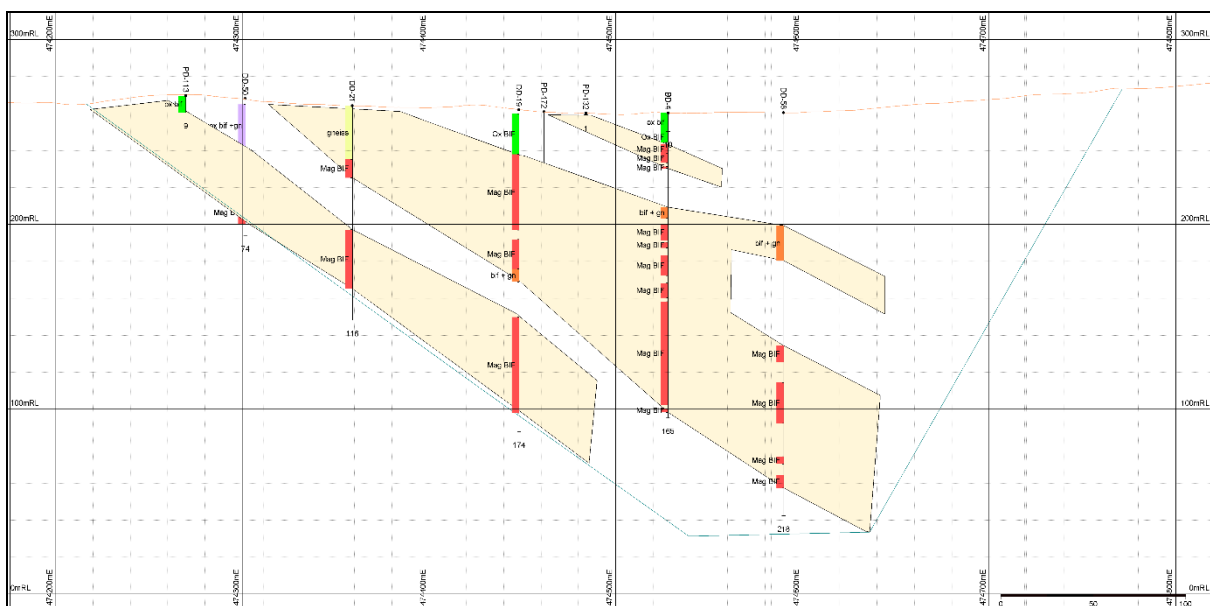


Figure 8: Cross section of a conceptual pit based on historical geological logging

The wire-frame model of the historical geological logging suggests 2 or 3 main lenses of BIF with varying thickness across 12 interpreted historical sections exhibiting approximately 50m-150m of strongly magnetic BIF as shown in the cross section above with at least 145m of BIF lenses in less than 200m vertical depth.

## Prospectivity of the area:

The Company is very excited about the potential of the Mt Joy and Kingston Park tenements given that the magnetic anomalies are generally more pronounced, wider and more continuous than the Kauring and Ragged Rock project areas.

The magnetic anomalies are similar to those seen on the Company's Kauring project where drilling has intersected numerous very thick and high yielding BIF zones, giving the Company strong belief that the Mt Joy area contains similar or better intersections.

Figure 9 below outlines a number of significant anomalies totalling some 100 km of accumulated BIF strike.

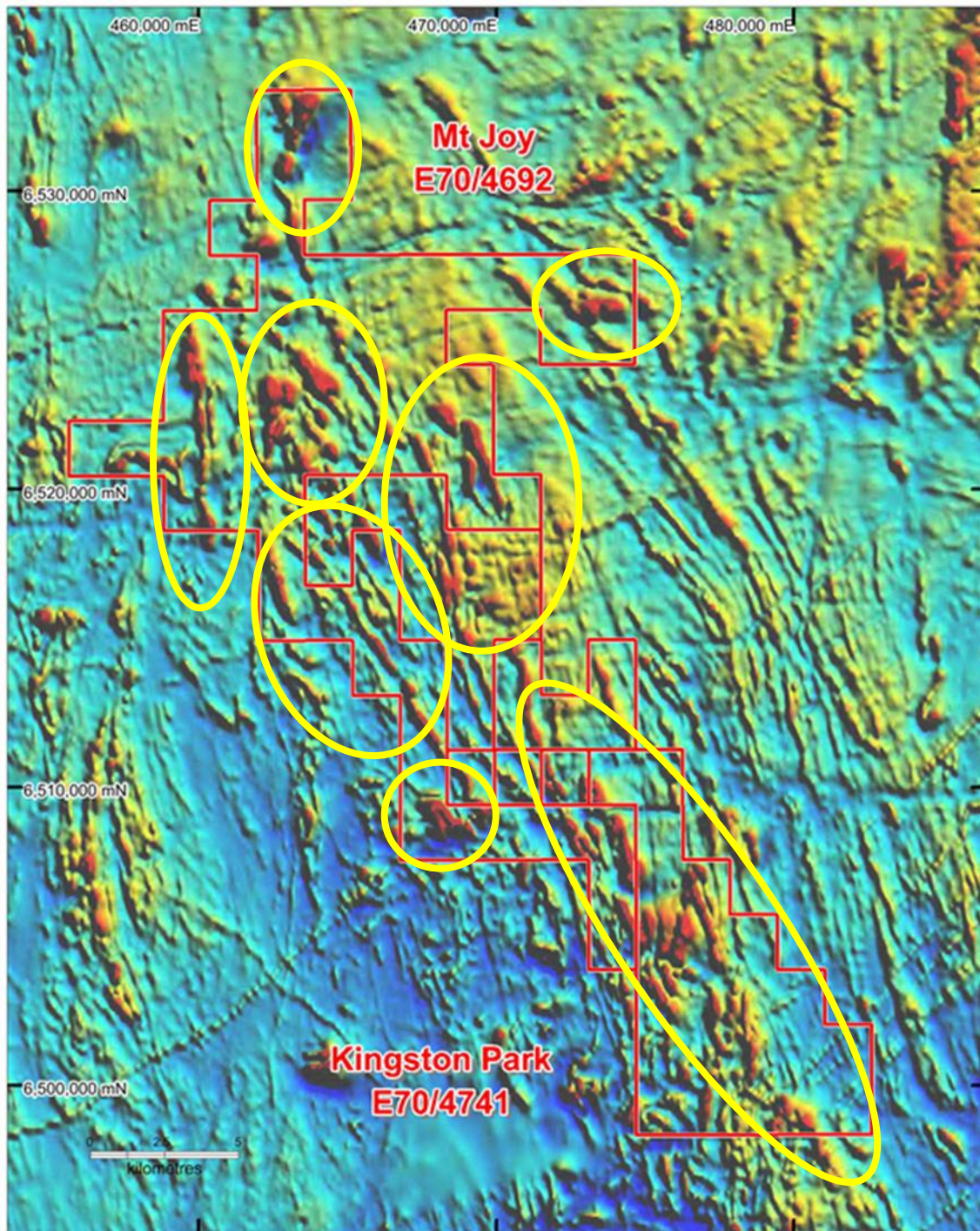


Figure 9: Mt Joy E70/4692 anomalies and BIF strike delineation

## Maiden JORC Drilling program:

The Company commenced an RC drilling program on 04 April 2015, designed to delineate a 2012 JORC Inferred Mineral Resource over a small section of the regional strike of target MJ1. The main reasons for a limited drilling campaign are as follows:

- The landholder is rapidly approaching the time for seeding and a limited drilling campaign will minimise interference with farming activities
- The existence of the historical diamond core means that far less drilling is required in order



to prove the resource to a JORC inferred level

- The initial assessment of the deposit (Figures 5-8) suggests that the limited strike to be tested will prove

enough resource to support a 10yr+ mine life and further drilling beyond this level is not essential at this point in time. Figure 10 below shows the historical drilling locations (note these were vertical drill holes) and the location of the intended drill holes in this program.

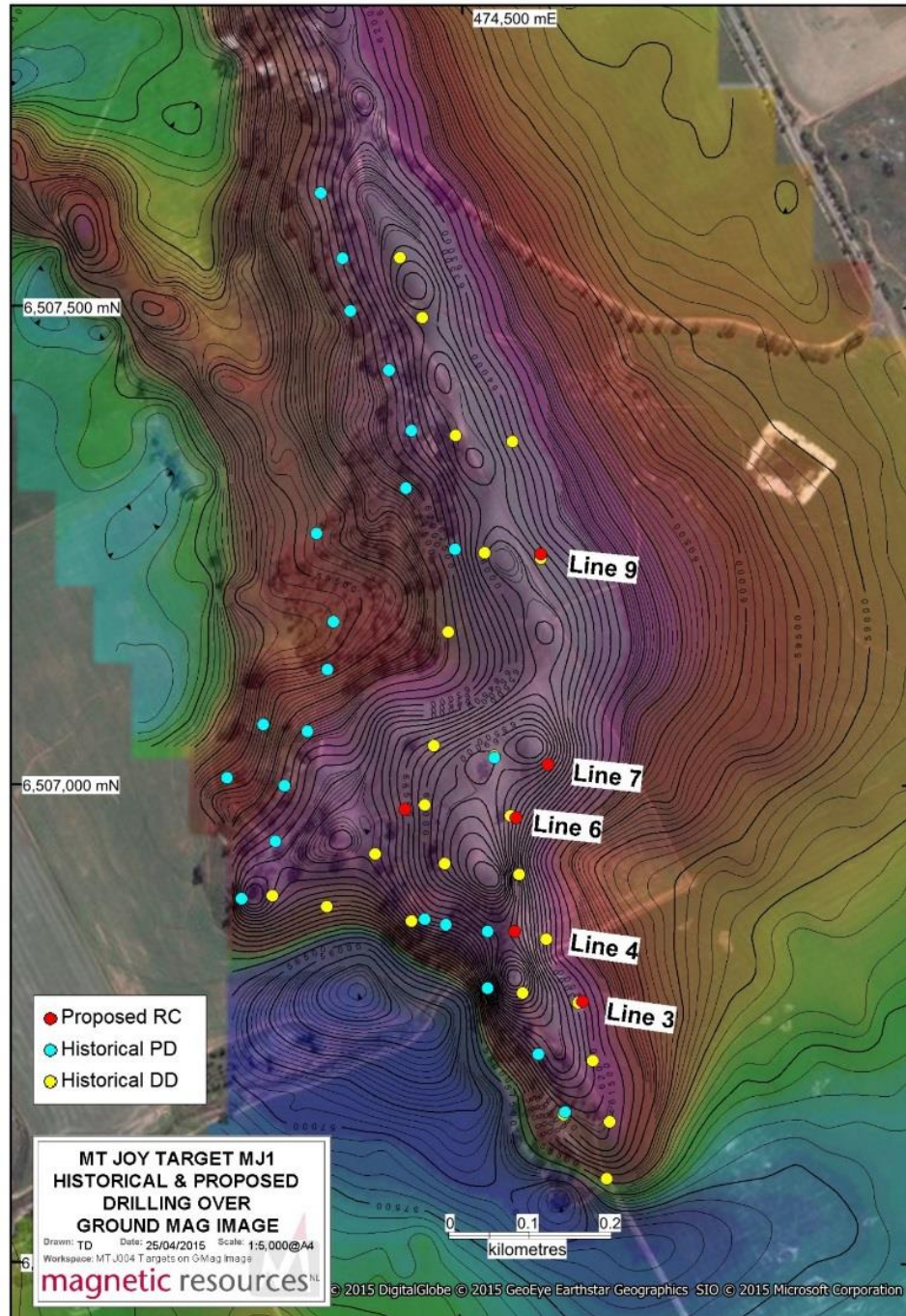


Figure 10: Plan view of anomalies, historical drilling and current area of focus

## Mt Joy Historical Diamond Drilling Cross Sections – reconstructed from drill logs:

The following cross sections show the historical vertical drilling in comparison with the planned (angled) drill holes to further validate the historical drilling.

