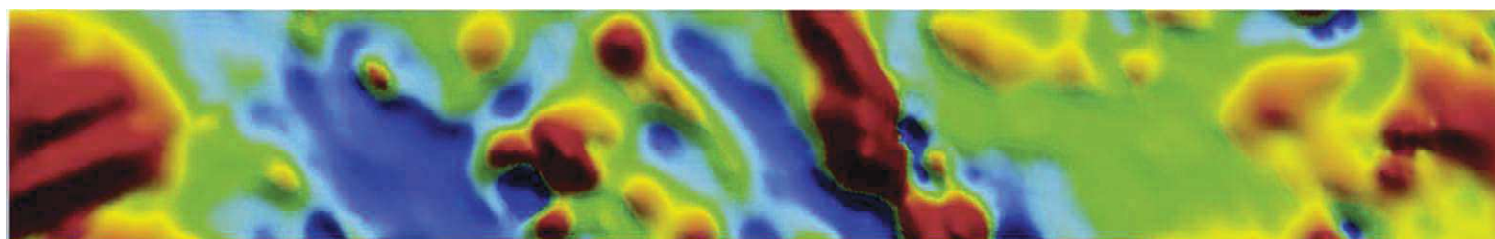




magnetic resources<sup>NL</sup>

# Annual Report

**FINANCIAL YEAR  
ENDED 30 JUNE 2017**



**Magnetic Resources NL**

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1st Floor, 44A Kings Park Road, West Perth, WA  
6005 Tel (08) 9226 1777

ABN 34 121 370 232

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## Table of Contents

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Corporate Directory	1
Review of Operations	2
Director's Report	16
Auditor's Independence Declaration	27
Corporate Governance Statement	28
Statement of Profit or Loss and Other Comprehensive income	37
Statement of Financial Position	38
Statement of Changes in Equity	39
Statement of Cash Flows	40
Notes to and forming part of the Financial Statements	41
Directors' Declaration	55
Independent Auditor's Report	56
Tenement Schedule	60
Other Information	61

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## **Corporate Directory**

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### **DIRECTORS**

**ERIC LIM (B.Comm)**  
Non-Executive Chairman

**GEORGE SAKALIDIS (B.SC (Hons))**  
Managing Director

**JULIEN SANDERSON (FCA)**  
Non-Executive Director

**COMPANY SECRETARY**  
Ben Donovan

**REGISTERED OFFICE**  
1<sup>st</sup> Floor  
44A Kings Park Road  
West Perth WA 6005  
Telephone (08) 9226 1777

**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**  
1<sup>st</sup> Floor  
44A Kings Park Road  
West Perth WA 6005  
Telephone (08) 9226 1777

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

**AUDITORS**  
Greenwich & Co Audit Pty Ltd  
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**

146,817,355 fully paid ordinary shares.

20,418,862 partly paid shares (\$0.20 unpaid).

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

## Review of Operations

### Projects Summary: Gold

#### Leonora Area

##### Mertondale Region

The Leonora–Laverton district is well endowed with large world-class gold deposits having over 34Moz (mined plus resources), second to the Kalgoorlie region in WA.

Magnetic Resources NL has over 180km<sup>2</sup> of tenure in the Mertondale Region, which includes the following granted tenements: E37/1258 Mertondale, E37/1303 Nambi, P37/8687–93 Christmas Well, P37/8913,14,21 Trigg, P37/8905–08 Raeside East and P37/8909–12 Braiser as shown in Figure 1.

Most of the work to date (Table 1) has been at the Mertondale and Christmas Well areas, following up numerous targets at changes in orientation of the Mertondale Shear and parallel shears, which were identified from interpretation 100m spaced detailed aeromagnetic surveys.

**Table 1. Summary of work done in the Mertondale Region, Leonora**

Tenement	Rock chip sampling	Soil sampling	Completed Drilling	Proposed Exploration
Mertondale	12	121	298 RAB holes for 963m	229 RAB holes 225 Laterite samples 112km Ground Magnetism
Christmas Well	4		173 RAB holes for 623m	61 RAB holes 30km Ground Magnetism
Nambi/Raeside	1			40km Ground Magnetism

Previous historical soil geochemical work was too shallow to be effective as it did not penetrate through the hardpan which seems to be ubiquitous in this region.

Our work programs have mainly included RAB drilling below the hardpan. As a result, we have delineated large 7km of multielement geochemical targets (Figure 1 and Figure 6), which are 20km NW of the Cardinia Gold Project (193,000oz) and only 5km west of the Mertondale Deposit (395,000oz).

These 7km of targets are being followed up with infill RAB drilling to help outline optimum sites for follow up deeper drill testing.

More than 25oz of large gold nuggets are estimated to have been recovered from NE part of the Mertondale tenement (Figure 2). These nuggets are very large with one nugget being 5cm long by 4cm in size (Figure 3) and estimated to contain more than 10oz of gold.

A Tribute agreement (15% gross on all gold) has been signed with the pastoralist and approval for detecting and dozing to further access this discovery is awaited.

Two adjacent RAB drill lines (43 drillholes) have been now completed covering aeromagnetic targets MRT24 and 25 (Figure 2).



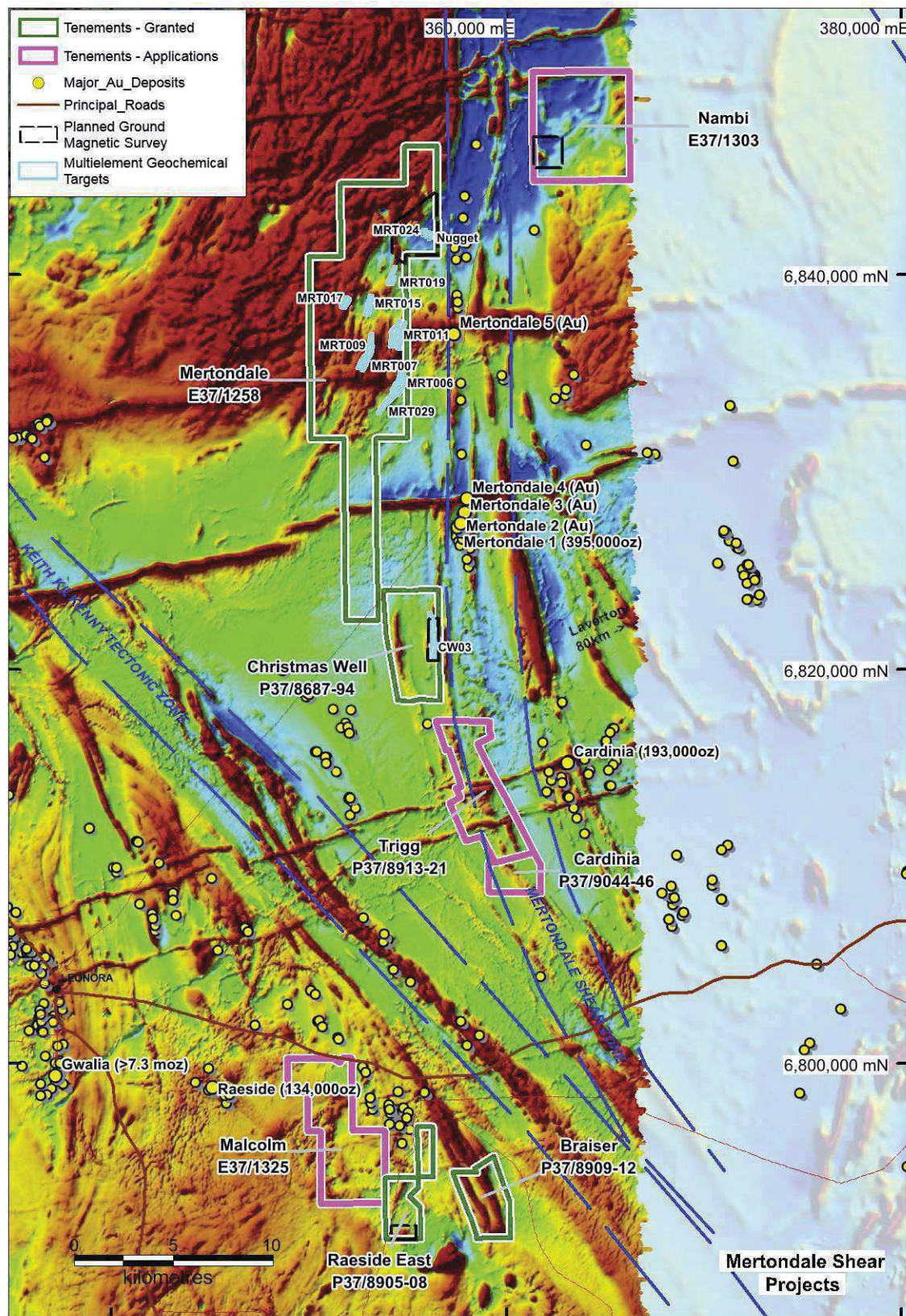


Figure 1. Exploration summary Mertondale region showing multi-element anomalies and nugget area