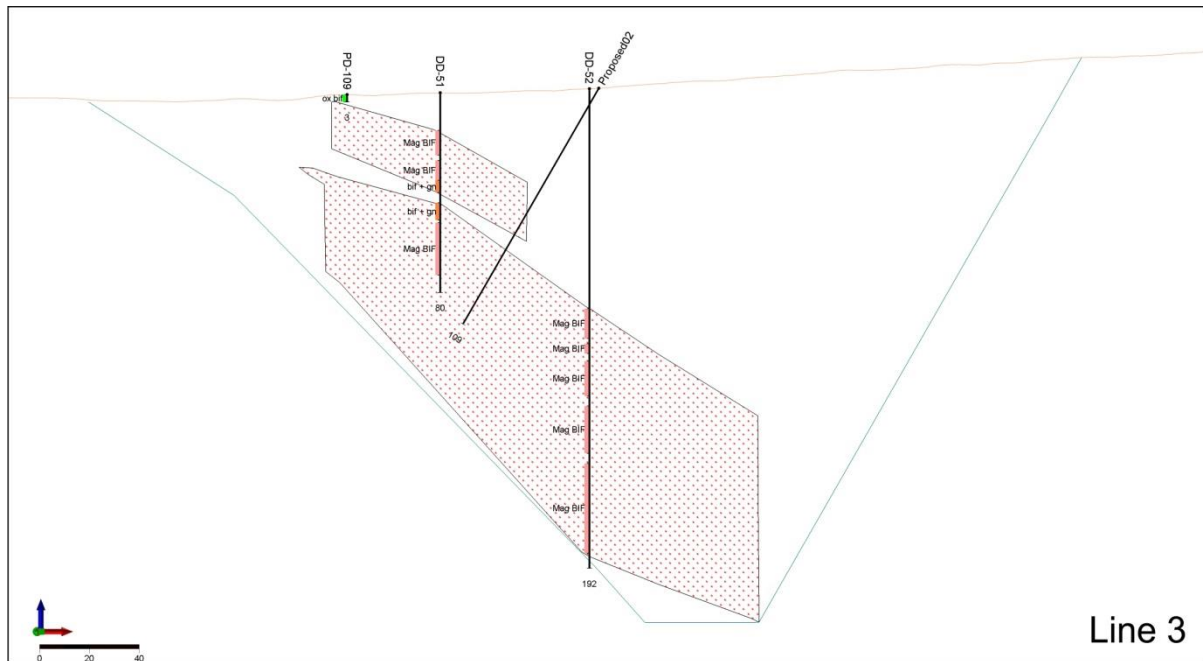


Figure 11: Drill line 3

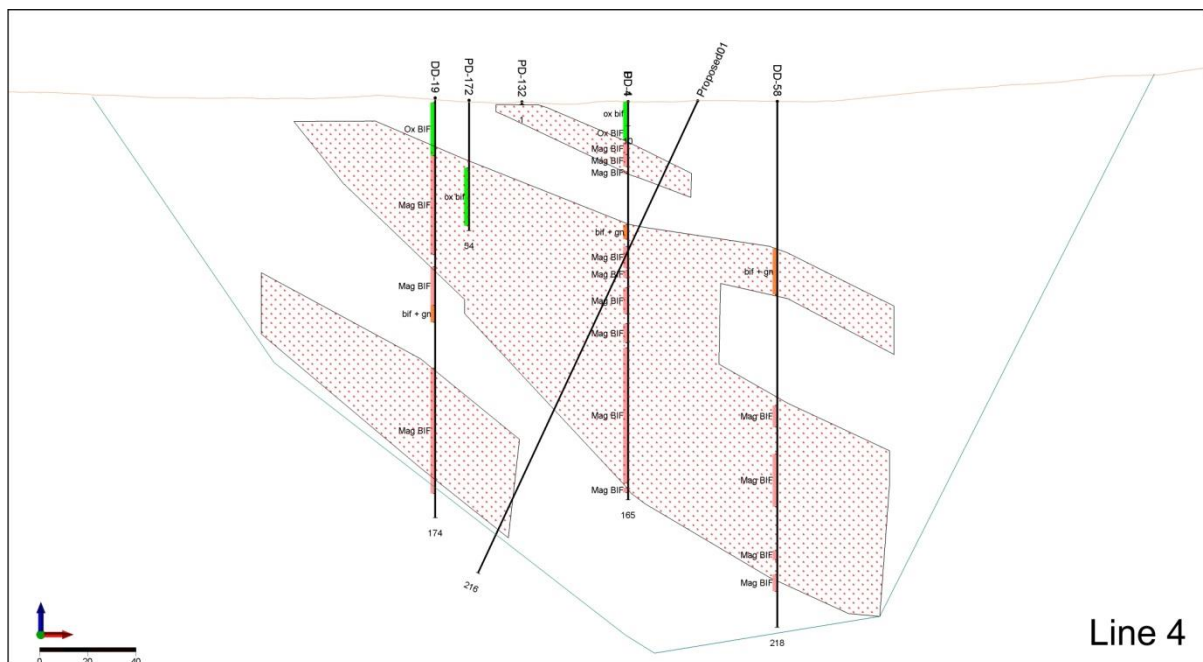


Figure 12: Drill line 4

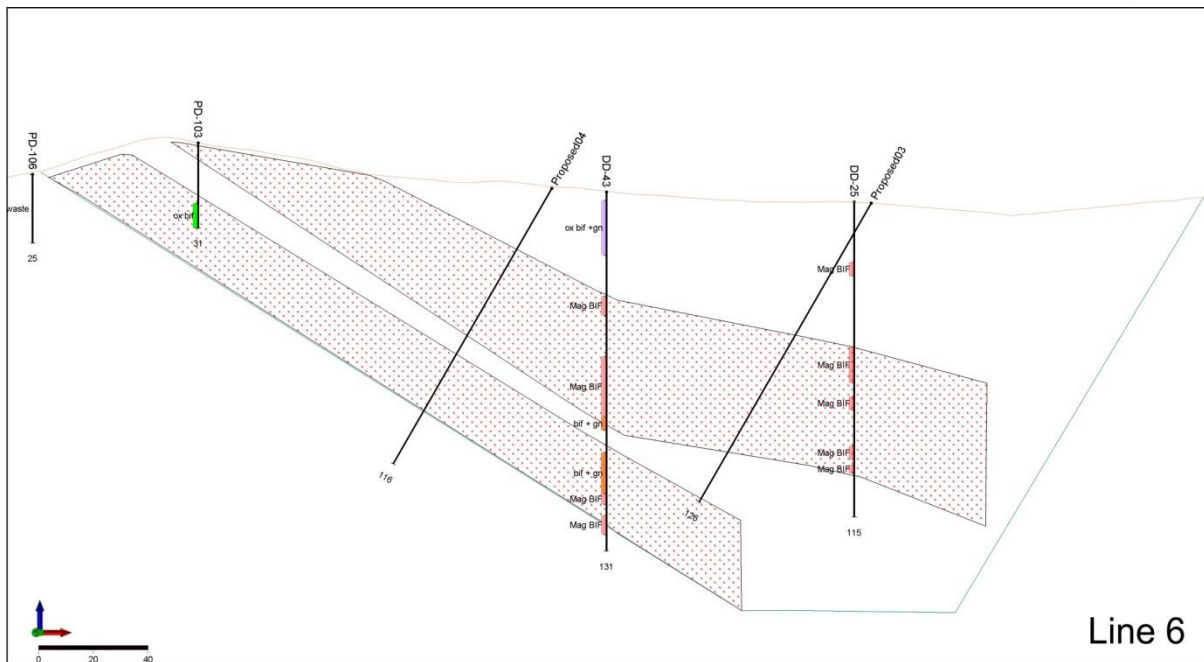


Figure 13: Drill line 6

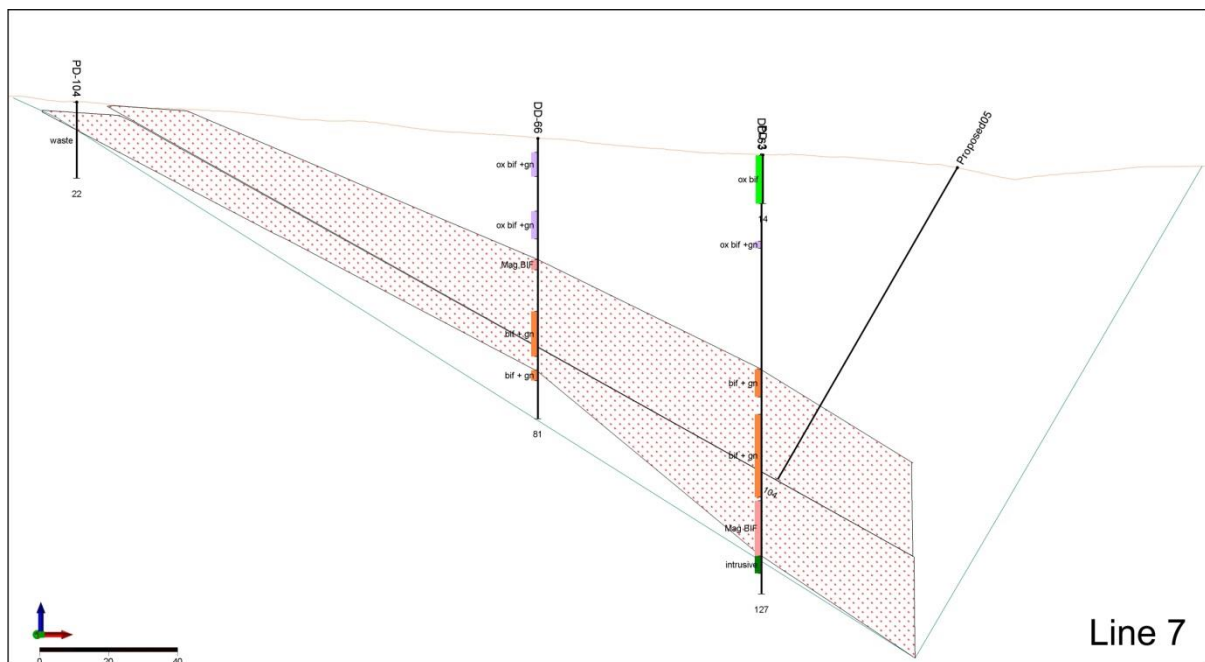


Figure 14: Drill line 7



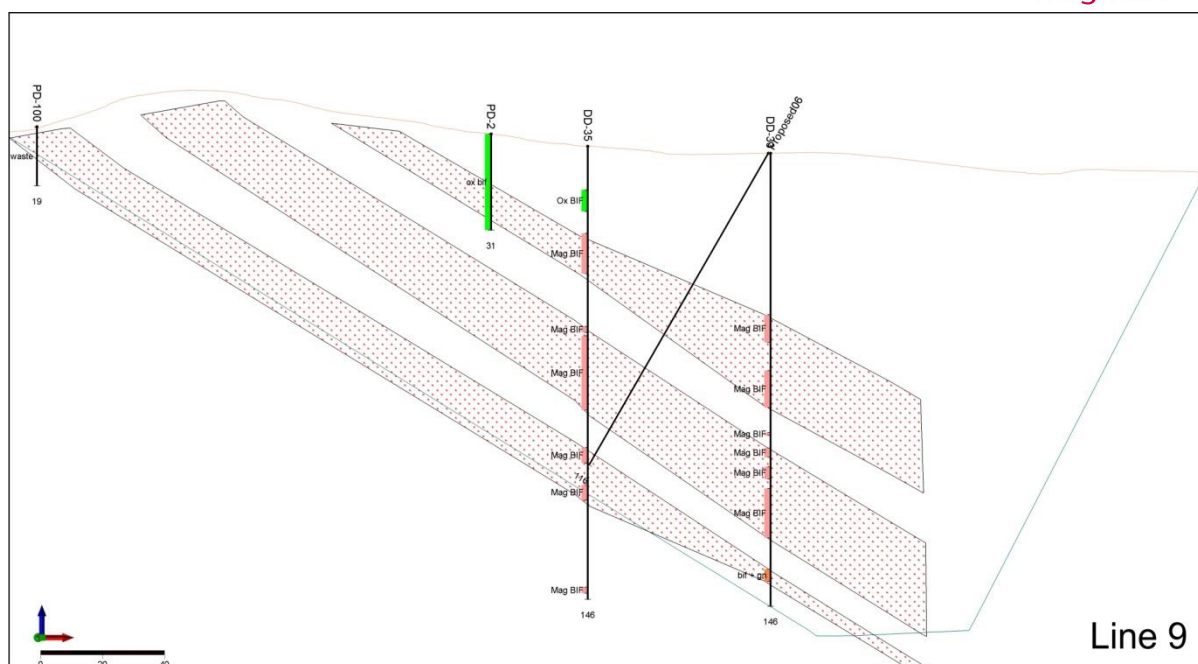


Figure 15: Drill line 9

## Mt Joy Commentary:

Managing Director Gavin Fletcher said “the Company is very pleased to have secured the Mt Joy and Kingston Park tenements. Both tenements are highly prospective, very close to infrastructure and an agreement has already been reached over a strategic MJ1 with surrounding landholders also showing a great deal of interest in working with the Company”

Commenting on the commencement of the JORC drilling program, Managing Director Gavin Fletcher said “the Company is very excited about the recently acquired tenements at Mt Joy. It is quite a rare and fantastic situation to be drilling a deposit when you already have a high degree of confidence in what you are going to find. The Company is very excited about the Mt Joy tenement given the strength of the anomalies, the expected thickness of mineralisation, the minimal surface weathering, the coarse grained nature of the BIF and the very close proximity to Rail and Port solutions”.

Results from drilling will soon be available and reported, with a maiden 2012 JORC Inferred Mineral Resource at an advanced stage.

## 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.

At Ragged Rock Target 1, previously reported in 2013, significantly, Davis Tube Recovery (DTR) tests on the magnetite show a high mass recovery to produce a high quality concentrate ranging from 67.1% Fe to 70.0% Fe with low impurities.

Previously reported pilot scale test-work carried out on a 923 kg composited bulk sample has indicated outstanding metallurgical properties for the Ragged Rock magnetite. The bulk sample grade averaged 30.89% Fe, 44.55% SiO<sub>2</sub>, 4.64% Al<sub>2</sub>O<sub>3</sub> and 0.051% P. The grind test-work material was processed through a pilot scale crushing, grinding and magnetic separation circuit at Nagrom mineral processors with the product quality summarised in Table 3.

Table 3: Bulk Sample Pilot Plant Trial Results

Mass Recovery (%)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	S (%)
37.15	65.84	6.07	1.27	0.005	0.095

### Ragged Rock 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 16).

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 17). The extent of ground magnetic survey and the interpreted geophysical responses is highlighted in Figure 18.

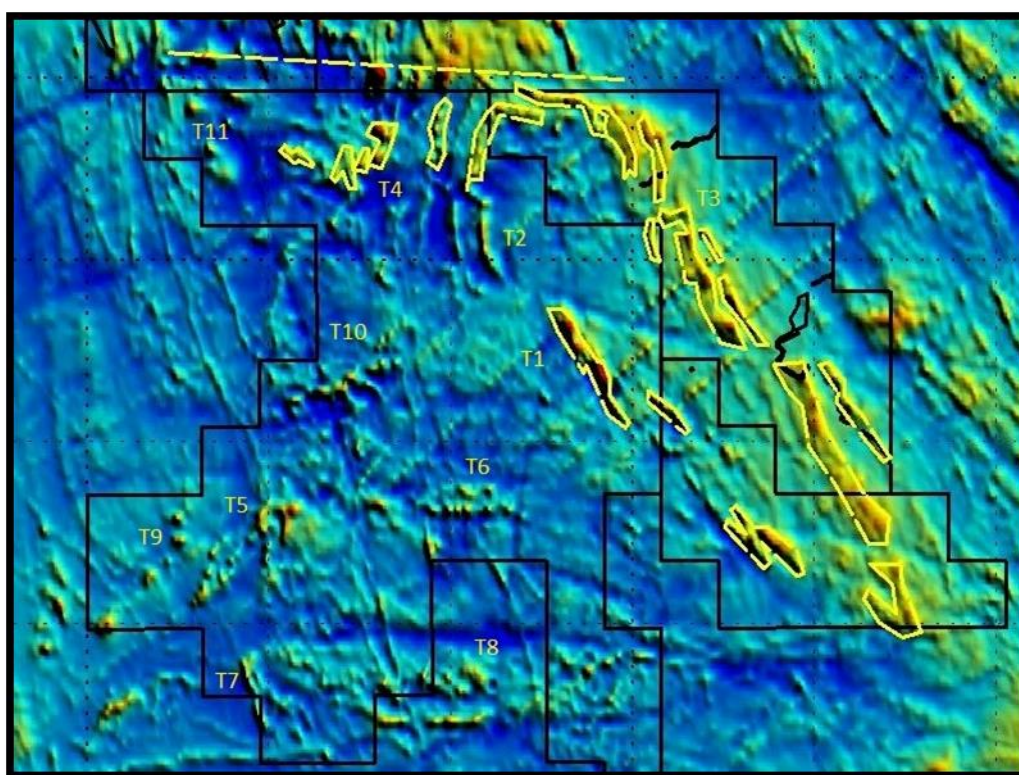


Figure 16  
Ragged Rock Aeromagnetic Image Showing Targets

### Exploration Target Review:

A statement of a revised Exploration Target may be released in due course – meanwhile the existing Exploration Target remains intact.

### Tenement Reduction:

As part of austerity measures there was a reduction in tenement size apportioned to each of the three tenements making up the Ragged Rock Project. This is reflected in the retention of explored areas where BIF of commercial opportunity persists.

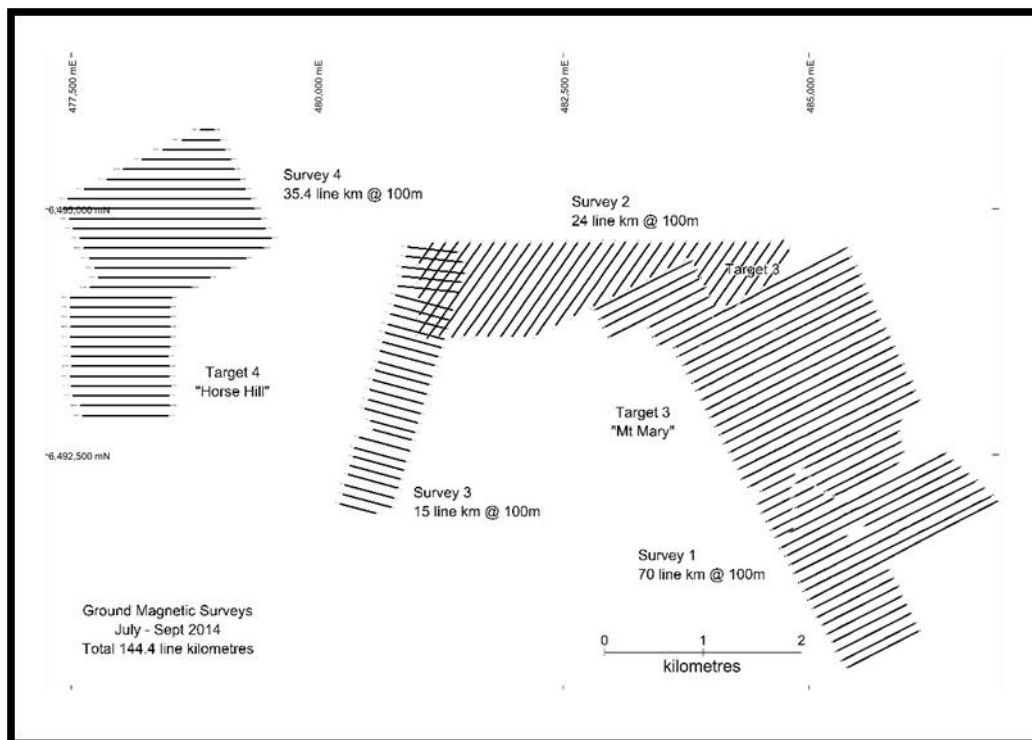


Figure 17  
Ground magnetic surveys 1-4

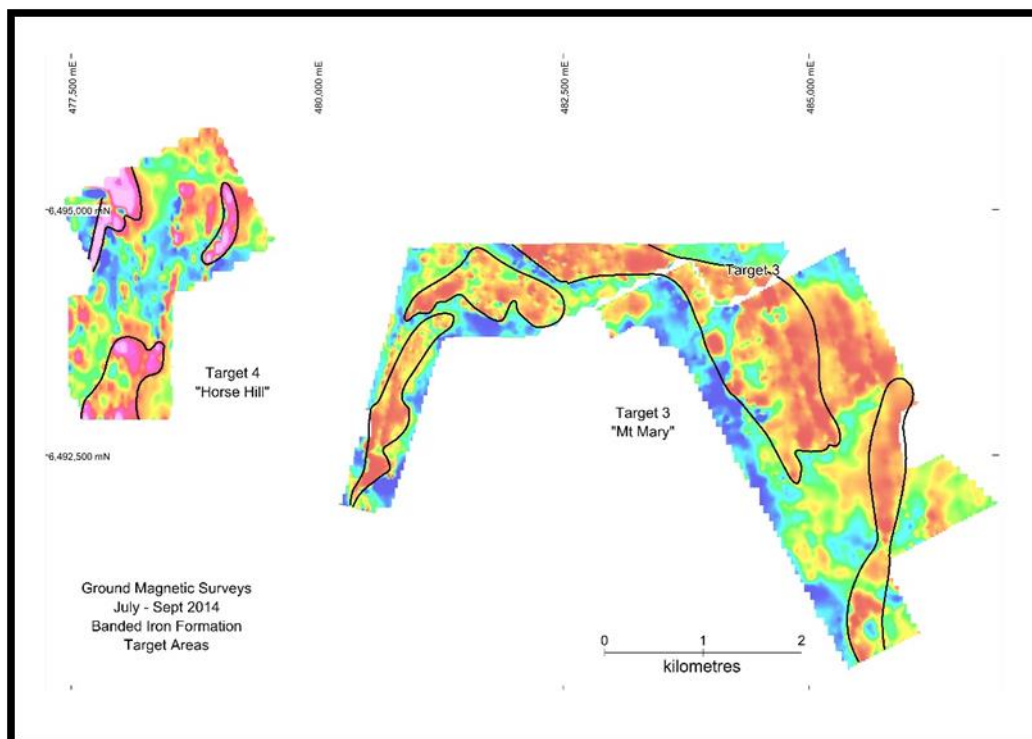


Figure 18  
Ground magnetic Image outlining identified targets



## REVIEW OF OPERATIONS

### KAURING PROJECT: (Magnetic 100%)

The Kauring Project 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 a landholder gives Magnetic the option to purchase property covering most of the Central Target (Figure 19) 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.

Table 4 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

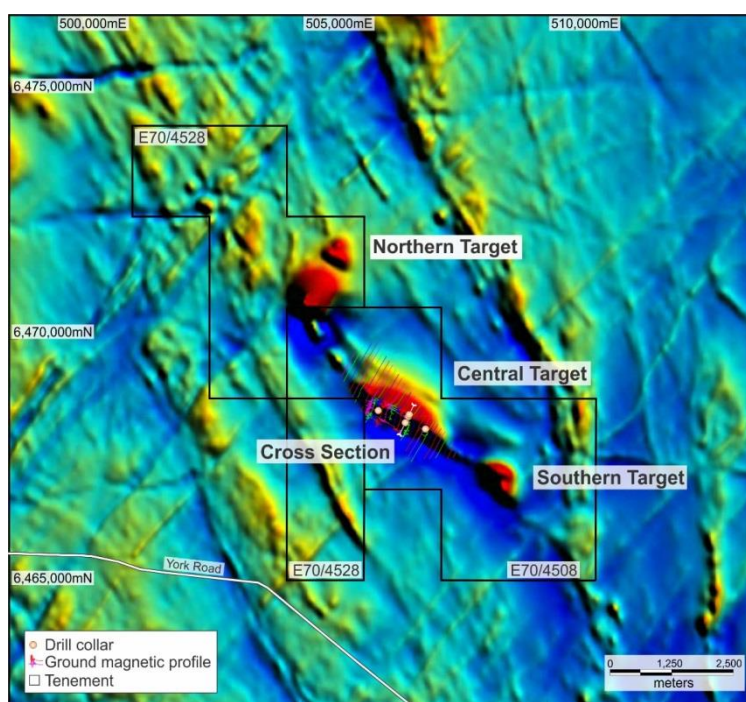


Figure 19: Kauring Aeromagnetic Image Showing Targets and Drilling

## 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 20-21 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 4 and 5 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.

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 20) outlines the Company's understanding of the deposit and the weathered zone up until November 2014 and the reinterpretation (refer Figure 21) at December 2014.

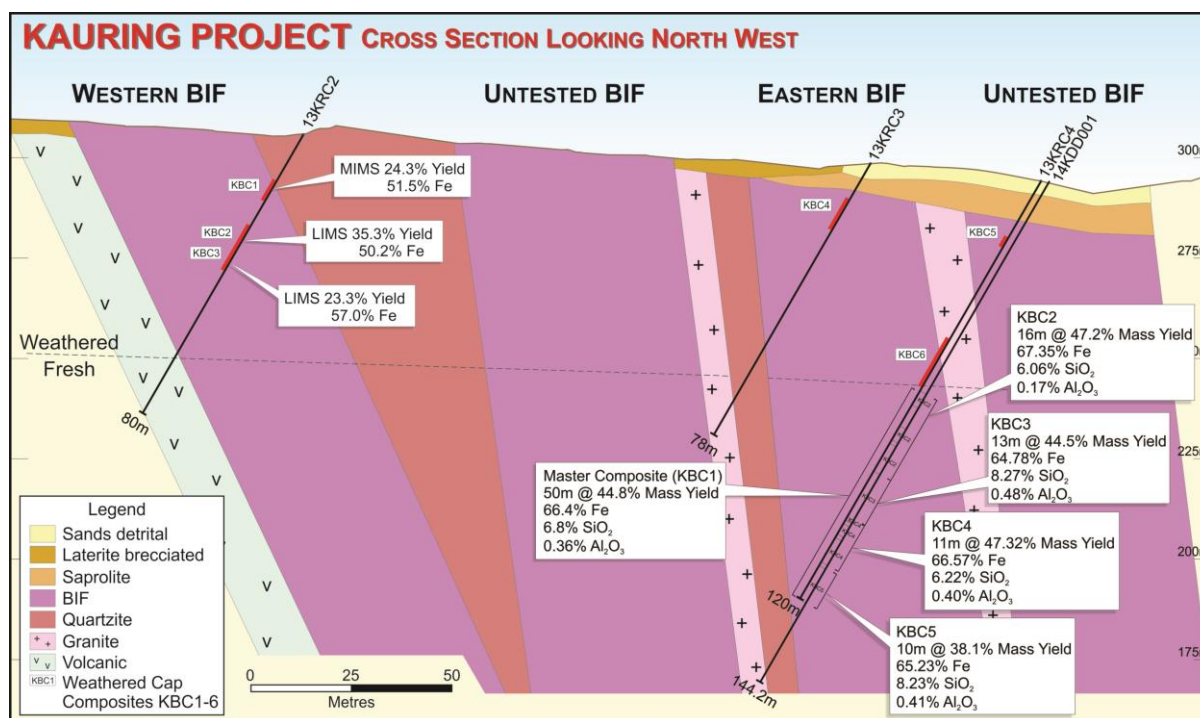


Figure 20: Kauring Project Cross Section 14KDD1 with DTR fresh BIF and composite LIMS and MIMS assay test work on parts of weathered BIF

## 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 21).

## REVIEW OF OPERATIONS



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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.

Table 5: 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 Tables 4, 5 for collar details. (\*EIS: the Exploration Incentive Scheme of the State of WA through the Department of Mines and Petroleum).

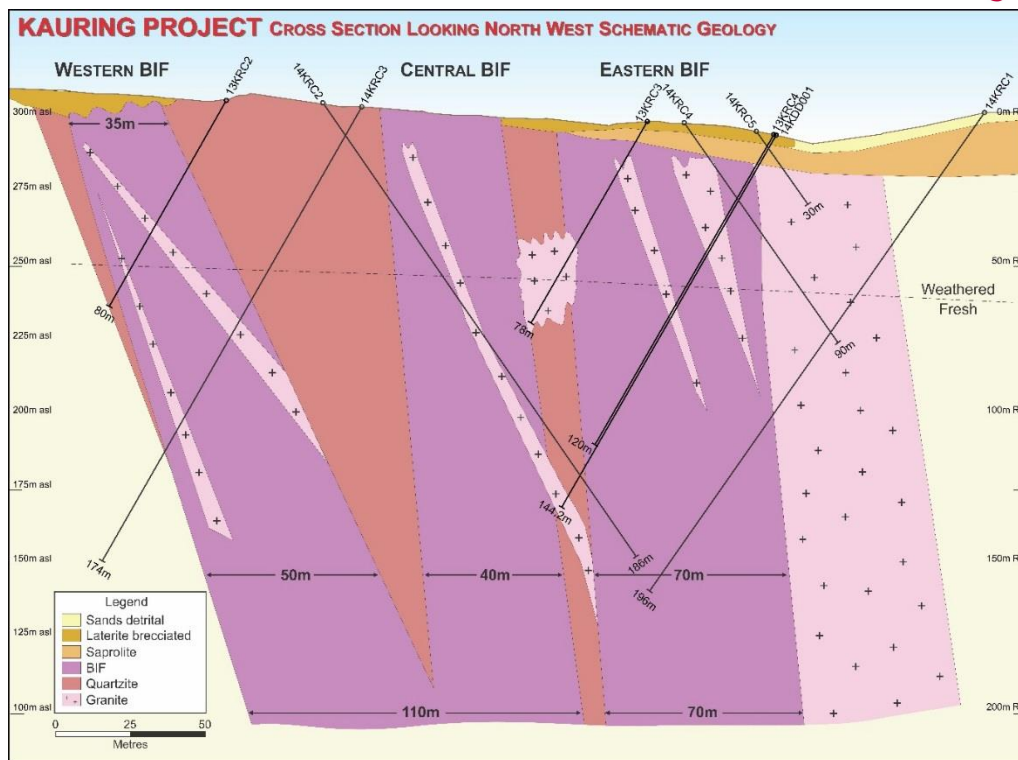


Figure 21: Cross Section update with 2013-2014 drill holes 13KRC2, 3, 4, 14KDD1 and 14KRC1-5

## Future Considerations for Weathered BIF:

Weathered BIF overlies 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 22.