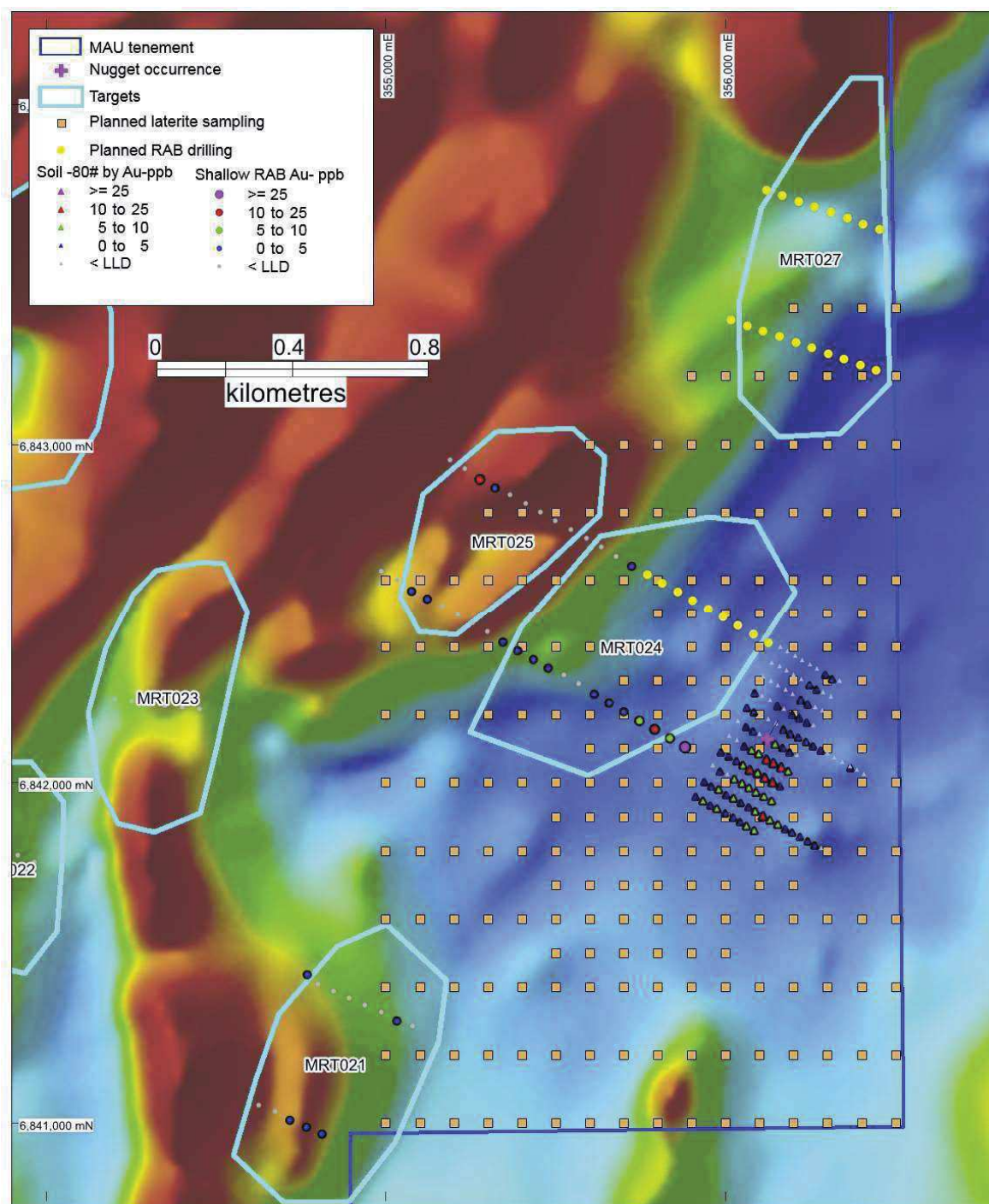


Figure 2. RAB drilling, Soil & Laterite sampling over and beside the newly discovered nugget area



**Figure 3. Some of the large gold nuggets recovered from Mertondale**

The nugget area has been soil sampled (115 samples) with has identified a 300m-long +5ppb gold anomaly (peak 17ppb compared to a background of 2ppb), extending south from the nugget occurrences, open to the south (Figure 4). 23 RAB holes are also planned in the nugget area.

Prospectors active in the area also report finer grained gold in the nugget discovery area as a result of sampling, dollying (hand crushing) and panning the laterite, as shown in Figure 5.

The prospectors report that a 1kg sample of laterite within a hand dug pit contains visible gold as shown in large gold tail from panning.

Extensive laterite cover has been mapped in the area. Bearing in mind the reported gold finds occur in the laterite cover, Magnetic is planning systematic sampling of the laterite over a large 3.3km<sup>2</sup> area with 225 laterite geochemical samples currently being sampled (Figure 2).



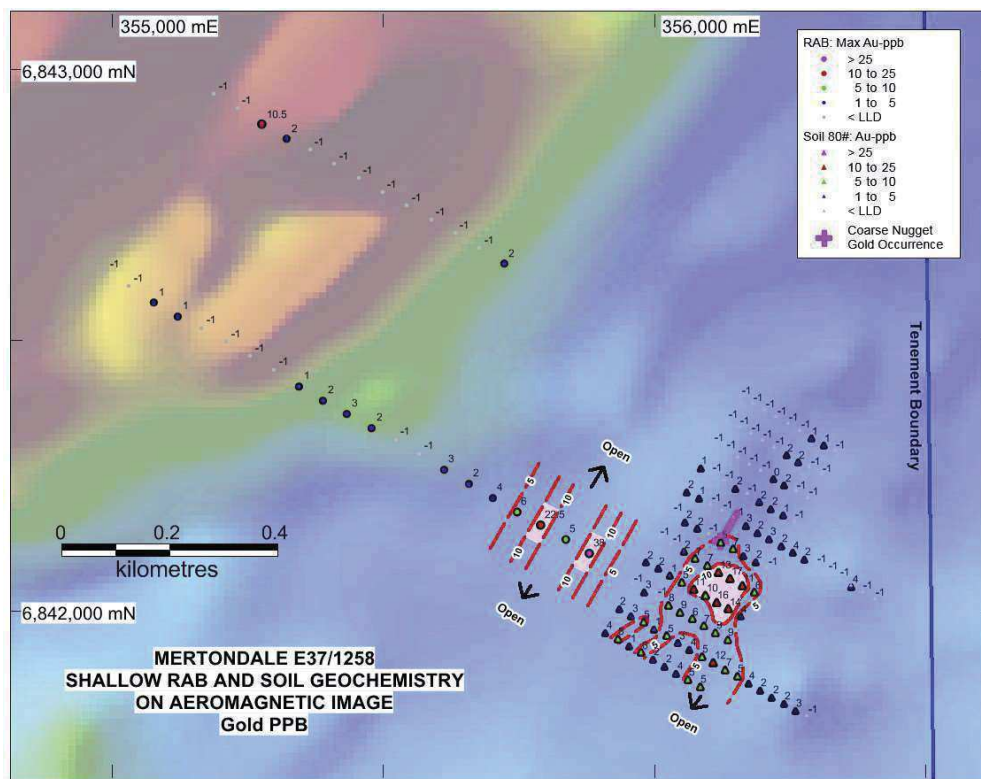


Figure 4. Detailed shallow RAB and Gold Soil Geochemistry over Nugget Area



Figure 5. Photos of large gold tail from crushed laterite and pit in laterite



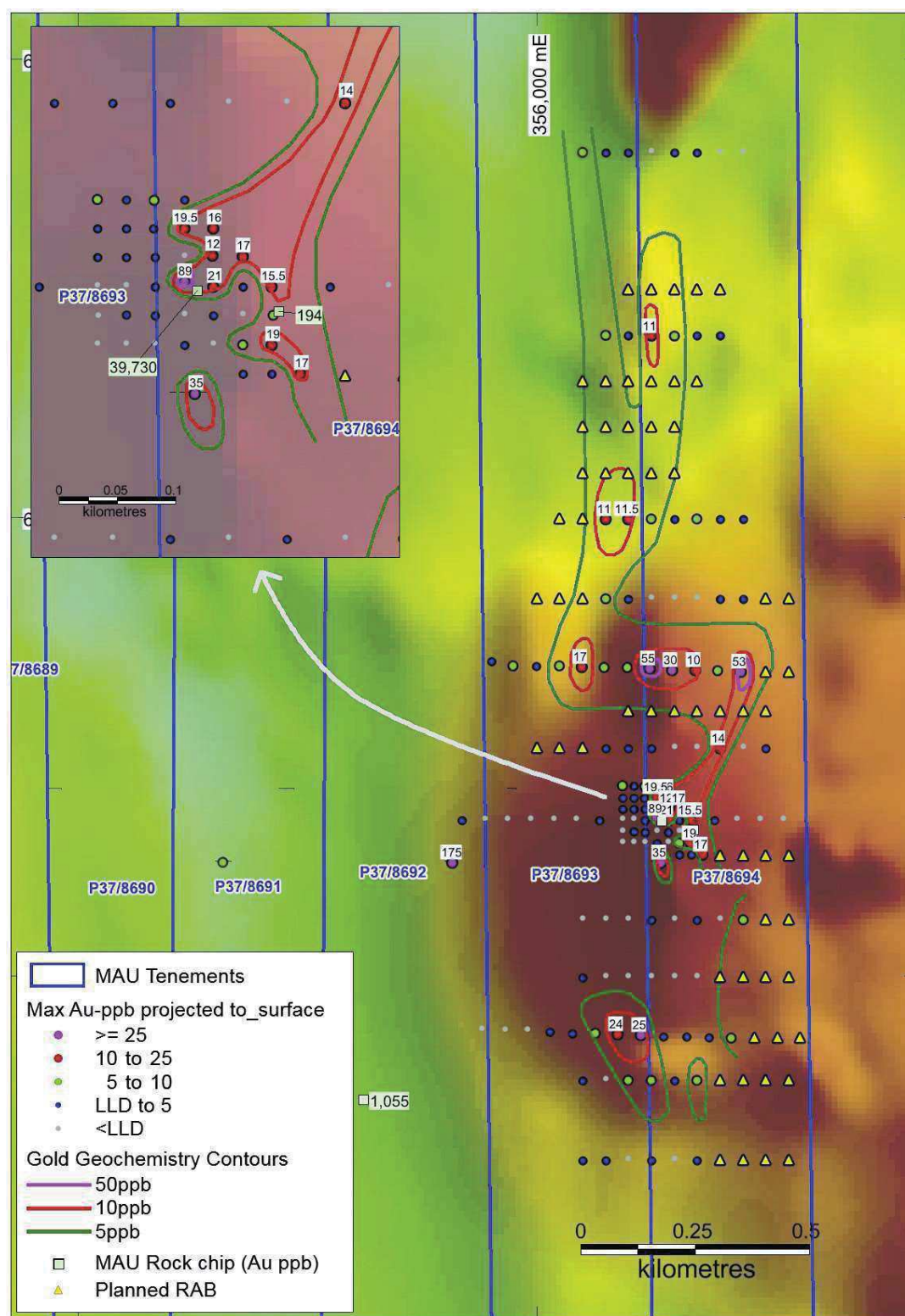


Figure 6. Christmas Well shallow RAB drilling gold results

## Laverton Area

### Hawks Nest project

The Leonora–Laverton district is well endowed with large world-class gold deposits having over 34Moz (mined plus resources), second to the Kalgoorlie region in WA. The company has 196km<sup>2</sup> in the Laverton region with E38/3127 Hawks Nest, E37/3100 & P38/4201 Mt Jumbo, and P38/4317–24 Mt Jumbo East being the granted tenements. At Hawks Nest several targets have been identified as shown in Figure 7. A programme of RC drilling (13 holes for 1900m) and shallow vertical RAB drilling (150 holes, 1581m) is now completed (Table 2).