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 23.

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 22 and 24.

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.

## 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 6 and Table 7 for results and Figure 20 for cross section illustration.



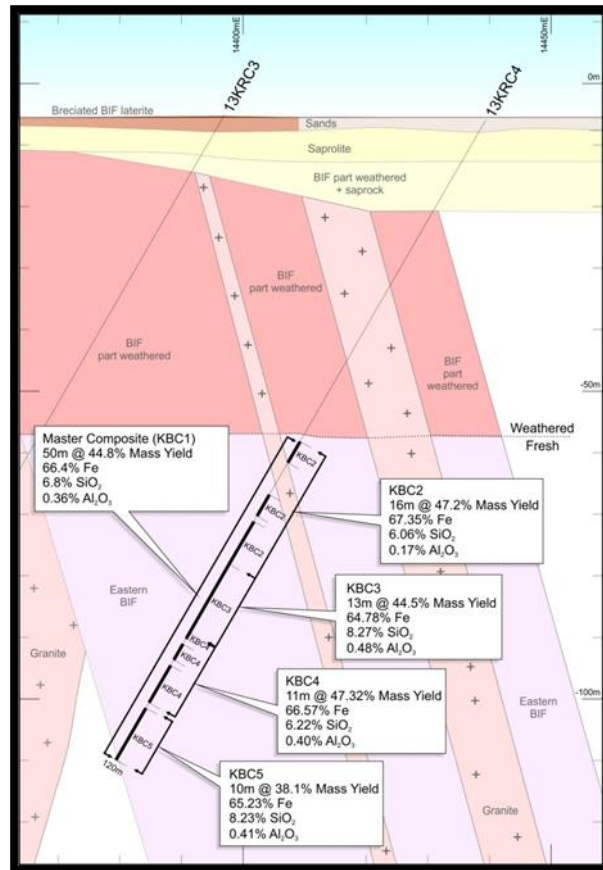


Figure 22  
Kauring Project showing DH 13KRC 4 - DTR  
of fresh BIF with 20% Fe bottom cut off.

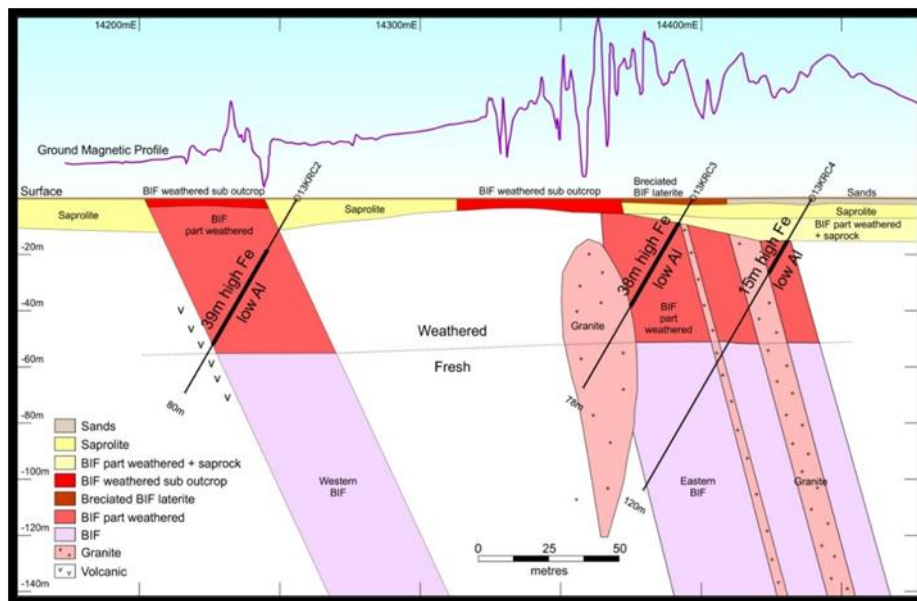


Figure 23  
Kauring Project showing DTR DH's 13KRC2-4 with ground magnetic  
profile and weathered BIF relationship Central Target Section

Table 6: 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 7: 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

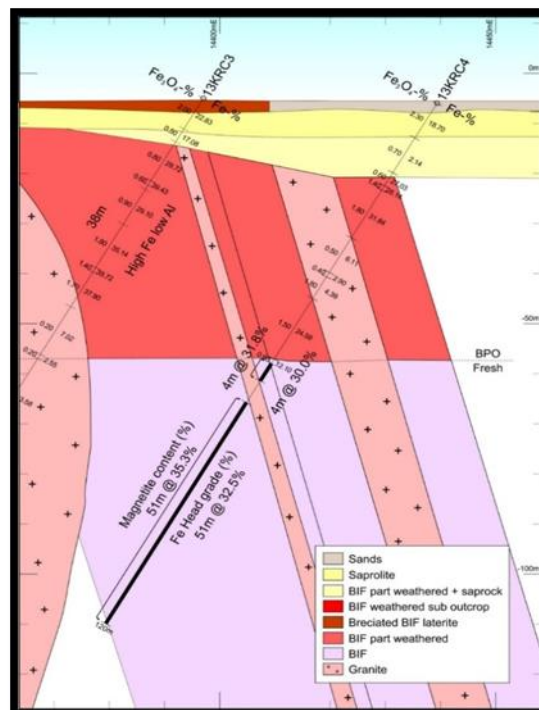


Figure 24  
Kauring Project showing DH's 13KRC3-4 with weathered BIF relationship  
over magnetite at 13KRC4 Central Target Section

### **Kauring Medium Term Plans:**

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 true width near surface to an interpreted 180m true width of magnetite BIF at 200m depth over an approximate 300m true width on surface and a strike length of approximately 1200m.

### **Exploration Target Review:**

A statement of a revised Exploration Target may be released in due course – meanwhile the existing Exploration Target remains intact.

### **Future 2012 JORC Mineral resource Outcome:**

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.

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

Application for retention and extension status has been approved for the Jubuk coarse grained magnetite deposit near Corrigin. This will allow Magnetic to focus on evaluating its other projects. The Company has been advised of a 5 year extension of exploration licence was granted in January 2015. Application for Retention Status was granted in the 4Q.

### **OTHER TENEMENTS:**

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

### **GOLD & OTHER COMMODITIES (Magnetic 0%):**

During the year Magnetic maintained an arms-length arrangement with Tungsten Holdings and retains a small royalty over gold rights at Lake Seabrook E70/2935 held entirely by Tungsten.

### **COMPETENT PERSONS SIGN OFF**

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

Your directors present their report on the Company for the year ended 30 June 2015.

### DIRECTORS

The following persons were directors of Magnetic Resources NL (or "the Company") during the whole of the year and up to the date of this report unless otherwise stated:

Eric Lim  
Gavin Fletcher  
John Blanning (appointed 17 October 2014)  
George Sakalidis (resigned 17 October 2014)

### PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was to explore mineral tenements in Western Australia.

### RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of \$1,265,207 (2014: \$1,545,634).

Included in 2014, was an expense of \$482,225 in respect of "equity-settled share based payments". This is not a cash receipt or outlay. It is brought to account by virtue of a requirement at law. Net of this figure, the operating loss was \$1,063,409 in 2014.

### DIVIDENDS

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

### REVIEW OF OPERATIONS

A review of operations is covered elsewhere in this Annual Report.

### EARNINGS PER SHARE

Basic Loss per share for the financial period was 1.31 cents (2014: 1.74 cents). Diluted Loss per share in respect of the both years ended 30 June 2015 and 30 June 2014 was the same as the Basic Loss per share.

### FINANCIAL POSITION

The Company's cash position as at 30 June 2015 was \$883,906, an increase from the 30 June 2014 cash balance which was \$397,452. The cash position is adequate to fund committed exploration expenditure.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than what is reported in the director's report, there were no significant changes in the state of affairs of the Company during the financial period other than:

- In August 2014, the Company accepted a placement of approximately \$1.44m via the placement of 7,205,000 shares at \$0.20.
- On 20 October 2014 the Company announced the resignation of Mr Sakalidis as Managing Director and the appointment of Mr Fletcher as Managing Director, together with the appointment of Mr Blanning.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No material matters have occurred subsequent to the end of the financial year which require reporting on other than as reported to ASX.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

### ENVIRONMENTAL ISSUES

The Company carries out exploration operations in Australia which are subject to environmental regulations under both Commonwealth and State legislation.

The Company's exploration manager is responsible for ensuring compliance with regulations. During or since the financial period there have been no known significant breaches of these regulations.

## DIRECTORS' REPORT

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

#### Gavin Fletcher (Appointed Managing Director 20 October 2014)

Mr Fletcher is a metallurgist with 16 years' experience in mining in Australia, Africa and Europe. His experience covers all aspects of minerals processing including flowsheet design and testwork, construction and project management, commissioning and operations and also technical marketing.

He has held senior positions in both major and junior mining companies with the majority of his experience gained in aggressive start-up projects on iron ore, old and diamonds. Mr Fletcher brings a wealth of knowledge in magnetite processing after fulfilling the roles of Commissioning Manager, Process Manager and later Project Manager for the Process Optimisation of the Sydvaranger Magnetite project in Norway. Recent roles included General Manager of Processing and Metallurgy for UK listed African Minerals, Commissioning and Project Manager for Northern Iron and Principal Process Engineer for FMG. He holds a Bachelor of Science from UNSW, a graduate Diploma in Extractive Metallurgy from Murdoch University and a Diploma in Management from UNSW.

Mr Fletcher has a relevant interest in 3,732,074 ordinary fully paid shares, 1,436,418 contributing shares and 4,764,286 options to acquire fully paid ordinary shares.

#### Eric JH Lim

Mr Lim is currently a senior executive officer with Standard Chartered Bank and holds the position Head of Wholesale Banking Finance, Southeast Asia.

Prior to joining Standard Chartered, he has held positions with OCBC Bank, General Electric and a number of executive positions in the US and Asia Pacific region including Finance Director of GE Money Japan and Global Financial Planning and Analyst for GE Commercial Finance (Healthcare Financial Services). He has also had extensive audit experience with GE Corporate Audit leading a variety of engagements ranging from process to financial audits.

Eric is qualified with an MBA and a Bachelor of Accounting degree.

Mr Lim has a relevant interest in 6,998,011 ordinary fully paid shares and 1,000,000 options to acquire fully paid ordinary shares.

#### John Blanning (Appointed 17 October 2014)

Mr Blanning is a civil engineer with over 30 years of mining, construction & business management experience in both Iron Ore and Coal, and has served as the Vice President Mining for African Minerals Limited (AMI), an AIM listed mining company which discovered, developed, financed and established a fully integrated, Iron Ore Mine, Rail and Port Operation in Sierra Leone. John joined AMI in March 2009, when its Market Cap was approximately £30M and was directly involved in growing AMI to over £2.0B within the next 2 years.

John was directly involved in numerous capital raisings including the raising of \$US750M and the sale of 12.5% of AMI to CRM (China Rail & Materials).

As VP Mining, John was responsible for all the development and operational aspects for the Tonkolili Iron Ore Mine, including the design, planning and scheduling for all mining operations.

Prior to AMI, John was Head of Mining for FMG, which also established a fully integrated Mine, Port and Rail System in the Pilbara Region of Western Australia from start-up to become the third largest Iron Ore producer in Australia.

Mr Blanning has a relevant interest in 5,040,071 ordinary fully paid shares, 1,385,524 contributing shares and 1,764,286 options to acquire fully paid ordinary shares.

#### Ben Donovan

Mr Donovan is a member of Chartered Secretaries Australia and provides corporate advisory, IPO and consultancy services to a number of companies.

Mr Donovan is currently a Director and Company Secretary of several ASX listed and public unlisted companies involved in the resources and technology industries, including one company currently developing a large magnetite project in Australia.

He has extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the Australian Securities Exchange (ASX) in Perth for nearly 3 years, including as a member of the ASX JORC Committee.

In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving an initial listing on the ASX, as well as for a period of time, as a private client adviser at a boutique stock broking group.

Mr Donovan has a relevant interest in 283,364 ordinary fully paid shares, 60,000 contributing shares and 141,143 options to acquire fully paid ordinary shares.

## DIRECTORS' REPORT

### George Sakalidis (Resigned 17 October 2014)

Mr Sakalidis is an exploration geophysicist with over 25 years' industry experience, during which time his career has included extensive gold, diamond, base metals and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits in Western Australia and the tenement applications over the Silver Swan nickel deposit. He was also instrumental in the design of the magnetic surveys and exploration drilling program that led to the discovery of the large mineral sands resources at Magnetic Minerals Limited's Dongara Project. He is managing director of this company, Magnetic Resources NL (since the company was incorporated 23 August 2006). He is also a director of Image Resources NL (since incorporation on 13 May 1994), Emu Nickel NL (since incorporation on 29 August 2007), Meteoric Resources NL (since incorporation on 13 February 2004) and Potash West NL (since incorporation on 12 November 2010), each of which is ASX listed.

### AUDIT COMMITTEE

At the date of this report the Company has adopted a formal Audit charter, but does not have a separately constituted Audit Committee as all matters normally considered by an audit committee are dealt with by the full board given the size of the Company.

### REMUNERATION COMMITTEE

At the date of this report, the Remuneration Committee comprises Messrs Fletcher, Lim and Blanning.