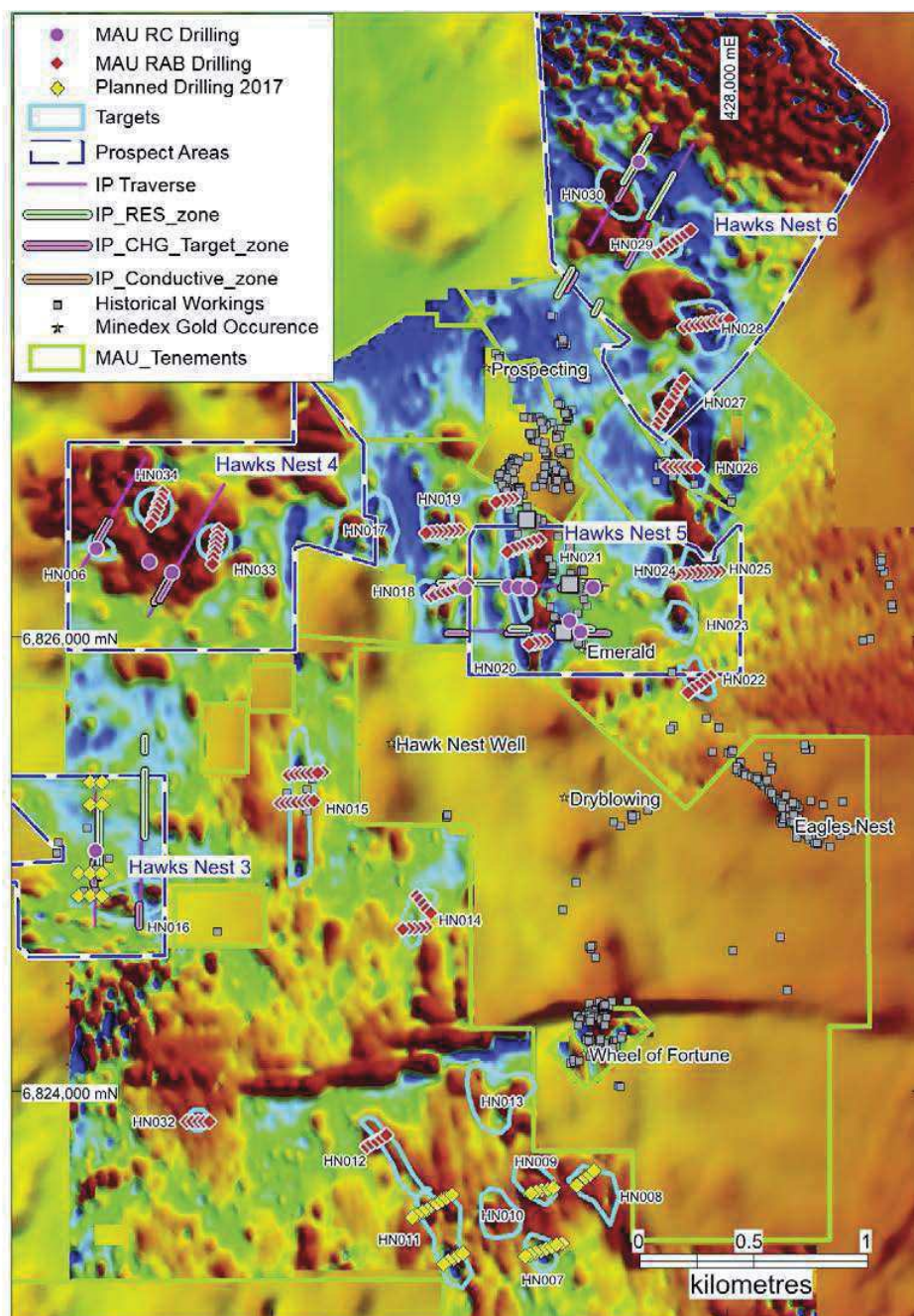


Figure 7. Hawks Nest E38/3127 Ground magnetics and Prospects HN3 to HN6



Table 2. Summary of work done in the Hawks Nest Region, Laverton

Tenement	Rock chip sampling	Soil sampling	Completed Drilling	Completed Ground Magnetics	Proposed drilling
Hawks Nest/Mt Jumbo	145	1024	150 RAB holes for 1581m 17 RC holes for 2690m	251km	10 AC holes at Hawks Nest 3 target 59 RAB holes at Hawks Nest 5 target 28 RAB holes at Wheel of Fortune
Kowtah	1			108km	

Initial soil sampling, RAB and RC drilling programmes are completed and anomalous results are found at the HN5, HN6 and Wheel of Fortune targets at Hawks Nest which are being followed up.

### ***Hawks Nest 3 target***

A shallow-dipping, 150m-wide, gold-mineralized shear zone at HN3 is open both to the north and south. Drilling has identified 18 intercepts, 1 to 4m thick, with 30 samples with more than 1g/t Au (Figure 8).

Further drilling is being planned to test for extensions to the mineralization over a 500m strike length with 10 aircore holes totalling 500m shown in green in Figure 8.

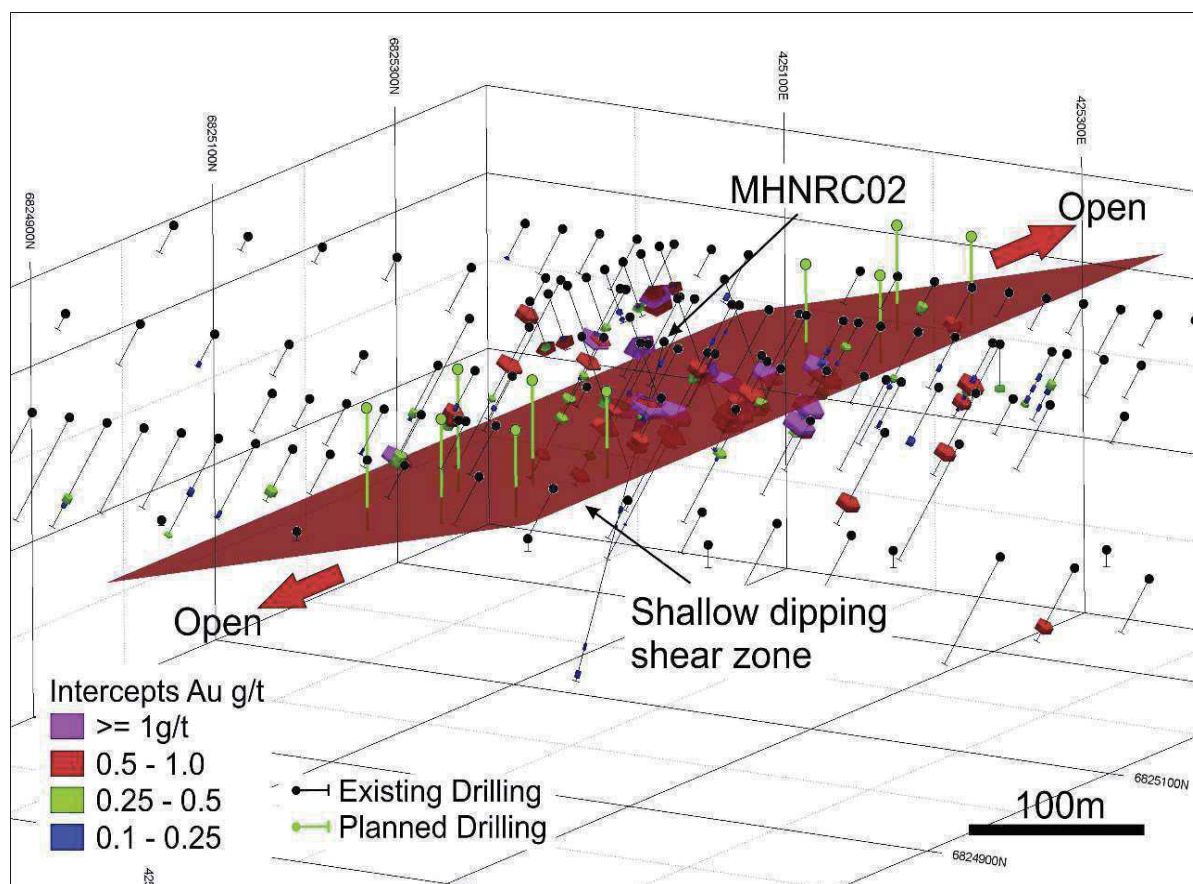


Figure 8. Hawks Nest E38/3127 HN3 Perspective plot of historical drilling showing shallow shear zone and gold mineralization being open to the north and south



### Hawks Nest 5 target

At HN5RC and RAB drilling has identified a 500m-long gold and multi-element geochemical anomaly associated with a 300m zone of quartz veins in porphyry (Figures 9 and 10).

A further drill programme is being designed to test for bulk tonnage porphyry-style deposits. A programme of shallow RAB drilling is planned with 59 holes.

A similar multi-element zone has been identified at Wheel of Fortune 2km to the SSE.

A Tribute agreement (15% gross on all gold) has been signed with a Laverton prospector for detecting and dozing in an area just north of HN5.

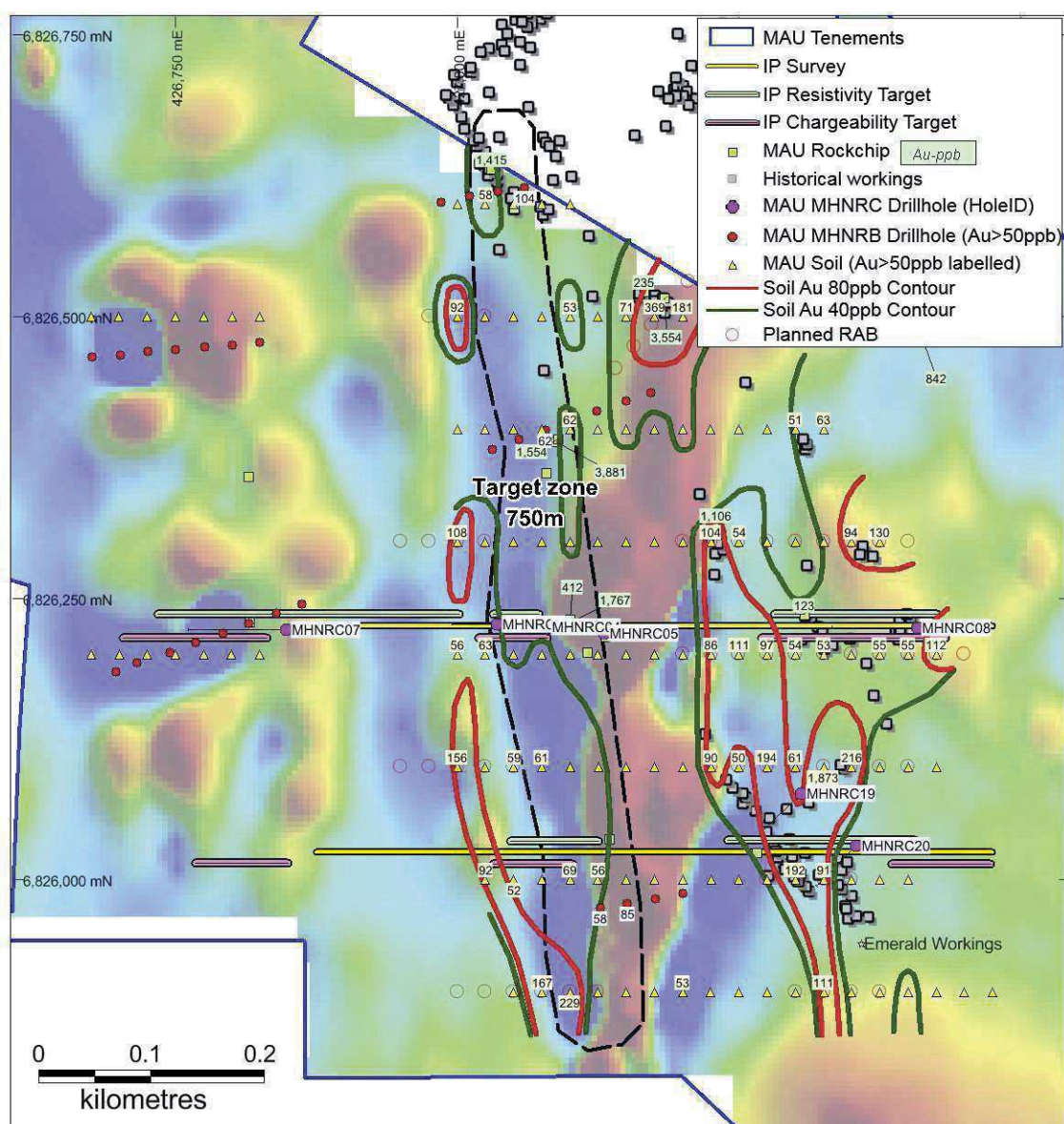


Figure 9. Hawks Nest E38/3127 HN5 target area on ground magnetics with soil programme, RAB and RC drilling and 750m target zone and anomalous gold geochemistry contoured.

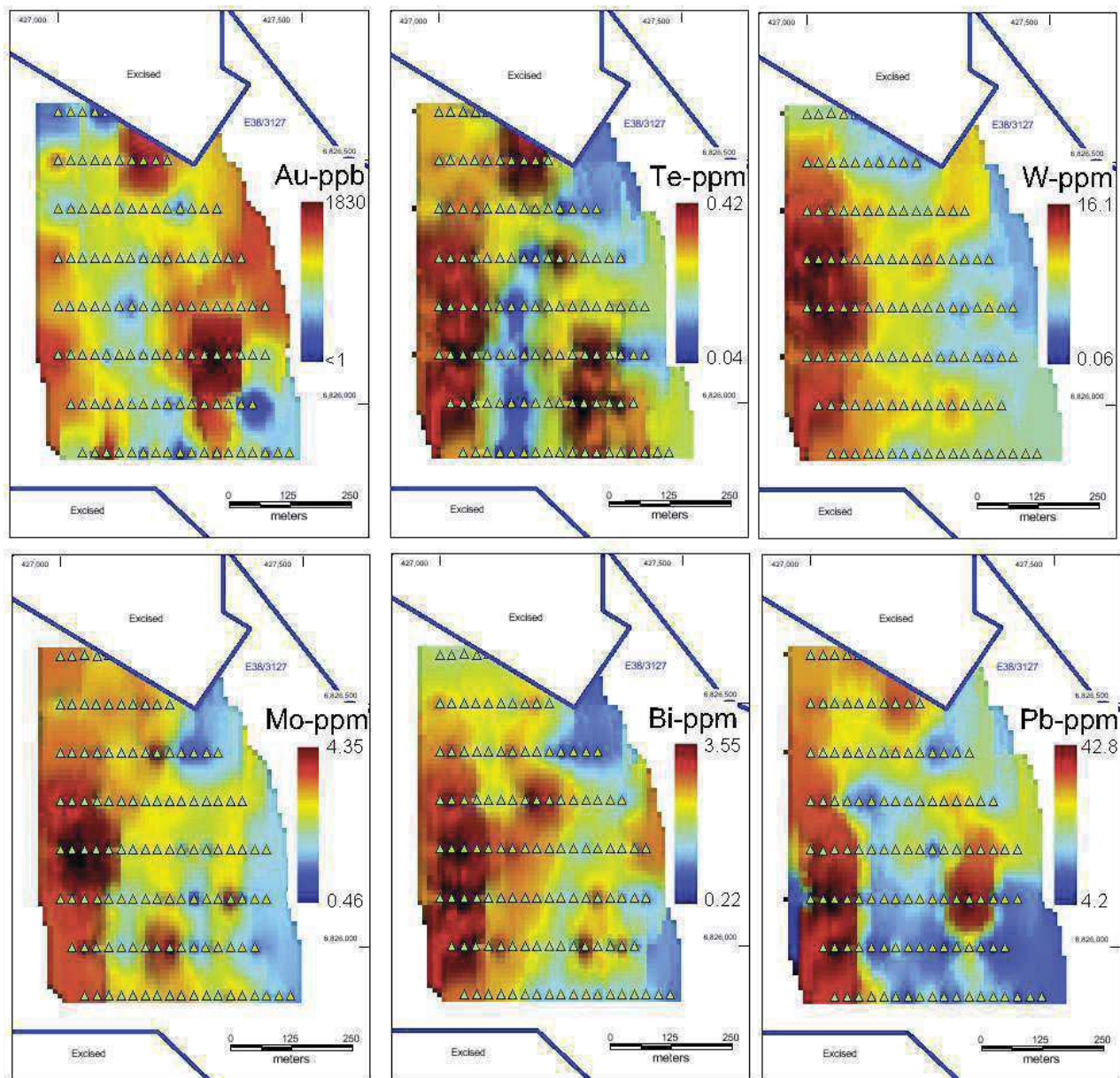


Figure 10. Multi-element plots of the HN5 target from soil geochemistry

### ***Hawks Nest 6 target***

At HN6 a 1.5km-long arcuate magnetic trend with some old gold diggings has anomalous gold in the range 0.06 to 0.70g/t Au recorded in amphibolite (Figure 11).

A programme of soil sampling over the target zone has been completed along this 1.5km long trend. A local geochemical anomaly has been located just north of anomalous results of 4m @ 0.9g/t Au. These are being followed up.