No remuneration committee meetings were held during the year as the board decided all matters.

### MEETINGS OF DIRECTORS

During the financial year ended 30 June 2015, the following director meetings were held:

	Eligible to Attend	Attended
George Sakalidis	0	0
Eric Lim	2	2
Gavin Fletcher	2	2
John Blanning	2	2

\*Excludes meetings held by circular resolution

### REMUNERATION REPORT (Audited)

Names and positions held of key management personnel (defined by the Australian Accounting Standards as being "those people having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly. This includes an entity's directors") in office at any time during the financial year were:

Key Management Person	Position
Gavin Fletcher	Appointed Managing Director (17 October 2014) – formerly an executive director
Eric Lim	Non-Executive Director
John Blanning	Non-Executive Director (Appointed 17 October 2014)
Ben Donovan	Company Secretary
George Sakalidis	Former Managing Director (Resigned 17 October 2014)

The Company's policy for determining the nature and amount of emoluments of key management personnel is set out below:

#### Key Management Personnel Remuneration and Incentive Policies

Given the size of the Company, all board members form the Remuneration Committee ("**committee**"). The mandate of the Committee is to consider appropriate and competitive remuneration and incentive policies (including basis for paying and the quantum of any bonuses) for key management personnel and others as considered appropriate to be singled out for special attention, which:

- motivates them to contribute to the growth and success of the Company within an appropriate control framework;
- aligns the interests of key leadership with the interests of the Company's shareholders;
- are paid within any limits imposed by the Constitution and make recommendations to the Board with respect to the need for increases to any such amount at the Company's annual general meeting; and
- in the case of directors, only permits participation in equity-based remuneration schemes after appropriate disclosure to, due consideration by and with the approval of the Company's shareholders.

## DIRECTORS' REPORT

### Non-Executive Directors

- The committee is to ensure that non-executive directors are not provided with retirement benefits other than statutory superannuation entitlements.
- To the extent that the Company adopts a remuneration structure for its non-executive directors other than in the form of cash and superannuation, disclosure shall be made to stakeholders and approvals obtained as required by law and the ASX listing rules.

### Incentive Plans and Benefits Programs

The committee is to:

- review and make recommendations concerning long-term incentive compensation plans, including the use of equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising grants, in accordance with the terms of those plans;
- ensure that, where practicable, incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide remuneration when they are achieved; and
- review and, if necessary, improve any existing benefit programs established for employees.

### Retirement and Superannuation Payments

Prescribed benefits were provided by the Company to all directors by way of superannuation contributions to externally managed complying superannuation funds during the year. These benefits were paid as superannuation contributions to satisfy (at least) the requirements of the Superannuation Contribution Guarantee Act and in satisfaction of any salary sacrifice requests. All contributions were made to accumulation type funds selected by the director and accordingly actuarial assessments were not required.

### Relationship between Company Performance and Remuneration

There is no relationship between the financial performance of the Company for the current or previous financial year and the remuneration of the key management personnel. Remuneration is set having regard to market conditions and encourage the continual services of key management personnel.

### Use of Remuneration Consultants

The Company did not employ the services of any remuneration consultant during the financial year ended 30 June 2015.

### Key Management Personnel Remuneration for 30 June 2015

Key Management Personnel	Short-term benefits Fees & contractual payments (\$)	Post- employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity settled Share Based Payments (\$)	Total (\$)
Gavin Fletcher Executive Director	279,197	15,833	-	-	295,030
Eric Lim Non-Executive Director	43,333	-	-	-	43,333
John Blanning Non-Executive Director (appointed 17 October 2014)	43,115	-	-	-	43,115
Ben Donovan Company Secretary	81,255	-	-	-	81,255
George Sakalidis (resigned 17 October 2014)	43,968	1,900	-	-	45,868
<b>Total</b>	<b>490,868</b>	<b>17,733</b>	<b>-</b>	<b>-</b>	<b>508,601</b>



## DIRECTORS' REPORT

### Key Management Personnel Remuneration (Continued...)

Year ended 30 June 2014					
Key Management Personnel	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity settled Share Based Payments (\$ (1))	Total (\$)
Peter Thomas Resigned 17.7.2013 as Non-Executive Chairman	9,175	540	9,715	-	9,715
George Sakalidis Managing Director	152,154	4,025	156,179	108,479	264,658
Eric Lim Non-Executive Director	40,000	-	40,000	24,107	64,107
Gavin Fletcher Executive Director	264,213	-	264,213	144,639	408,852
Ben Donovan Company Secretary	83,992	-	83,992	-	83,992
<b>Total</b>	<b>549,534</b>	<b>4,565</b>	<b>554,099</b>	<b>277,225</b>	<b>831,324</b>

(1) Refer to Note 19 in the financial statements for details, and the valuation method and assumptions used in relation to these share based payments.

#### Options held by Key Management Personnel

The number of options over fully paid ordinary shares in the Company held at the beginning and end of the year and movements **during the financial year** by key management personnel and/or their related entities are set out below:

#### 30 June 2015:

Name	Balance at the start of the year or appointment date	Number of options issued as remuneration	Exercised during the year	Expired during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Gavin Fletcher Appointed 13.3.2013	4,764,286	-	-	(1,000,000)	3,764,286	3,764,286
Eric Lim	1,000,000	-	-	-	1,000,000	1,000,000
John Blanning Non-Executive Director (appointed 17 October 2014)	1,764,286	-	-	-	1,764,286	1,764,286
Ben Donovan	141,143	-	-	-	141,143	141,143
George Sakalidis (resigned 17 October 2014)	4,650,000	-	-	-	N/A	N/A
<b>Total</b>	<b>12,319,715</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>6,669,715</b>	<b>6,669,715</b>

## DIRECTORS' REPORT

30 June 2014:

Name	Balance at the start of the year or appointment date	Number of options issued as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Peter Thomas Resigned 17.7.2013	1,500,000	-	-	-	1,500,000	1,500,000
George Sakalidis	2,400,000	2,250,000	-	-	4,650,000	4,650,000
Gavin Fletcher Appointed 13.3.2013	1,064,286	3,000,000		700,000	4,764,286	4,764,286
Eric Lim	500,000	500,000	-	-	1,000,000	1,000,000
Ben Donovan Appointed 13.3.2013	85,143	-	-	56,000	141,143	141,143
<b>Total</b>	<b>5,549,429</b>	<b>5,750,000</b>	<b>-</b>	<b>756,000</b>	<b>12,055,429</b>	<b>12,055,429</b>

### Shares held by Key Management Personnel

The number of shares and partly-paid contributing shares (on which \$0.20 is payable to convert those partly-paid shares to fully paid shares) in the Company held at the beginning and end of the year and net movements **during the financial year** by key management personnel and/or their related entities are set out below:

30 June 2015:

Name	Balance at the start of the year or appointment date	Share movements	Balance at the end of the year
Gavin Fletcher			
Ordinary shares	3,572,073	160,000	3,732,073
Contributing shares	750,000	686,418	1,436,418
Eric Lim			
Ordinary shares	6,998,011	-	6,998,011
Contributing shares	-	-	-
John Blanning			
Ordinary shares	3,542,071	1,498,000	5,040,071
Contributing shares	750,000	635,524	1,385,524
Ben Donovan			
Ordinary shares	283,364	-	283,364
Contributing shares	60,000	-	60,000
George Sakalidis (resigned 17 October 2014)			
Ordinary shares	5,364,123	-	N/A
Contributing shares	3,076,113	-	N/A
<b>Total Ordinary shares</b>	<b>19,759,642</b>	<b>1,658,000</b>	<b>16,053,519</b>
<b>Total Contributing shares</b>	<b>4,636,113</b>	<b>1,321,942</b>	<b>2,881,942</b>

## DIRECTORS' REPORT

30 June 2014:

Name	Balance at the start of the year or appointment date	Share movements	Balance at the end of the year
Peter Thomas			
Ordinary shares	28,555	-	28,555
Contributing shares	42,833	-	42,833
George Sakalidis			
Ordinary shares	5,237,123	127,000	5,364,123
Contributing shares	3,076,113	-	3,076,113
Gavin Fletcher			
Ordinary shares	2,113,502	1,458,571	3,572,073
Contributing shares	450,000	300,000	750,000
Eric Lim			
Ordinary shares	6,998,011	-	6,998,011
Contributing shares	-	-	-
Ben Donovan			
Ordinary shares	169,080	114,284	283,364
Contributing shares	36,000	24,000	60,000
<b>Total Ordinary shares</b>	<b>14,546,271</b>	<b>1,699,855</b>	<b>16,246,126</b>
<b>Total Contributing shares</b>	<b>3,604,946</b>	<b>324,000</b>	<b>3,928,946</b>

### Consultant Agreements

Mr Fletcher's remuneration package is \$250,000 pa plus superannuation for a 3 year term subject to extension, with 1,500,000 options at various strike prices, and milestone cash incentives linked to industry standard benchmarks. Mr Fletcher can be terminated by giving him six months notice.

Mr Donovan is engaged by the Company as Company Secretary. Mr Donovan is employed on an agreed annual fee with additional hours paid at market rates. Each party can terminate the agreement with 6 months notice.

Mr Lim and Mr Blanning have entered into a director contract where they are paid \$40,000 per annum.

### Guaranteed Rate Increases

There are no guaranteed rate increases fixed in the contracts of any of the key management personnel.

**END OF AUDITED SECTION**

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over such instruments issued by the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001 at the date of this report is as follows:

	Fully Paid Ordinary Shares	Partly-paid Contributing Shares	Options to Acquire Fully Paid Ordinary Shares
Gavin Fletcher	3,732,074	1,436,418	3,764,285
John Blanning	5,040,071	1,385,524	1,764,286
Eric Lim	6,998,011	-	1,000,000
<b>Total</b>	<b>15,770,156</b>	<b>2,821,942</b>	<b>6,528,571</b>

### SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS

No options have been issued to directors or officers during or since the end of the financial year other than those noted above.

### EMPLOYEES

At 30 June 2015, aside from directors who are for tax purposes treated as employees, the Company's only other employees were part-time or casual staff. The same position prevailed at 30 June 2014.

### CORPORATE STRUCTURE

Magnetic is a no liability company incorporated and domiciled in Australia.

### ACCESS TO INDEPENDENT ADVICE

Each director has the right, so long as he is acting reasonably in the interests of the Company and in the discharge of his duties as a director, to seek independent professional advice and recover the reasonable costs thereof from the Company.

The advice shall only be sought after consultation about the matter with the chairman (where it is reasonable that the chairman be consulted) or, if it is the chairman that wishes to seek the advice or it is unreasonable that he be consulted, another director (if that be reasonable).

The advice is to be made immediately available to all Board members other than to a director against whom privilege is claimed.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the year an amount of \$6,174 (2014: \$6,290) was incurred in insurance premiums for this purpose.

### OPTIONS

As at the date of this report there are the following unquoted options over unissued ordinary shares in the Company:

- 2,145,000 options to acquire fully paid shares exercisable at \$0.4607 on or by 21 December 2015;
- 12,757,143 options to acquire fully paid shares exercisable at \$0.1499 on or by 27 December 2016;
- 4,000,000 options to acquire fully paid shares exercisable at \$0.17 on or by 31 December 2017;
- 150,000 options to acquire fully paid shares exercisable at \$0.18 on or by 31 December 2017;

### PROCEEDINGS ON BEHALF OF THE COMPANY

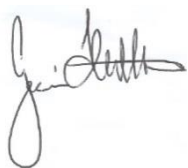
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## **DIRECTORS' REPORT**

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out in this annual report.

**Signed in accordance with a resolution of the directors**

A handwritten signature in black ink, appearing to read 'Gavin Fletcher', is written over a light blue rectangular background.

**SIGNED GAVIN FLETCHER  
MANAGING DIRECTOR**

Perth

9 September 2015

## AUDITOR'S INDEPENDENCE DECLARATION

To those charges with governance of Magnetic Resources NL

As auditor for the audit of Magnetic Resources NL for the year ended 30 June 2015, 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 audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Somes Cooke*

**SOMES COOKE**

*Nicholas Hollens*

**NICHOLAS HOLLENS**

PARTNER

9 September 2015

# CORPORATE GOVERNANCE STATEMENT



## CORPORATE GOVERNANCE STATEMENT

Magnetic Resources NL ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations") third edition, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

### Disclosure of Corporate Governance Practices

#### Summary Statement

	ASX P & R	If not, why not		ASX P & R	If not, why not
Recommendation 1.1	✓		Recommendation 4.1		✓
Recommendation 1.2	✓		Recommendation 4.2	✓	
Recommendation 1.3	✓		Recommendation 4.3	✓	
Recommendation 1.4	✓		Recommendation 5.1	✓	
Recommendation 1.5		✓	Recommendation 6.1	✓	
Recommendation 1.6	✓		Recommendation 6.2	✓	Recommendation 1.3
Recommendation 1.7	✓		Recommendation 6.3	✓	
Recommendation 2.1		✓	Recommendation 6.4	✓	
Recommendation 2.2	✓		Recommendation 7.1		✓
Recommendation 2.3		✓	Recommendation 7.2	✓	
Recommendation 2.4		✓	Recommendation 7.3	✓	
Recommendation 2.5		✓	Recommendation 7.4	✓	
Recommendation 2.6	✓		Recommendation 8.1		✓
Recommendation 3.1	✓		Recommendation 8.2	✓	

#### Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.magres.com.au](http://www.magres.com.au), under the section marked Corporate Governance.

#### Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2014/2015 financial period ("Reporting Period").

#### Principle 1 – Lay Solid Foundations for Management and Oversight

##### Recommendation 1.1: A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

##### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent Director, as



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appropriate.

**Recommendation 1.2:** A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

**Disclosure:**

The board undertakes a review of the potential candidate and their appropriate skills through a reference of previous positions and industry contacts.

Full details of each person are announced in the initial appointment announcement and also in the Annual Report. Where a director is seeking election, shareholders are given full details.