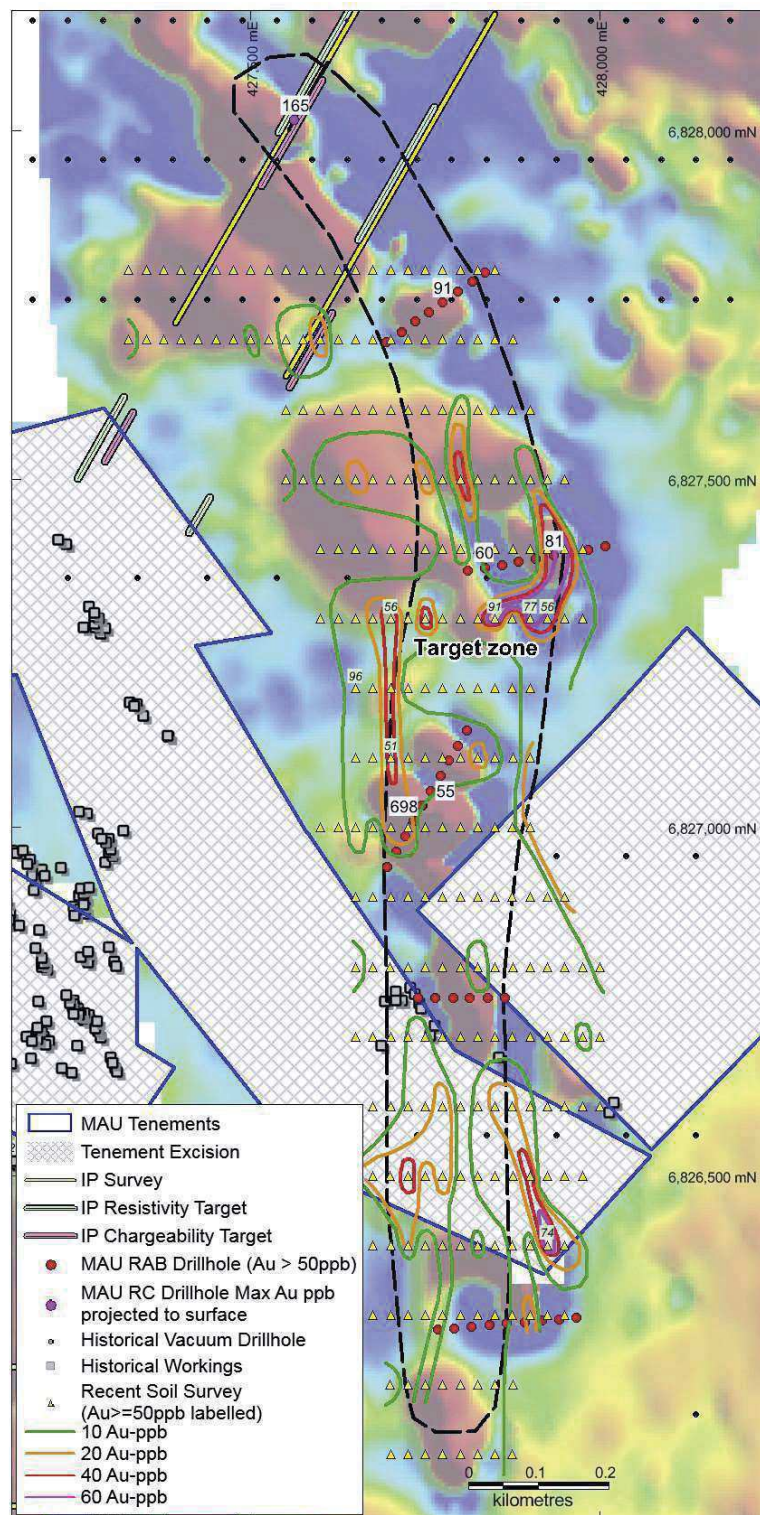


Figure 11. Hawks Nest E38/3127 HN6 target area on ground magnetics with soil programme, RAB and RC drilling and 1500m target zone and anomalous gold geochemistry contoured.



### Mt Jumbo East

The Mt Jumbo East area consists of approximately 11km<sup>2</sup> of new tenements with at least 3 prospects (Figure 12) within P38/4317–24.

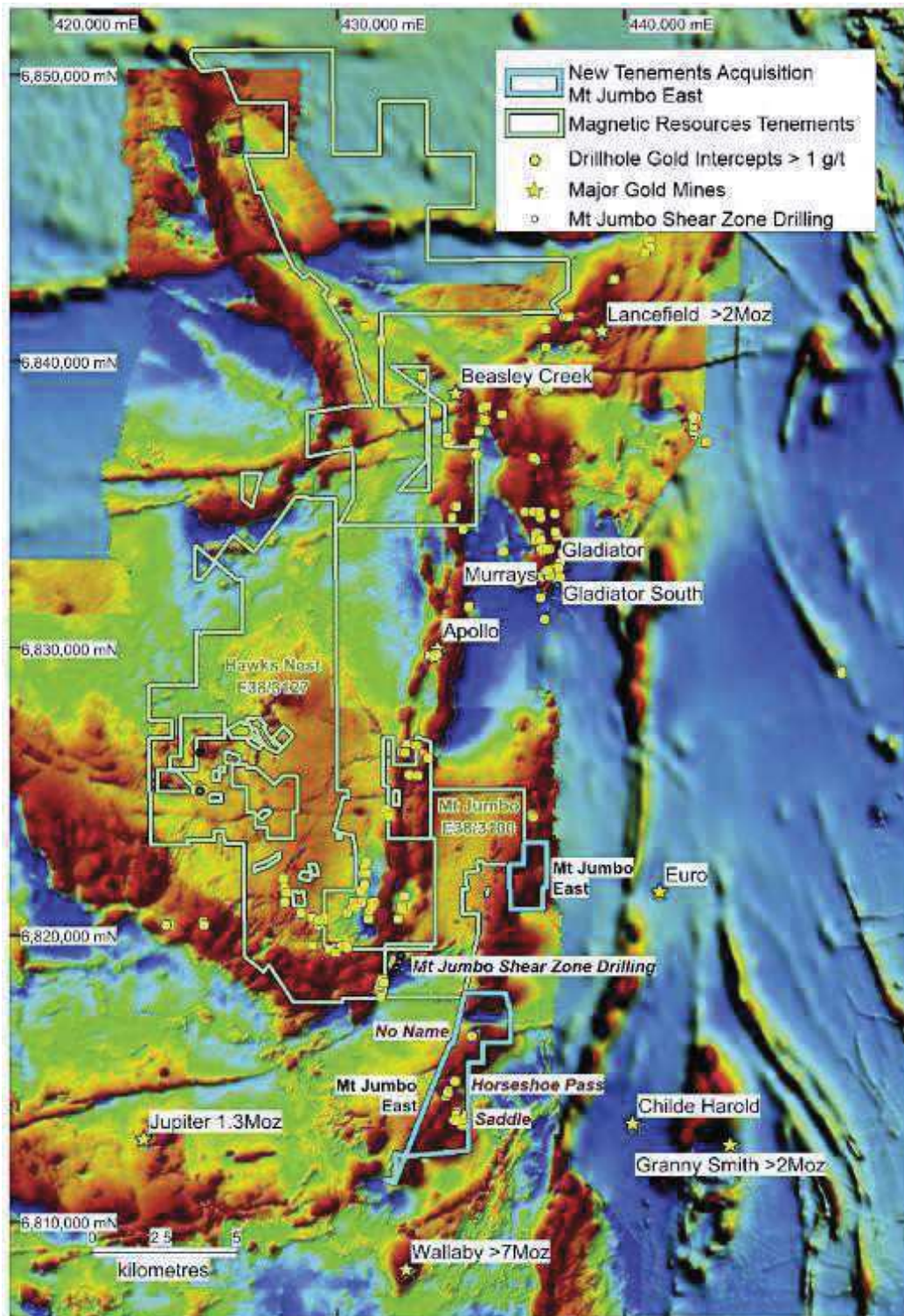


Figure 12. Mt Jumbo East target area

The area is 5km north of Wallaby and 10km west of Granny Smith. Structurally complex BIF is disrupted by northeast faults with a number of interpreted intrusions. WMC suggested that northwest fault intersections of the BIF are important for gold localization.

Significant shallow historical drill intersections at the No Name prospect include 6m @ 5.8g/t Au from 10m in drillhole MJC09, including 3m @ 10.9g/t Au from 13m (Figure 13). Very anomalous surface samples from 1.8g/t to 3.2g/t came from the Horseshoe Pass prospect.

Future work includes historical geochemical and drilling compilation followed by detailed ground magnetics over the BIFs and intrusions and drilling down dip and along strike of the shallow intersections.

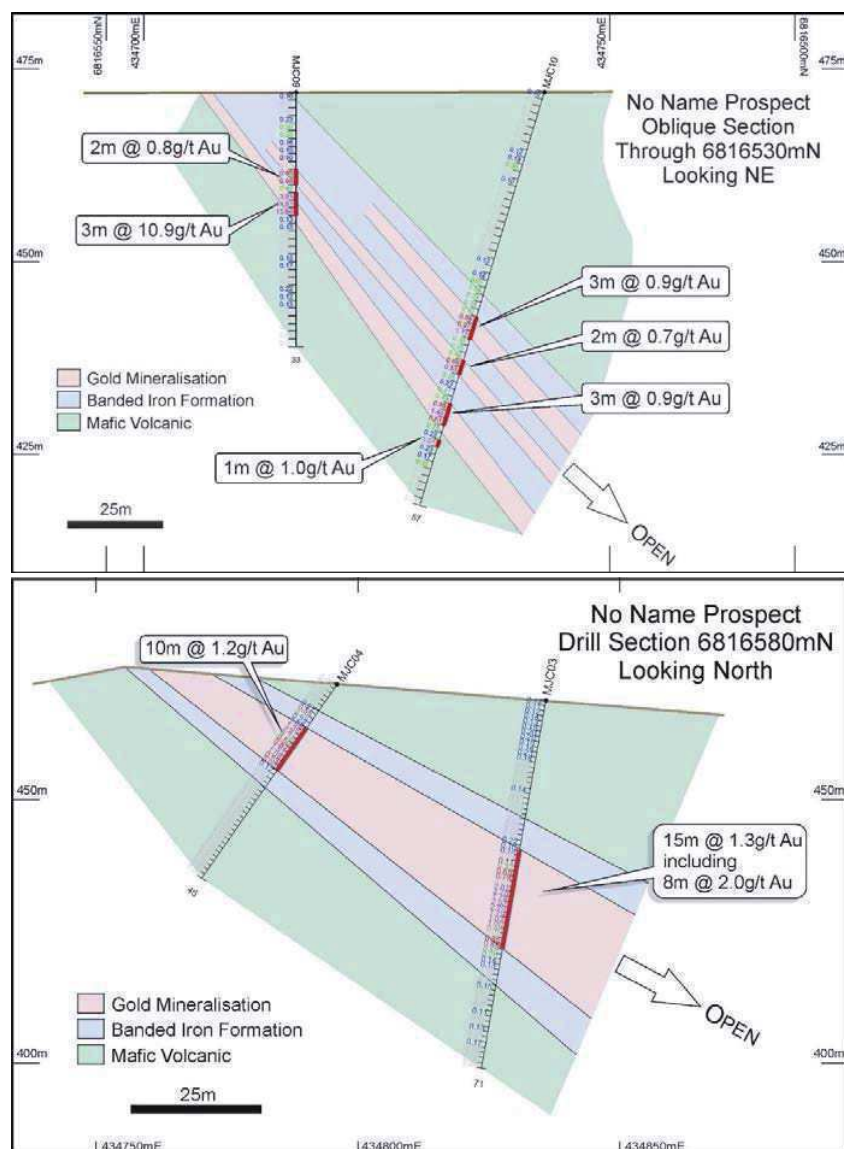


Figure 13. Drilling intercepts from the No Name prospect, Mt Jumbo East area



## Projects Summary: Iron ore

Magnetic Resources still maintains an interest in potentially economic iron ore deposits (Figure 14). The current focus is on the Kauring, Mount Joy and Ragged Rock Projects.

A Purchase agreement has been signed with Northam Iron Pty Ltd, including a 3-month due diligence period prior to a \$500,000 payment. The agreement includes sliding scale royalty payments starting at \$0.25/t for a sale price of \$80.00/t or less, and thereafter, for every increase in the sale price of \$10.00/t the royalty rate will increase by \$0.25/t.

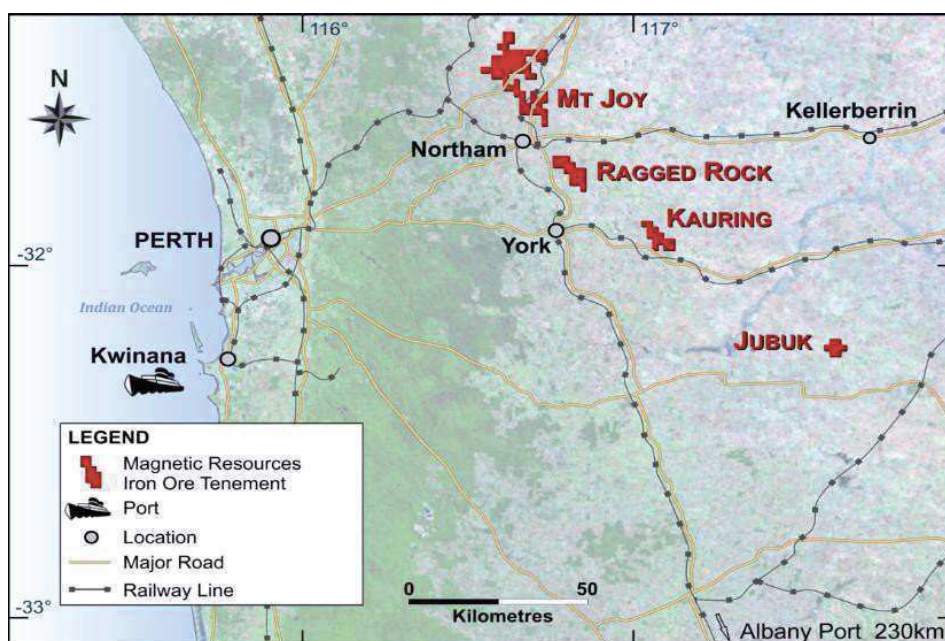


Figure 14. Magnetic Resources NL's iron ore projects

### OTHER COMMODITIES (Magnetic 0%):

During the year Magnetic maintained an 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

Information in this report that relates to Exploration is based on information reviewed or compiled by George Sakalidis BSc (Hons) who is a member of the Australasian Institute of Mining and Metallurgy. George Sakalidis is a director of Magnetic Resources NL. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.



## **Directors Report**

---

Your directors present their report on the Company for the year ended 30 June 2017.

### **Directors**

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

- Eric Lim
- George Sakalidis
- Julien Sanderson

### **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 \$1,785,844. (2016: \$1,260,925).

### **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 1.29 cents (2016: 1.26 cents). Diluted Loss per share in respect of the both years ended 30 June 2017 and 30 June 2016 was the same as the Basic Loss per share.

### **Financial Position**

The Company's cash position as at 30 June 2017 was \$722,396, an increase from the 30 June 2016 cash balance which was \$478,580. The Company has raised additional cash post the year end, and 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.

### **Matters Subsequent to the End of the Financial Year**

- On 27 July 2017, the Company announced it had entered into a purchase agreement over its iron ore project with Northam iron Pty Ltd, subject to due diligence where the Company would receive staged payments and a royalty.

- On 29 August 2017, the Company announced it had received irrevocable commitments of \$757,050 via the issue of 6,583,044 shares at \$0.115, including 1,304,348 shares to be issued to related parties subject to shareholder approval. On 7 September 2017 completion of the placement of those shares occurred.

Other than the above, 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.

### **Information on Directors and Company Secretary**

#### ***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 7,498,011 ordinary fully paid shares and 500,000 options to acquire fully paid ordinary shares.

Mr Lim has not held any directorships in other listed companies during the last 3 years.

#### ***George Sakalidis***

Mr Sakalidis is an exploration geophysicist with over 30 years' industry experience. His career has included extensive gold, diamond, base metals and mineral sands exploration. He has worked tirelessly building the gold assets of the company since February 2016.

Mr Sakalidis has been involved in a numerous significant mineral discoveries, including the Three Rivers and Rose gold deposits, the Blackmans gold deposit, the Dongara Mineral Sands Deposits,

the Boonanarring-GinginSouth-Hyperion Mineral Sands Deposits in Western Australia and he was involved in the tenement application over the Silver Swan nickel deposit.

He was also involved with the tenement application for the recently discovered Monty Copper mineralisation adjacent to the Degruessa Copper deposit. He is a founding Director and is Managing Director of this company, Magnetic Resources NL (since listing on August 2006, resigned October 2014, reappointed 29 January 2016), Image Resources NL (since listing on July 2002, Meteoric Resources NL (since listing on 16 July 2004). Mr Sakalidis is also a founding director of ASX listed companies Emu NL, Magnetic Resources NL and Potash West NL.

Mr Sakalidis has a relevant interest in 4,663,537 ordinary fully paid shares, 3,135,714 contributing shares and 1,500,000 options to acquire fully paid ordinary shares.

During the past three years he has served as a director of the following other listed companies:

- |  |  |
|--|--|
| ▶ Image Resources NL – appointed 2002, continuing.             | ▶ Potash West NL – appointed November 2010, – resigned 26 November 2014. |
| ▶ Meteoric Resources NL – appointed February 2004, continuing. |  |

### ***Julien Sanderson***

Mr Sanderson is a chartered accountant with more than 40 years' experience in banking, corporate, accounting, taxation, company secretarial practice and international and local corporate governance. Mr Sanderson's experience spans a range of private and public companies in a broad range of industries including mining and resources. Previously Mr Sanderson was Financial Controller and subsequently Manager Director and Company Secretary of ASX-listed Biron Corporation Limited and non-executive Chairman of Premier Gold NL and Corporate Finance Manager of Kia Ora Gold NL.

Mr Sanderson has a relevant interest in 100,000 ordinary fully paid shares,

Mr Sanderson has not held any directorships in other listed companies during the last 3 years.

### ***Ben Donovan (Company Secretary)***

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.

### Audit Committee

At the date of this report the Company has adopted a formal Audit charter, the following separately constituted Audit Committee meetings were held during the year:

	Eligible Attend	to	Attended
George Sakalidis	2		2
Eric Lim	2		2
Julien Sanderson	2		2

### Remuneration Committee

At the date of this report, the Remuneration Committee comprises the current board of directors. 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 2017, the following director meetings were held:

	Eligible to Attend	Attended
George Sakalidis	4	4
Eric Lim	4	4
Julien Sanderson	4	4

\*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
Eric Lim	Non-Executive Chairman
George Sakalidis	Managing Director
Julien Sanderson	Non-Executive Director
Ben Donovan	Company Secretary

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.

***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 2017.

### ***Key Management Personnel Remuneration for 30 June 2017***

Key Management Personnel	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Cash settled share based payments (\$)	Equity settled Share Based Payments (\$)	Total (\$)
Eric Lim	40,000	-	-	-	40,000
George Sakalidis (appointed 29 January 2016: Managing Director from April 2017)	200,260	19,025	-	-	219,285
Julien Sanderson (appointed 29 January 2016)	40,000	3,800	-	-	43,800
Ben Donovan Company Secretary	93,192	-	-	-	93,192
<b>Total</b>	<b>373,452</b>	<b>22,825</b>	<b>-</b>	<b>-</b>	<b>396,277</b>

Gavin Fletcher, a director terminated on 29 January 2016, but not a director in current financial year, received a termination payment of \$95,000 during the year ended 30 June 2017.

### ***Securities Received that are Not Performance-Related.***

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

**Employment Details of Members of Key Management Personnel**

Key Management Personnel	Position held as at 30 June 2017 and any changes during the year	Contract details Continuation and Termination	Proportion of 2016 / 2017 Remuneration related to performance (other than options issued)		Proportion of 2016/ 2017 Remuneration not related to performance (Fixed salary/fees)
			Non-cash salary based incentives	Shares / units	
Eric Lim	Non-Executive Director	No fixed term	-	-	100%
George Sakalidis	Managing Director – appointed to the position in April 2017	No fixed term 2 months' notice required to terminate	-	-	100%
Julien Sanderson	Non-Executive Director	No fixed term	-	-	100%
Ben Donovan	Company Secretary	No fixed term 4 months' notice required to terminate	-	-	100%

The employment terms and conditions of all KMP are formalised in contracts of employment.

**Options held by Key Management Personnel**

All options were issued by Magnetic Resources NL and entitle the holder to one ordinary share in Magnetic Resources NL for each option exercised. There have not been any alterations to the terms or conditions of any grants since grant date.

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 2017:**

Name	Balance at the beginning of the year	Grant Details			Exercised during the year		Lapsed	Other changes during the year	Balance at the end of the year
		Issue Date	No.	Value \$	No.	Value \$			
Eric Lim	1,000,000	-	-	-	-	-	500,000	-	500,000
George Sakalidis	2,300,000	-	-	-	-	-	800,000	-	1,500,000
Julien Sanderson	-	-	-	-	-	-	-	-	-
Ben Donovan	141,143	-	-	-	-	-	141,143	-	-
<b>Total</b>	<b>3,441,143</b>	-	-	-	-	-	941,143	-	<b>2,000,000</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 2017:**

Name	Balance at the start of the year	Granted as Remuneration during the Year	Issued on exercise of Options during the Year	Other Changes during the Year	Balance at the end of the year
<b>Eric Lim</b>					
Ordinary shares	6,998,011	-	-	500,000	7,498,011
Contributing shares	-	-	-	-	-
<b>George Sakalidis</b>					
Ordinary shares	4,153,537	-	-	440,000	4,593,537
Contributing shares	3,076,113	-	-	-	3,076,113
<b>Julien Sanderson</b>					
Ordinary shares	150,000	-	-	-	150,000
Contributing shares	-	-	-	-	-
<b>Ben Donovan</b>					
Ordinary shares	283,364	-	-	-	283,364
Contributing shares	60,000	-	-	-	60,000
<b>Total Ordinary shares</b>	<b>11,584,912</b>	-	-	<b>940,000</b>	<b>12,524,912</b>
<b>Total Contributing shares</b>	<b>3,136,113</b>	-	-	-	<b>3,136,113</b>

### **Consultant Agreements**

On 10 August 2016, the Company entered into an employment agreement with Mr Sakalidis for his services as an executive director effective 7 February 2016. The key terms of the agreement are for Mr Sakalidis to work an average of 95 hours per month at an hourly rate of \$155 per hour performing the normal duties associated with an executive director of an ASX listed company. Mr Sakalidis is also entitled to participate in any short and long term incentive plans, and normal leave entitlements. Either party may give 2 months notice of their intention to terminate the agreement, or immediately if Mr Sakalidis commits any serious misconduct or if removed by shareholders. On 11 April 2017, the Board agreed to amend the title held by Mr Sakalidis to Managing Director with no change to the terms of his contract.