**Recommendation 1.3:** A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

**Disclosure:**

Upon joining the Company, each director and senior executive enters into an agreement with the Company which sets out the key terms of their employment and their responsibilities including adhering to all Company policies.

**Recommendation 1.4:** The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

**Disclosure:**

The Company Secretary advises the board directly on all matters regarding the function of the board, in consultation with any legal advice if so required. The Secretary is responsible for the co-ordinating of all board matters, committee meetings and advice.

**Recommendation 1.5:** A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.<sup>16</sup>

**Disclosure:** The Company does not qualify under the Act. The Company has a policy of appointing the most suitably qualified person to each position in the Company. Where there is a vacancy in the Company, the most suitable party will be employed.

At present, there is no documented policy of objectives, as positions are selected on the best available candidate.

At the date of this report, all senior executive positions, being persons who can influence the direction of the Company, are filled by males.

**Recommendation 1.6:**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Disclosure:**

The Chair is responsible for evaluating the board and the various committee members. The Chair holds informal discussions with the board on an ongoing basis, as required. Given the size of the Company and only being a 3 person board, the position of Chair is usually filled by one of the directors.

**Recommendation 1.7**

A listed entity should:

## CORPORATE GOVERNANCE STATEMENT



(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

### Disclosure:

The Managing Director is responsible for evaluating the senior executives, and does this by holding informal discussions with the senior executives on an ongoing basis, as required. The Managing Director is on a contract which the board can review from time to time.

## Principle 2 – Structure the Board to Add Value

### Recommendation 2.1

The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

### Disclosure:

The Nomination Committee consists of 3 members being Mr Fletcher, Mr Lim and Mr Blanning given the size of the board. The committee is not deemed to be independent given that Mr Fletcher is an executive director and Mr Lim and Blanning are substantial shareholders of the Company. The Committee has a charter setting out the criteria and responsibilities for the selection of new Directors.

The number of times the committee met is outlined in the annual report.

### Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

### Disclosure:

The skills of each individual director is outlined in the annual report setting out the qualifications and experience of each person.

### Recommendation 2.3

A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director

Name	Position	Independent
Mr Gavin Fletcher	Managing Director	No
Mr Eric Lim	Non-Executive Director	No
Mr John Blanning	Non-Executive Director	No

An independent Director is defined as a Non-Executive Director and;

- Is not a substantial shareholder of the Company or an officer of or directly or indirectly associated with a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;

- Within the past three years has not been a principal of a material professional advisor or a material consultant to the Company or an employee associated with a such a material service provider or advisor; and,
- Does not have a material contractual relationship with the Company other than as a Director of the Company.

**Disclosure:**

The Board comprises three Directors, with Mr Fletcher an executive director, and Mr Lim and Mr Blanning both substantial shareholders. For this reason none of the board members are considered independent. The Board considers that given the size of the Company, it is better to have directors with the appropriate skill sets as key board members.

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

### Identification of Independent Directors

There are no current independent directors. Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

### Group's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Statement of Financial Position items are material if they have a value of more than 10% of net assets.
- Profit and loss items are material if they will have an impact on the current period operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on statement of financial position or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

### Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

**Disclosure:**

Set out above, the Company does not meet this requirement due to the size of the Company.

**Recommendation 2.5:** The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

**Disclosure:**

The Chair of the Board is not fixed by dependent on the meeting. Mr Lim acts as Chairman in most circumstances, allowing for the division between the role of Managing Director and Chairman, but he is not deemed to be independent.

**Recommendation 2.6:** A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

**Disclosure:**

Each director is provided with an induction to the Company's assets and business including all policies and procedures. Each director can request appropriate development opportunities which will be considered by the board on each occasion.

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

### Principle 3 – Act ethically and responsibly

#### Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

**Disclosure:**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

## **Principle 4 – Safeguard Integrity in Financial Reporting**

### **Recommendation 4.1**

The board of a listed entity should:

- (a) have an audit committee which:
    - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
    - (2) is chaired by an independent director, who is not the chair of the board,
- and disclose:
- (3) the charter of the committee;
  - (4) the relevant qualifications and experience of the members of the committee; and
  - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

**Disclosure:**

The Board has established an Audit committee, however, given the size of the Company and there only being 3 directors, each director acts as a member of the Audit Committee. None of the members are considered independent.

Details of each of the Director's qualifications are set out in the Directors' Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Group through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The

The Audit Committee met twice during the Reporting Period.

### **Recommendation 4.2**

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Disclosure:**

The Managing Director and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

### **Recommendation 4.3**

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

**Disclosure:**

The Company invites the auditors to attend the AGM and forwards any questions received to the auditors for comment.

## **Principle 5 – Make Timely and Balanced Disclosure**

### **Recommendation 5.1: Recommendation 5.1**

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

**Disclosure:**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. The policies also include examples of disclosure requirements and who can communicate with media outlets.

### **Principle 6 – Respect the Rights of Security Holders**

#### **Recommendation 6.1:**

A listed entity should provide information about itself and its governance to investors via its website.

**Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This includes all relevant information being disclosed on the Company's website.

#### **Recommendation 6.2**

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

**Disclosure:**

The company welcomes open communication with shareholders.

#### **Recommendation 6.3**

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

**Disclosure:**

A copy is available on the Company's website.

#### **Recommendation 6.4**

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

**Disclosure:**

The Company has an email where shareholders can request to receive all information electronically and offers the same service through its share registry.

### **Principle 7 – Recognise and Manage Risk**

**Recommendation 7.1:** The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

**Disclosure:**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has also established an audit and risk committee.

Given that the board consists of 3 members, all members comprise the audit and risk committee, and none of them are considered to be independent.

### **Recommendation 7.2:**

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

### **Disclosure:**

Management report to the Board as to the effectiveness of the Company's management of its material business risks.

### **Recommendation 7.3:** A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

### **Disclosure:**

The Board receives assurances from the Managing Director and the Chief Financial Officer (or equivalent) that the financial accounts are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company has an internal audit committee as outlined above, which then reviews these financial reports in addition to the external auditors.

### **Recommendation 7.4**

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

### **Disclosure:**

The Company is an exploration company and as such has exposure to the risks of the mining industry including commodity prices, environmental risks etc.

## **Principle 8 – Remunerate Fairly and Responsibly**

### **Recommendation 8.1**

The board of a listed entity should:

- (a) have a remuneration committee which:
    - (1) has at least three members, a majority of whom are independent directors; and
    - (2) is chaired by an independent director,
- and disclose:
- (3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

**Disclosure:**

The Company has established a Remuneration Committee. The Committee has adopted a formal charter setting out the responsibilities and considerations in determining remuneration of Executives and Non-Executives. The Committee consists of the current board members given the size of the Company. The Board considers the remuneration committee is sufficient given the size of the Board even though no member is deemed to be independent.

The remuneration committee did not meet during the period but meetings were held as formal board items.

**Recommendation 8.2:**

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

**Disclosure:**

Non-Executive Directors are remunerated at a fixed fee for their time and their responsibilities to various committees.

The Non-Executive Directors are however eligible to participate in the Company's incentive plan. The Board considers that this is a necessary motivation to attract the highest calibre candidates to the Board at this stage in the Company's operations.

**Recommendation 8.3:**

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

**Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee meets to discuss the employment terms of the Managing Director and Non-Executive Directors where required, and provides any equity-based remuneration after consideration of key milestones to be achieved and other remuneration being paid in the industry.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

**Securities Trading Policy**

The Company has also established a policy concerning trading in the Company's securities by Directors, senior executives and employees.

The policy includes blackout periods where no trading in Group securities shall take place between:

- Up to and including two (2) weeks prior to the announcement of the annual results;
- Up to and including two (2) weeks prior to the announcement of the half year results; and
- The last two (2) week period of the months of January, April, July and October prior to the release of the quarterly results for the periods ending 31 December, 31 March, 30 June and 30 September; or
- as directed in writing by the Company's Board at any time in its sole discretion.

If Directors including the Managing Director wish to trade securities outside the blackout period, they must obtain approval from the Chairman. Employees must obtain the approval of the Managing Director, and the Chairman must obtain the approval of the Board.



**STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
**For the year ended 30 June 2015**



	Notes	2015 (\$)	2014 (\$)
<b>Revenue:</b>			
Interest income		32,238	29,464
Other revenue	3	255,458	441,797
<b>Expenses:</b>			
Depreciation expense	11	(24,764)	(30,993)
Exploration and tenement expenses		(704,569)	(705,333)
Impairment of available for sale financial assets		(22,060)	(64,270)
Share based payments expense	19	-	(482,725)
Other expenses	3	(801,510)	(733,574)
<b>(Loss) before income tax expense</b>		<b>(1,265,207)</b>	<b>(1,545,634)</b>
Income tax expense	4	-	-
<b>(Loss) from continuing operations</b>		<b>(1,265,207)</b>	<b>(1,545,634)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(1,265,207)</b>	<b>(1,545,634)</b>
<b>Total comprehensive income for year attributable to members of the Company</b>		<b>(1,265,207)</b>	<b>(1,545,634)</b>
Basic (loss) per share (cents per share)	7	(1.31)	(1.74)
Diluted (loss) per share (cents per share)	7	(1.31)	(1.74)

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

# STATEMENT OF FINANCIAL POSITION

## As at 30 June 2015



	Notes	2015 (\$)	2014 (\$)
<b>Current Assets</b>			
Cash and cash equivalents	8	883,906	397,452
Trade and other receivables	9	10,569	306,041
Other assets	10	24,421	26,363
<b>Total Current Assets</b>		<u>918,896</u>	<u>729,856</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	39,965	46,626
Other financial assets	12	45,847	67,907
<b>Total Non-Current Assets</b>		<u>85,812</u>	<u>114,533</u>
<b>TOTAL ASSETS</b>		<u>1,004,708</u>	<u>844,389</u>
<b>Current Liabilities</b>			
Trade and other payables	13	121,140	154,045
<b>Total Current Liabilities</b>		<u>121,140</u>	<u>154,045</u>
<b>TOTAL LIABILITIES</b>		<u>121,140</u>	<u>154,045</u>
<b>NET ASSETS</b>		<u>883,568</u>	<u>690,344</u>
<b>Equity</b>			
Contributed equity	14	15,651,445	14,193,014
Reserves	14	1,140,109	1,251,534
Accumulated (losses)		(15,907,986)	(14,754,204)
<b>TOTAL EQUITY</b>		<u>883,568</u>	<u>690,344</u>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## For the year ended 30 June 2015



	Contributed Equity (Net of Costs)	Share Based Payments Reserve	Accumulated Losses	Total
	(\$)	(\$)	(\$)	(\$)
<b>Balance at 1 July 2013</b>	13,343,546	768,809	(13,208,570)	903,785
Total comprehensive income for the year	-	-	(1,545,634)	(1,545,634)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>				
Shares issued during the year	849,468	-	-	849,468
Share based payments expense	-	482,725	-	482,725
<b>Balance at 30 June 2014</b>	<b>14,193,014</b>	<b>1,251,534</b>	<b>(14,754,204)</b>	<b>690,344</b>
 <b>Balance at 1 July 2014</b>	 <b>14,193,014</b>	 <b>1,251,534</b>	 <b>(14,754,204)</b>	 <b>690,344</b>
Total comprehensive income for the year	-	-	(1,265,207)	(1,265,207)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>				
Shares issued during the year	1,458,431	-	-	1,458,431
Options expired during the year	-	(111,425)	111,425	-
Share based payments expense	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>15,651,445</b>	<b>1,140,109</b>	<b>(15,907,986)</b>	<b>883,568</b>

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

# STATEMENT OF CASH FLOWS

## For the year ended 30 June 2015



	Notes	2015 (\$)	2014 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers and contractors		(726,847)	(796,270)
Interest received		30,199	24,852
R&D Claim		555,159	236,604
<b>Net cash (used in) operating activities</b>	15	<u>(141,489)</u>	<u>(534,814)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(19,560)	(22,936)
Payments for exploration and evaluation		(841,024)	(766,318)
Purchase of new tenements		-	-
Proceeds from sale of fixed assets		47,954	-
<b>Net cash (used in) investing activities</b>		<u>(812,630)</u>	<u>(789,254)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new issues of shares	14, 19	1,440,573	551,509
<b>Net cash provided by financing activities</b>		<u>1,440,573</u>	<u>551,509</u>
Net increase / (decrease) in cash held		486,454	(772,559)
Cash and cash equivalents at the beginning of the financial year		397,452	1,170,011
<b>Cash and cash equivalents at the end of the financial year</b>	8	<u><u>883,906</u></u>	<u><u>397,452</u></u>

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



This financial report includes the financial statements and notes of the Company.

## NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were authorised for issue on 10 September 2015.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### *Going Concern*

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

The Company recorded a loss of \$1,265,207 for the year ended 30 June 2015 and had net assets of \$883,568 as at 30 June 2015. The ability of the Company to continue to pay its debts as and when they fall due for a twelve month period from the date the financial report is signed is dependent upon continued cash management according to rate of exploration and operating activities, raising funds as required through the issue of additional shares, or a combination thereof.

The Directors are confident that this will be achieved and thus the going concern basis is appropriate. However, should the Company be unable to achieve the above, there would be material uncertainty which may cast doubt as to whether the Company will be able to continue as a going concern and 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.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### Accounting Policies

#### (a) Revenue

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

The Research and Development refundable tax offset is recognised as income when it is determined that it is probable that it will be received and the amount can be estimated reliably. Within the income tax expense reconciliation the income is non-assessable and R&D expenditure non-deductible.

#### (b) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by non-casual employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. There is no liability for long service leave entitlements.

#### (c) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed to Statement of Profit or Loss and Other Comprehensive Income as incurred. The effect of this is to increase the loss incurred from continuing operations as disclosed in the Statement of Profit or Loss and Other Comprehensive Income and to decrease the carrying values in the Statement of Financial Position. That the carrying value of mineral assets, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of that asset.

#### (d) Acquisition of Assets

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure or mine properties based on the stage of development reached at the date of acquisition.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



## (e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## (f) Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the Statement of Profit and Loss and Other Comprehensive Income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities and assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## (g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

## (h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. This policy has no application where paragraph (c) (Exploration and Evaluation Expenditure) applies.

## (i) Earnings per Share

- (i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.
- (ii) *Diluted Earnings per Share* – Options that are considered to be dilutive are taken into consideration when calculating the diluted earnings per share.

## (j) Property, plant and equipment

Each class of plant, equipment and motor vehicles is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant, equipment and motor vehicles are measured on the cost basis.

The carrying amounts of plant, equipment and motor vehicles are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



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received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

### Depreciation

The depreciable amount of all plant, equipment and motor vehicles are depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for the class of plant, equipment and motor vehicle depreciable assets range between 20% and 100%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit and Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## (k) Financial Instruments

### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

### Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

The Company does not designate any interests in joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains and losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit and loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



## *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board. "Fair value" commonly does not reflect realisable value and the Board does not represent that stated fair values reflect their view of market or realisable values. This observation is over-riding and shall prevail over any inconsistent possible interpretation.

### **Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

### **Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

### **De-recognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## **(l) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## **(m) Leases**

Lease payments for operating leases (where substantially all the risks and benefits remain with the lessor) are charged as an expense in the periods in which they are incurred.

Lease incentives under operating leases, if any, are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## **(n) Contributed Equity**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## **(o) Share-based Payments and Value Attribution to Equity Remuneration/Benefits**

Share-based compensation benefits provided to directors are approved in general meeting by members. Share-based benefits provided to non-directors are approved by the Board of Directors and form part of that employee's remuneration package.

The International Financial Reporting Standards specifies that a valuation technique must be applied in determining the fair value of employees' or directors' stock options as at their grant date. No particular model is specified.

In respect of share options granted, the (theoretical) fair value is recognised over the vesting period as an employee benefit expense with a corresponding increase in equity. The theoretical fair value of the options is calculated at the date of grant taking into account the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

In the absence of reliable measure of the goods or services received, AASB 2: Share Based Payments prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



### (p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

### (q) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of directors.

### (r) Critical Accounting Estimates, Assumptions, and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and from within the Company.

#### *Taxation*

Balances disclosed in the financial statements and the notes thereto related to taxation are based on best estimates by directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income tax legislation and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the directors' best estimate pending an assessment being received from the Australian Taxation Office.

#### *Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

### (s) New Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to adopt any of the new and amended pronouncements before they become mandatory. These new and amended standards will not materially impact on the Company's Financial Statements.

Australian Accounting and Auditing Standards applicable to the company for the first time for the financial year ended 30 June 2015 have not had a material input in the financial statements.

## 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 operations, the Company does not provide products and services.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015**



<b>NOTE 3</b>	<b>REVENUE AND EXPENDITURE</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
	<b>Other Income</b>		
	Research and development tax concession (net of costs)	208,961	441,332
	Sundry Income	-	553
	Profit on sale of Fixed Assets	46,497	(88)
		<u>255,458</u>	<u>441,797</u>
	<b>EXPENDITURE</b>		
	<b>Other Expenses</b>		
	Occupancy costs	(54,876)	(55,133)
	Filing and ASX Fees	(39,602)	(21,615)
	Corporate and management	(369,854)	(303,823)
	Other expenses from continuing operations	(337,178)	(353,003)
		<u>(801,510)</u>	<u>(733,574)</u>
<b>NOTE 4</b>	<b>INCOME TAX EXPENSE</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax asset/liability	-	-
		<u>-</u>	<u>-</u>
	The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
	Loss from continuing operations before income tax	<u>1,265,207</u>	<u>1,545,634</u>
	Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	379,562	463,690
	Tax effect of Non-allowable items		
	• Equity-settled share based payments expense	-	(144,817)
	• R & D claim rebate	62,688	117,736
	• Other	11,497	6,837
	Deferred tax benefit on tax losses not brought to account	<u>(453,747)</u>	<u>(443,446)</u>
	Income tax attributable to operating loss	<u>-</u>	<u>-</u>
	<b>Unrecognised temporary differences</b>		
	Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:		
	Accrued expenses	(13,933)	(11,256)
	Available-for-sale financial assets loss	<u>6,618</u>	<u>19,281</u>
	Unrecognised deferred tax assets relating to the above temporary differences	<u>7,315</u>	<u>8,025</u>

**Unrecognised deferred tax assets**

The Company has estimated accumulated tax losses of \$12,920,305 (2014: \$11,407,814 – restated from \$12,019,959).

The potential deferred tax asset of these losses \$3,876,092 (2014: \$3,422,344 – restated from \$3,605,988) will only be recognised if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;
- the Company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015**



<b>NOTE 5</b>	<b>KEY MANAGEMENT PERSONNEL COMPENSATION</b>	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
	Short-term employee benefits	490,868	549,534
	Post-employment benefits	17,733	4,565
	Equity-settled share based payments	-	277,225
		<u>508,601</u>	<u>831,324</u>

Further key management personnel remuneration information has been included in the Remuneration Report section of the Directors Report.

Information on related party and entity transactions is disclosed in Note 20.

<b>NOTE 6</b>	<b>AUDITORS REMUNERATION</b>	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
	Amounts received or due and receivable by the auditors of the Company for:		
	Auditing and reviewing the financial report	22,000	34,800
	Other	200	853
		<u>22,200</u>	<u>35,653</u>

<b>NOTE 7</b>	<b>EARNINGS PER SHARE</b>	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
	The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
	Loss for the year	(1,265,207)	(1,545,634)
	Earnings used in calculating basic and diluted earnings per share	<u>(1,265,207)</u>	<u>(1,545,634)</u>
	Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>96,918,176</u>	<u>88,698,922</u>

The Company had 20,418,862 (2014 – 20,418,862) partly-paid contributing shares and 19,052,143 (2014 – 23,597,143) options over fully paid ordinary shares on issue **at balance date**. Options and contributing shares are considered to be potential ordinary shares. However, they are not considered to be dilutive in this year and accordingly have not been included in the determination of diluted earnings per share.

<b>NOTE 8</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
	Cash at bank	256,333	195,768
	Deposits at call	627,573	201,684
		<u>883,906</u>	<u>397,452</u>

<b>NOTE 9</b>	<b>TRADE AND OTHER RECEIVABLES</b>	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
	Trade receivables	7,531	25,568
	Other receivables	3,038	-
	Tax refundable	-	280,473
		<u>10,569</u>	<u>306,041</u>

<b>NOTE 10</b>	<b>OTHER ASSETS</b>	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
	Prepayments	<u>24,421</u>	<u>26,363</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL  
STATEMENTS for the year ended 30 June 2015**



**NOTE 11 PROPERTY, PLANT, EQUIPMENT**

	<b>2015</b>	<b>2014</b>
	<b>(\$)</b>	<b>(\$)</b>
Plant and equipment	138,414	203,368
Less: Accumulated depreciation	(98,449)	(163,941)
	<u>39,965</u>	<u>39,427</u>
Motor vehicles	68,800	68,800
Less: Accumulated depreciation	(68,800)	(61,601)
	<u>-</u>	<u>7,199</u>
	<u>39,965</u>	<u>46,626</u>
Reconciliation of the carrying amounts of plant, equipment and motor vehicles from the beginning to the end of the financial year.		
Plant, equipment and motor vehicles		
Carrying amount at beginning of year	46,626	54,771
Additions	19,560	21,297
Disposals	(1,457)	1,551
Depreciation expense	(24,764)	(30,993)
Total plant, equipment and motor vehicles at end of year	<u>39,965</u>	<u>46,626</u>

**NOTE 12 OTHER FINANCIAL ASSETS**

	<b>2015</b>	<b>2014</b>
	<b>(\$)</b>	<b>(\$)</b>
Non-Current		
Available-for-sale financial assets – shares in listed corporations	<u>45,847</u>	<u>67,907</u>
	<u>45,847</u>	<u>67,907</u>
Investments in related parties		
Available-for-sale financial assets includes the following investments held in director-related party entities:		
Image Resources NL	20,829	42,605
Meteoric Resources NL	1,600	1,001
	<u>22,429</u>	<u>43,606</u>

**NOTE 13 TRADE AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>(\$)</b>	<b>(\$)</b>
Trade creditors and accruals	143,701	179,895
GST Refundable	(31,566)	(27,098)
PAYG Withholding	9,005	1,248
	<u>121,140</u>	<u>154,045</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



## NOTE 14 EQUITY

	2015		2014	
	No.	\$	No.	\$
<b>Contributed Equity – Ordinary Shares</b>				
At the beginning of year	90,612,758	14,193,014	80,103,354	13,343,546
Shares issued during the year at \$0.20 each	7,205,000	1,441,000	-	-
Shares issued during the year at \$0.15 each (Note 19)	119,056	17,858	-	-
Shares issued during the year at \$0.14 each (Note 19)	-	-	67,884	9,503
Shares issued during the year at \$0.11 each	-	-	2,727,272	300,000
Shares issued during the year at \$0.07 each	-	-	7,714,248	539,997
Sundry Share issuance costs	-	(427)	-	(32)
Closing balance:	97,936,814	15,651,445	90,612,758	14,193,014
<b>Contributed Equity – Contributing Shares – Partly-paid</b>				
At the beginning of year	20,418,862	-	19,218,862	-
Shares issued during the year at \$Nil	-	-	1,200,000	-
Closing balance:	20,418,862	-	20,418,862	-
<b>Reserves</b>				
Equity based share based benefits reserve (i)		1,140,109		1,251,534
Closing balance		1,140,109		1,251,534

(i) The employee benefits reserve is used to recognise the fair value of options issued to employees.

## Options

The Company had the following options over un-issued fully paid ordinary shares at the end of the year:

Options exercisable at \$0.20 on or before 03.10.2014 to acquire fully paid ordinary shares	-	500,000
Options exercisable at \$0.2709 on or before 23.12.2014 to acquire fully paid ordinary shares	-	4,045,000
Options exercisable at \$0.4607 on or before 21.12.2015 to acquire fully paid ordinary shares	2,145,000	2,145,000
Options exercisable at \$0.1499 on or before 27.12.2016 to acquire fully paid ordinary shares	12,757,143	12,757,143
Options to acquire fully paid shares exercisable at \$0.17 on or by 31 December 2017	4,000,000	4,000,000
Options to acquire fully paid shares exercisable at \$0.18 on or by 31 December 2017	150,000	150,000
Total Options	19,052,143	23,597,143

A reconciliation of the total options on issue as at 30 June 2015 is as follows:

	Number of Options	\$
At 1 July 2013	11,397,143	768,809
Options issued during the year	12,200,000	482,725
At 30 June 2014	23,597,143	1,251,534
At 1 July 2014	23,597,143	1,251,534
Options expired during the year	(4,545,000)	(111,425)
At 30 June 2015	19,052,143	1,140,109

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



## Terms and condition of contributed equity

### Ordinary Fully Paid Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held, regardless of the amount paid up thereon.

On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share.

### Contributing Shares

Contributing shares require a further payment of \$0.20 to become fully paid.

On a show of hands, every holder of contributing shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights.

## NOTE 15 CASH FLOW INFORMATION

	2015 (\$)	2014 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(1,265,207)	(1,545,634)
Depreciation and amortisation	24,764	30,993
Exploration expenditure	858,883	705,330
Impairment of available-for-sale financial assets	22,060	64,270
Sundry Income	-	(500)
Loss / (Profit) on sale of fixed assets	(46,497)	88
Share based payments	-	482,725
Changes in operating assets and liabilities:		
Decrease / (Increase) in trade and other receivables relating to operating activities	295,471	(251,630)
Decrease / (Increase) in prepayments	1,942	(15,731)
Decrease in trade and other payables relating to operating activities	(32,905)	(4,725)
<b>Cash flow from operations</b>	<b>(141,489)</b>	<b>(534,814)</b>

Non-cash financing activities are listed at Note 19.

## NOTE 16 TENEMENT EXPENDITURE CONDITIONS

Pursuant to relevant legislation in Western Australia, mineral tenements are held subject to the condition that rate and rentals are paid and prescribed expenditure conditions are met. Application for exemption from all or some of the prescribed expenditure conditions may be made but no assurance is given that any such application will be granted. If the prescribed expenditure conditions are not met with respect to a tenement, that tenement is liable to forfeiture. The prescribed expenditure condition in respect of the granted tenements for the next twelve months amounts to \$290,334 (2014: \$232,500).

## NOTE 17 TENEMENT ACCESS

### Native Title and Freehold

All or some of the tenements in which the Company has an interest are or may be affected by native title.

The Company is not in a position to assess the likely effect of any native title impacting the Company.

The existence of native title and heritage issues represent, as a general proposition, a serious threat to explorers and miners, not only in terms of delaying the grant of tenements and the progression of exploration development and mining operations, but also in terms of costs arising consequent upon dealing with aboriginal interest groups, claims for native title and the like.

As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. Unless it already has secured such rights, there can be no assurance that the Company will secure rights to access those portions (if any) of the Tenements encroaching freehold land but, importantly, native title is extinguished by the grant of freehold so if and whenever the Tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act in respect of the area of encroachment albeit aboriginal heritage matters still be of concern.

## NOTE 18 EVENTS SUBSEQUENT TO REPORTING DATE

No material matters have occurred subsequent to the end of the financial year which requires reporting on other than as reported to ASX.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



## NOTE 19 EQUITY-SETTLED SHARE BASED PAYMENTS

During the year, no options were issued.

There were two tranches of options which expired, which resulted in \$111,425 being transferred from reserves to accumulated losses (Note 14).

The 2015 share based payments expense (assessed by reference to "fair value") shown in the financial report amounted to \$nil (2014: \$482,725).

During the year ended 30 June 2015, the Company issued 119,056 (2014: 67,884) fully paid ordinary shares as settlement of drilling expenses of \$17,858 (2014: \$9,503).