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 4 months notice.

Mr Lim and Mr Sanderson have entered into a director's 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.

***Other Equity –related KMP Transactions***

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

***Other Transactions with KMP and / or their Related Parties***

There have been no other transactions conducted between the Company and KMP or their related parties, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons. involving equity instruments apart from those described in the tables in the tables above relating to options, rights and shareholdings.

***END OF AUDITED SECTION***

## 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
Eric Lim	7,498,011	-	500,000
George Sakalidis	4,663,537	3,135,714	1,500,000
Julien Sanderson	100,000	-	-
<b>Total</b>	<b>12,261,714</b>	<b>3,135,714</b>	<b>2,000,000</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 2017, 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 2016.

## 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 \$15,670 (2016: \$13,050) 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:

- 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.

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity. There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report. During the year ended 30 June 2017, no shares were issued on the exercise of options granted.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### Non-audit Services

During the year Greenwich & Co, the Company's auditor, did not perform any services other than their audit services.

In the event that non-audit services are provided by Greenwich & Co, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

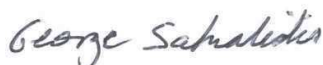
- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the audit; and
- the nature of the service provided does not compromise the general principles relating to auditor independence in accordance with *APES 110: Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

### 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

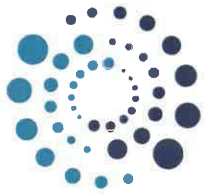
SIGNED



GEORGE SAKALIDIS  
MANAGING DIRECTOR

Perth

29 September 2017



Greenwich & Co

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Level 2, 35 Outram Street, West Perth WA 6005  
PO Box 983, West Perth WA 6872  
T 08 6555 9500 | F 08 6555 9555  
[www.greenwichco.com](http://www.greenwichco.com)

## Auditor's Independence Declaration

To those charged with governance of Magnetic Resources NL

As auditor for the audit of Magnetic Resources NL for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*Greenwich & Co Audit Pty Ltd*

**Greenwich & Co Audit Pty Ltd**

**Andrew May**  
Audit Director

Perth

29 September 2017

## Corporate Governance Statement

Magnetic Resources NL ("the 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 2016/2017 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 or Executive Director and assisting the Managing Director or Executive 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 Executive Director or, if the matter concerns the Managing Director or Executive Director, then directly to the Chair or the lead independent Director, as 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
- c) 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:

- 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 Executive or 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 Executive 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 Lim, Mr Sakalidis and Mr Sanderson given the size of the board. The committee is not deemed to be independent given that Mr Sakalidis is an executive director and Mr Lim is a substantial shareholder 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 Eric Lim	Non-Executive Chairman	No
Mr George Sakalidis	Executive Director	No
Mr Julien Sanderson	Non-Executive Director	Yes

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 Sakalidis as an executive director, and Mr Lim as a substantial shareholder, and Mr Sanderson as an independent director. For this reason, only Mr Sanderson is 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**

Mr Sanderson is the only current independent director. 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. Only Mr Sanderson is deemed as independent.



**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 Mr Lim, which allows for the division of the roles with the Executive Director role carried out by Mr Sakalidis. But Mr Lim 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. Only Mr Sanderson is 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 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.

The Executive 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/Executive Director who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director/Executive 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/Executive 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:

- 1) the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- 2) the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- 3) 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 only Mr Sanderson is 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/Executive 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 only Mr Sanderson 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:**

The details of Executive Directors are disclosed to the ASX when necessary.

Non-Executive Directors are remunerated at a fixed monthly fee for their time and their responsibilities to various committees, and are eligible for additional fees on an hourly basis for work outside of their normal responsibilities, with the approval of the Chairman of the Board.

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 where appropriate to discuss the employment terms of the Managing Director/Executive Directors and Non-Executive Directors, 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:

- 1) Up to and including two (2) weeks prior to the announcement of the annual results;
- 2) Up to and including two (2) weeks prior to the announcement of the half year results; and
- 3) 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
- 4) as directed in writing by the Company's Board at any time in its sole discretion.

If Directors including the Managing Director/Executive 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/Executive Director, and the Chairman must obtain the approval of the Board.

All related party share dealings involving the purchase of new shares or equity is subject to shareholder approval prior to the shares being issued.

## Financial Statement

### Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 (\$)	2016 (\$)
<b>Revenue:</b>			
Interest income		32,745	5,253
Other revenue	3	257,644	275
<b>Expenses:</b>			
Depreciation expense	11	(4,020)	(8,425)
Exploration and tenement expenses		(958,205)	(292,968)
Loss on disposal of fixed asset	11	(9,654)	-
Other expenses	3	<u>(1,110,515)</u>	<u>(966,746)</u>
<b>(Loss) before income tax expense</b>		<b>(1,792,005)</b>	<b>(1,262,611)</b>
Income tax expense	4	<u>-</u>	<u>-</u>
<b>(Loss) from continuing operations</b>		<b><u>(1,792,005)</u></b>	<b><u>(1,262,611)</u></b>
<b>Other comprehensive income for the year, net of tax</b>		<b><u>6,161</u></b>	<b><u>1,686</u></b>
<b>Total comprehensive income for the year</b>		<b><u>(1,785,844)</u></b>	<b><u>(1,260,925)</u></b>
<b>Total comprehensive income for year attributable to members of the Company</b>		<b><u>(1,785,844)</u></b>	<b><u>(1,260,925)</u></b>
Basic (loss) per share (cents per share)	7	(1.29)	(1.26)
Diluted (loss) per share (cents per share)	7	<u>(1.29)</u>	<u>(1.26)</u>

## Statement of Financial Position

As at 30 June 2017

	Notes	2017 (\$)	2016 (\$)
<b>Current Assets</b>			
Cash and cash equivalents	8	722,396	478,580
Trade and other receivables	9	54,089	31,247
Other assets	10	30,392	25,569
<b>Total Current Assets</b>		<u>806,877</u>	<u>535,396</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	22,448	34,267
Other financial assets	12	53,694	47,533
<b>Total Non-Current Assets</b>		<u>76,142</u>	<u>81,800</u>
<b>TOTAL ASSETS</b>		<u>883,019</u>	<u>617,196</u>
<b>Current Liabilities</b>			
Trade and other payables	13	184,093	86,253
<b>Total Current Liabilities</b>		<u>184,093</u>	<u>86,253</u>
<b>TOTAL LIABILITIES</b>		<u>184,093</u>	<u>86,253</u>
<b>NET ASSETS</b>		<u>698,926</u>	<u>530,943</u>
<b>Equity</b>			
Contributed equity	14	18,513,572	16,559,745
Reserves	14	277,100	949,204
Accumulated (losses)		(18,091,746)	(16,978,006)
<b>TOTAL EQUITY</b>		<u>698,926</u>	<u>530,943</u>

The accompanying notes form part of these financial statements.



## Statement of Changes in Equity

For the Year ended 30 June 2017

	Note	Contributed Equity (Net of Costs) (\$)	Share Based Payments Reserve (\$)	Accumulated Losses (\$)	Total (\$)
<b>Balance at 1 July 2015</b>		15,651,445	1,140,109	(15,907,986)	883,568
Comprehensive income					
Operating (loss) for the year		-	-	(1,262,611)	(1,262,611)
Other comprehensive income for the year		-	-	1,686	1,686
<b>Total comprehensive income for the year</b>		-	-	<b>(1,260,925)</b>	<b>(1,260,925)</b>
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year	14	920,000	-	-	920,000
Capital raising costs	14	(11,700)	-	-	(11,700)
Options expired during the year	14	-	(190,905)	190,905	-
Total transactions with owners and other transfers		908,300	(190,905)	190,905	908,300
<b>Balance at 30 June 2016</b>		<b>16,559,745</b>	<b>949,204</b>	<b>(16,978,006)</b>	<b>530,943</b>
<b>Balance at 1 July 2016</b>		<b>16,559,745</b>	<b>949,204</b>	<b>(16,978,006)</b>	<b>530,943</b>
Comprehensive income					
Operating (loss) for the year		-	-	(1,792,005)	(1,792,005)
Other comprehensive income for the year		-	-	6,161	6,161
<b>Total comprehensive income for the year</b>		-	-	<b>(1,785,844)</b>	<b>(1,785,844)</b>
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year	14	2,043,744	-	-	2,043,744
Capital raising costs	14	(89,917)	-	-	(89,917)
Options expired during the year	14	-	(672,104)	672,104	-
Total transactions with owners and other transfers		1,953,827	(672,104)	672,104	1,953,827
<b>Balance at 30 June 2017</b>		<b>18,513,572</b>	<b>277,100</b>	<b>(18,091,746)</b>	<b>698,926</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

For the Year ended 30 June 2017

	Notes	2017 (\$)	2016 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers and contractors		(1,057,138)	(890,540)
Interest received		32,013	5,253
Sundry Income		101,392	275
R&D Claim		158,652	-
<b>Net cash (used in) operating activities</b>	<b>15</b>	<b>(765,081)</b>	<b>(885,012)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(1,855)	(2,727)
Payments for exploration and evaluation		(905,988)	(425,887)
Purchase of new tenements		(37,087)	-
<b>Net cash (used in) investing activities</b>		<b>(944,930)</b>	<b>(428,614)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new issues of shares	14	2,043,744	920,000
Capital raising costs	14	(89,917)	(11,700)
<b>Net cash provided by financing activities</b>		<b>1,953,827</b>	<b>908,300</b>
Net increase / (decrease) in cash held		243,816	(405,326)
Cash and cash equivalents at the beginning of the financial year		478,580	883,906
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8</b>	<b>722,396</b>	<b>478,580</b>

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

For the year ended 30 June 2017

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 29 September 2017.