## NOTE 20 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

Particulars of contractual arrangements and financial benefits provided to the key management personnel are detailed in the directors' report. There are no amounts owing to directors and/or director-related parties (including GST) at 30 June 2015 or 2014.

Save as disclosed above, there were no other related party or related entity transactions, other than those disclosed in Note 5.

## NOTE 21 CONTINGENT LIABILITIES

### Native Title

Tenements are commonly (but not invariably) affected by native title.

The Company is not in a position to assess the likely effect of any native title impacting the Company.

The existence of native title and heritage issues represent, as a general proposition, a serious threat to explorers and miners, not only in terms of delaying the grant of tenements and the progression of exploration development and mining operations, but also in terms of costs arising consequent upon dealing with aboriginal interest groups, claims for native title and the like.

## NOTE 22 FINANCIAL INSTRUMENTS DISCLOSURE

### (a) Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks, receivables, available-for-sale financial assets and payables.

Risk management policies are approved and reviewed by the board. The use of hedging derivative instruments is not contemplated at this stage of the Company's development.

### Specific Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments, are interest rate and liquidity risks.

#### Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

#### Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows, cash reserves, liquid investments, receivables and payables.

#### Capital Risk

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raising as required.

The working capital position of the Company at 30 June 2015 and 30 June 2014 was as follows:

	2015 (\$)	2014 (\$)
Cash and cash equivalents	883,906	397,452
Trade and other receivables	10,569	306,041
Trade and other payables – excludes share applications received prior to balance date in respect of shares issued after balance date	(121,140)	(154,045)
<b>Working capital position</b>	<b>773,335</b>	<b>549,448</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



## Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There is no material amounts of collateral held as security at balance date.

The following table provides information regarding the credit risk relating to cash and cash equivalents based on credit ratings:

	2015 (\$)	2014 (\$)
AAA rated	-	-
AA rated	-	-
A rated	883,906	397,452

The credit risk for counterparties included in trade and other receivables at balance date is detailed below.

	2015 (\$)	2014 (\$)
<b>Trade and other receivables</b>		
Trade and other receivables	10,569	25,568
GST and tax refundable	-	280,473
	<u>10,569</u>	<u>306,041</u>

## (b) Financial Instruments

The Company holds no derivative instruments, forward exchange contracts or interest rate swaps.

### Financial Instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments.

2015	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents	2.97%	883,906	-	883,906
Other receivables		-	42,135	42,135
Available-for sale financial assets		-	10,569	10,569
Total Financial Assets		<u>883,906</u>	<u>52,704</u>	<u>936,610</u>
Financial Liabilities				
Trade and other payables		-	(121,140)	(121,140)
Net Financial Assets		<u>883,906</u>	<u>(63,436)</u>	<u>815,470</u>

	2015 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	<u>(121,140)</u>
	<u>(121,140)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015



2014	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents	1.80%	397,452	-	397,452
Other receivables		-	306,041	306,041
Available-for sale financial assets		-	67,907	67,907
Total Financial Assets		397,452	373,948	771,400
Financial Liabilities				
Trade and other payables		-	(154,045)	(154,045)
Net Financial Assets		397,452	219,903	617,355

	2014 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(154,045)
	(154,045)

## Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

Quoted prices in active markets for identical assets or liabilities (Level 1);

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial Assets:</b>				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	45,847	-	-	45,847
	45,847	-	-	45,847

2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial Assets:</b>				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	67,907	-	-	67,907
	67,907	-	-	67,907

## (c) Sensitivity Analysis – Interest rate risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

As at balance date, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

**NOTES TO AND FORMING PART OF THE FINANCIAL  
STATEMENTS for the year ended 30 June 2015**



	2015 (\$)	2014 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2.88% (2014 (2.45%))	(25,413)	(9,717)
- Decrease in interest rate by 2.88% (2014 (2.45%))	25,413	9,717
Change in equity – increase/(decrease):		
- Increase in interest rate by 2.88% (2014 (2.45%))	25,413	9,717
- Decrease in interest rate by 2.88% (2014 (2.45%))	(25,413)	(9,717)

## DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Act 2001;
  - (b) give a true and fair view of the financial position as at 30 June 2015 and performance for the year ended on that date of the Company; and
  - (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the year ended 30 June 2015 complies with section 300A of the Corporations Act 2001;
2. the Chief Financial Officer has declared pursuant to section 295A(2) of the Corporations Act 2001 that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and the notes for the financial year comply with Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. 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;
4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

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

**SIGNED: GAVIN FLETCHER**  
**MANAGING DIRECTOR**  
**PERTH**

Dated 9 September 2015



## Independent Auditor's Report

To the members of Magnetic Resources NL

### Report on the Financial Report

We have audited the accompanying financial report of Magnetic Resources NL, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of Magnetic Resources NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

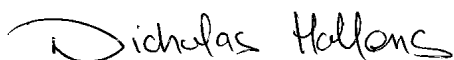
*Emphasis of matter*

Without modifying our opinion, we draw attention to Note 1, which outlines that the Company recorded a loss of \$1,265,207 for the year ended 30 June 2015 and had net assets of \$883,568 as at 30 June 2015. The ability of the Company to continue to pay its debts as and when they fall due for a twelve month period from the date the financial report is signed is dependent upon continued cash management according to rate of exploration and operating activities, raising funds as required through the issue of additional shares, or a combination thereof.

As a result there is 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 asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



**SOMES COOKE**



**NICHOLAS HOLLENS**

Level 2, 35 Outram Street  
West Perth  
WA 6005

9 September 2015

## TENEMENT SCHEDULE



Tenement	Nature of Interest	Project	Equity (%) held	Location
E70/3536	Granted	JUBUK	100%	WA
E70/4243	Granted	RAGGED ROCK	100%	WA
E70/4384	Granted	MT MARY	100%	WA
E70/4478	Granted	COLLINS HILL	100%	WA
E70/4508	Granted	KAURING	100%	WA
E70/4528	Granted	KAURING	100%	WA
E70/4598	Granted	LATHAM ROCK	100%	WA
E70/4741	Pending Application	KINGSTON PARK	-	WA
E70/4692	Pending Application	MT JOY	-	WA
E77/2035	Granted	LAKE SEABROOK	Gold Rights Only	WA

## OTHER INFORMATION

The following information was applicable as at 31 August 2015

### Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares	Options 27.12.2016	Options 31.12.2017 (18c)	Options 31.12.2017 (17c)	Options 12/12/2015 (46.07c)
1 to 1,000	632	1,076				
1,001 to 5,000	213	512				1
5,001 to 10,000	99	83				3
10,001 to 100,000	239	95		2		6
100,001 and over	98	25	27		3	3
<b>Total</b>	<b>1,281</b>	<b>1,791</b>	<b>27</b>	<b>2</b>	<b>3</b>	<b>13</b>

The number of shareholdings held in less than marketable parcels is 864 fully paid ordinary shares and 1782 partly paid contributing shares.

There are no listed options.

### Substantial shareholders:

The names of the substantial shareholders listed in the Company's register as at 31 August 2015:

Shareholder Name	Number of Shares	% of Issued Share Capital
MR HIAN SIANG CHAN	8,269,666	8.44%
UOB KAY HIAN PRIVATE LIMITED	6,234,930	6.37%
MR CHUNG NENG WOON	6,000,000	6.13%
MR CHOON KONG LIM	5,838,212	5.96%
AVA CARTEL SDN BHD	5,590,302	5.71%
<b>Total</b>	<b>31,933,110</b>	<b>32.61%</b>

### Twenty largest shareholders – Quoted fully paid ordinary shares:

	Holder Name	Number Held	Percentage
1	MR HIAN SIANG CHAN	8,269,666	8.44%
2	UOB KAY HIAN PRIVATE LIMITED	6,234,930	6.37%
3	MR CHUNG NENG WOON	6,000,000	6.13%
4	MR CHOON KONG LIM	5,838,212	5.96%
5	AVA CARTEL SDN BHD	5,590,302	5.71%
6	NEFCO NOMINEES PTY LTD	3,871,040	3.95%
7	MR LIM JIN HUEI ERIC	3,648,011	3.72%
8	MET ASSIST PTY LTD	3,542,073	3.62%
9	MR JOHN BRYANT BLANNING	3,542,071	3.62%
10	MR CHOON KONG LIM	1,887,744	1.93%
11	LEEMAN PTY LTD	1,821,423	1.86%
12	MR JAN GERHARD HAANK	1,700,000	1.74%
13	MR CHIN HUAT LOO	1,699,363	1.74%
14	MR CHOON KONG LIM	1,542,856	1.58%
15	ABN AMRO CLEARING SYDNEY	1,529,396	1.56%
16	MR JOHN BRYANT BLANNING	1,495,000	1.53%
17	MR YAN KWONG LIM	1,208,414	1.23%
18	MS TEO SIAN HOON MARGARET	1,195,890	1.22%

## OTHER INFORMATION



19	MS SIAN HOON MARGARET TEO	1,088,889	1.11%
20	MR EARLE GRAHAME MCINTOSH	1,050,000	1.07%
	<b>Total</b>	<b>62,755,280</b>	<b>64.09%</b>

### Twenty largest shareholders – Quoted partly-paid contributing shares:

	Holder Name	Number Held	Percentage
1	MR IAN RONALD BARON	2,051,999	10.05%
2	MR GEORGE SAKALIDIS	2,040,333	9.99%
3	MR ROGER MICHAEL THOMSON	2,000,000	9.79%
4	MR GEORGE SAKALIDIS	958,114	4.69%
5	MET ASSIST PTY LTD	750,000	3.67%
6	MR JOHN BRYANT BLANNING	750,000	3.67%
7	BRISPOT NOMINEES PTY LTD	725,930	3.56%
8	MR GAVIN JOHN FLETCHER	686,418	3.36%
9	MR JOHN BRYANT BLANNING	635,524	3.11%
10	TPT NOMINEES PTY LTD	500,000	2.45%
11	GOFFACAN PTY LTD	454,297	2.22%
12	MR BARRINGTON DANCE	450,000	2.20%
13	MR BARRINGTON DANCE	360,438	1.77%
14	MEGGSIES PTY LTD	259,497	1.27%
15	MRS GAYNOR CHRISTENSEN	228,567	1.12%
16	AUTO MANAGEMENT PTY LTD	218,654	1.07%
17	GILPIN PARK PTY LTD	205,556	1.01%
18	MR PETER WILLIAM TAYLOR	194,500	0.95%
19	DEVOMP PTY LTD	190,866	0.93%
20	MR ROB KAVANAGH	180,000	0.88%

### Twenty largest option holders – All options are unquoted:

HOLDER NAME	EXPIRY	EXERCISE PRICE	NUMBER HELD
MRS JOAN GEACH	31/12/2017	\$0.18	100,000
MR GEORGE SAKALIDIS	31/12/2017	\$0.17	1,500,000
MR ERIC JIN HUEI LIM	31/12/2017	\$0.17	500,000
ABACOT INVESTMENTS P/L	31/12/2017	\$0.17	2,000,000
MR CYRIL GEACH	31/12/2017	\$0.18	50,000
			<b>4,150,000</b>

## OTHER INFORMATION



magnetic resources<sup>TM</sup>

PETER S THOMAS	12/12/2015	\$0.4607	500,000
GEORGE SAKALIDIS	12/12/2015	\$0.4607	800,000
ROGER M THOMSON	12/12/2015	\$0.4607	500,000
ALLAN YOUNGER	12/12/2015	\$0.4607	100,000
ALEX ROMANOFF	12/12/2015	\$0.4607	50,000
EARLE MCINTOSH	12/12/2015	\$0.4607	100,000
ANNETTE FANTELA	12/12/2015	\$0.4607	15,000
ROBERT THOMAS	12/12/2015	\$0.4607	25,000
DEVIKA REDDY	12/12/2015	\$0.4607	10,000
WAYNE CARTER	12/12/2015	\$0.4607	20,000
GLEN BAMBRICK	12/12/2015	\$0.4607	10,000
JOSHUA BUCHANAN	12/12/2015	\$0.4607	10,000
RACHAEL CHALMERS	12/12/2015	\$0.4607	5,000
			<b>2,145,000</b>
WHITE DOT GRP INC	27/12/2016	\$0.1499	3,000,000
MET ASSIST PL	27/12/2016	\$0.1499	1,764,285
BLANNING JOHN	27/12/2016	\$0.1499	1,764,285
GEORGE SAKALIDIS	27/12/2016	\$0.1499	800,000
PETER S THOMAS	27/12/2016	\$0.1499	500,000
ROGER THOMSON	27/12/2016	\$0.1499	500,000
ERIC LIM	27/12/2016	\$0.1499	500,000
KAVANAGH ROB	27/12/2016	\$0.1499	423,429



## OTHER INFORMATION



magnetic resources<sup>TM</sup>

RUDOLF TIELEMAN	27/12/2016	\$0.1499	400,000
BEE W GEE PL	27/12/2016	\$0.1499	282,286
HOLLAND CLINTON THOMAS	27/12/2016	\$0.1499	282,286
METCOMM PL	27/12/2016	\$0.1499	211,714
ILICH BOHDAN MATTHEW	27/12/2016	\$0.1499	211,714
MCINTYRE SHERRYL ANNE	27/12/2016	\$0.1499	141,143
WILLIS VINCENT LEONARD	27/12/2016	\$0.1499	141,143
GALLIGAN JOHN RICHARD	27/12/2016	\$0.1499	141,143
KEENAN CLINTON PETER	27/12/2016	\$0.1499	141,143
TURKINGTON GLENN ROBERT	27/12/2016	\$0.1499	141,143
WARNE TONY	27/12/2016	\$0.1499	141,143
SHARP GRAHAM	27/12/2016	\$0.1499	141,143

There are a total of 97,936,814 fully paid ordinary shares, 20,418,862 partly-paid contributing shares and 19,052,143 options on issue. Both the fully paid ordinary shares and partly-paid contributing shares are listed on Australian Securities Exchange Limited.

### Buy-Back Plans

The Company does not have any current on-market buy-back plans.

### Voting Rights

The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share held and a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights. None of the options have any voting rights.