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 directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the directors have considered the following pertinent matters:

- a) cash on hand at the date of this report is approximately \$1.33 million.
- b) current cash resources are considered adequate to fund the entity's immediate operating and exploration activities however given the state of the equity markets, the rate of expenditure on exploration as a whole has been reduced; and
- c) the need to raise additional funds by the issue of additional shares or the sale of assets if a high level of exploration activity is to be undertaken.

#### 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 tax incentive income 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. The carrying value of mineral assets, as a result of the operation of this policy, is zero, but 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.

**(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 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.

#### ***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.

#### ***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) Comparative Figures**

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

#### **(p) 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.

#### **(q) 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.

#### ***Impairment***

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

#### **(r) 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.

- (i) Australian Accounting and Auditing Standards applicable to the company for the first time for the financial year ended 30 June 2017 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 that are located wholly within Australia.

**Major customers**

Due to the nature of its operations, the Company does not provide products and services.

<b>NOTE 3 REVENUE AND EXPENDITURE</b>	<b>2017 (\$)</b>	<b>2016 (\$)</b>
<b>Other Income</b>		
Research and development tax incentive (net of costs)	148,075	-
Sundry Income	55,541	275
Subcontractor / Labour Hire Income	54,028	-
	<b>257,644</b>	<b>275</b>
<b>EXPENDITURE</b>		
<b>Other Expenses</b>		
Occupancy costs	(55,227)	(53,996)
Filing and ASX fees	(29,842)	(36,511)
Corporate and management expenses	(562,635)	(414,050)
Legal Fees	(142,750)	(120,655)
Other expenses from continuing operations	(320,061)	(341,524)
	<b>(1,110,515)</b>	<b>(966,746)</b>
	<b>2017 (\$)</b>	<b>2016 (\$)</b>
<b>NOTE 4 INCOME TAX EXPENSE</b>		
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	<b>-</b>	<b>-</b>
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	1,785,844	1,260,925
Prima facie tax benefit attributable to loss from continuing operations before income tax at 27.5% / 28.5%	491,107	359,363
Tax effect of Non-allowable items		
• R & D tax incentive	43,629	-
• Options expired in current year	184,829	-
• Other	(34,995)	4,740
Deferred tax benefit on tax losses not brought to account	(684,570)	(364,103)
Income tax attributable to operating loss	<b>-</b>	<b>-</b>
<b>Unrecognised temporary differences</b>		
Net deferred tax assets (calculated at 27.5% (2017) and 28.5% (2016)) have not been recognised in respect of the following items:		
Accrued expenses	(1,118)	(7,804)
Available-for-sale financial assets loss	(1,694)	(481)
Unrecognised deferred tax assets relating to the above temporary differences	<b>(2,812)</b>	<b>(8,285)</b>



**Unrecognised deferred tax assets**

The Company has accumulated tax losses of \$16,646,863 (2016: \$14,163,521)

The potential deferred tax asset of these losses \$4,577,887 (2016: \$4,036,603) will only be recognised if:

- (i) 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;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

**NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION**

	2017 (\$)	2016 (\$)
Short-term employee benefits	373,452	429,582
Post-employment benefits	<u>22,825</u>	<u>35,242</u>
	<u>396,277</u>	<u>464,824</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 21.

**NOTE 6 AUDITORS REMUNERATION**

	2017 (\$)	2016 (\$)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	29,611	17,000
Other	<u>-</u>	<u>-</u>
	<u>29,611</u>	<u>17,000</u>

**NOTE 7 EARNINGS PER SHARE**

	2017 (\$)	2016 (\$)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(1,785,844)	(1,262,611)
Earnings used in calculating basic and diluted earnings per share	<u>(1,785,844)</u>	<u>(1,262,611)</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>138,531,890</u>	<u>100,036,814</u>

The Company had 20,418,862 (2016 – 20,418,862) partly-paid contributing shares and 4,150,000 (2016 – 16,907,143) 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.

**NOTE 8 CASH AND CASH EQUIVALENTS**

	2017 (\$)	2016 (\$)
Cash at bank	110,808	451,009
Deposits at call	611,588	27,571
	<u>722,396</u>	<u>478,580</u>

**NOTE 9 TRADE AND OTHER RECEIVABLES**

	2017 (\$)	2016 (\$)
Trade receivables	13,222	11,497
Other receivables	1,732	1,097
GST refundable	<u>39,135</u>	<u>18,653</u>
	<u>54,089</u>	<u>31,247</u>

NOTE 10	OTHER ASSETS	2017 (\$)	2016 (\$)
	Prepayments	30,392	25,569

NOTE 11	PROPERTY, PLANT, EQUIPMENT	2017 (\$)	2016 (\$)
	Plant and equipment	124,746	141,141
	Less: Accumulated depreciation	(102,298)	(106,874)
		<u>22,448</u>	<u>34,267</u>

	Motor vehicles	68,800	68,800
	Less: Accumulated depreciation	(68,800)	(68,800)
		<u>-</u>	<u>-</u>
		<u>22,448</u>	<u>34,267</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	34,267	39,965
	Additions	1,855	2,727
	Disposals	(9,654)	-
	Depreciation expense	(4,020)	(8,425)
	Total plant, equipment and motor vehicles at end of year	<u>22,448</u>	<u>34,267</u>

NOTE 12	OTHER FINANCIAL ASSETS	2017 (\$)	2016 (\$)
	Non-Current		
	Available-for-sale financial assets – shares in listed corporations	<u>53,694</u>	<u>47,533</u>
		53,694	47,533

Investments in related parties

Available-for-sale financial assets includes the following investments held in director-related party entities:

	Image Resources NL	31,559	22,092
	Meteoric Resources NL	<u>7,200</u>	<u>2,400</u>
		38,759	24,492

NOTE 13	TRADE AND OTHER PAYABLES	2017 (\$)	2016 (\$)
	Trade creditors and accruals	170,674	67,068
	PAYG Withholding & Superannuation Payable	<u>13,419</u>	<u>19,185</u>
		184,093	86,253

NOTE 14	EQUITY	2017		2016	
		No.	\$	No.	\$
<b>Contributed Equity – Ordinary Shares</b>					
	At the beginning of year	115,336,812	16,559,745	97,936,814	15,651,445
	Shares issued during the year at \$0.078 each	26,201,847	2,043,744	-	-
	Shares issued during the year at \$0.06 each	-	-	4,999,998	300,000
	Shares issued during the year at \$0.05 each	-	-	12,400,000	620,000
	Broker / Sundry Share issuance costs	-	(89,917)	-	(11,700)
	Closing balance:	<u>141,538,659</u>	<u>18,513,572</u>	<u>115,336,812</u>	<u>16,559,745</u>

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

	2017		2016	
	No.	\$	No.	\$
At the beginning of year	20,418,862	-	20,418,862	-
Shares issued during the year at \$Nil	-	-	-	-
Closing balance:	20,418,862	-	20,418,862	-

**Reserves**

Share based benefits reserve (i)	277,100	949,204
Closing balance	277,100	949,204

(i) The share based payments reserve is used to recognise the fair value of options issued to employees.

**Options**

Options exercisable at \$0.1499 on or before 27.12.2016 to acquire fully paid ordinary shares	-	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
<b>Total Options</b>	<b>4,150,000</b>	<b>16,907,143</b>

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

	Number of Options	\$
At 1 July 2015	19,052,143	1,140,109
Options expired during the year	(2,145,000)	(190,905)
At 30 June 2016	16,907,143	949,204
At 1 July 2016	16,907,143	949,204
Options expired during the year	(12,757,143)	(672,104)
At 30 June 2017	4,150,000	277,100

**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**

Reconciliation of operating loss after income tax with funds used in operating activities

	2017 (\$)	2016 (\$)
Operating (loss) after income tax	(1,785,844)	(1,260,925)
Depreciation and amortisation	4,020	8,425
Exploration expenditure	958,204	292,968
Impairment of available-for-sale financial assets	(6,161)	(1,686)
Loss on sale of fixed assets	9,654	-
Changes in operating assets and liabilities:		
Increase in trade and other receivables relating to operating activities	(22,842)	(20,678)
Increase in prepayments	(4,824)	(1,148)
Decrease in trade and other payables relating to operating activities	82,710	98,032
Cash flow from operations	<u>(765,081)</u>	<u>(885,012)</u>

Non-cash financing activities are listed at Note 20.

**NOTE 16 TENEMENT EXPENDITURE COMMITMENTS**

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 \$499,320(2016: \$166,000). The prescribed expenditure condition in respect of the pending tenements for the next twelve months amounts to \$127,200.

**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 CAPITAL AND LEASING COMMITMENTS****Operating Lease Commitments**

	2017 (\$)	2016 (\$)
- Not later than 12 months	24,587	71,190
- Between 12 months and five years	<u>18,803</u>	<u>-</u>
	<u>43,390</u>	<u>71,190</u>

- The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that minimum lease payments shall be increased by 3.5%. An option exists to renew the lease at the end of the two-year term for an additional term of two years. The lease allows for subletting of all lease areas.



**NOTE 19 EVENTS SUBSEQUENT TO REPORTING DATE**

- On 7 September 2017, the Company announced it had completed a placement for \$757,050 via the issue of 5,278,696 new shares to unrelated parties and a further 1,304,348 new shares to related parties subject to shareholder approval. The shares were issued at \$0.115 per share.
- On 27 July 2017, the Company announced it had entered into a purchase agreement over its iron ore project with Northam iron Pty Ltd, subject to due diligence where the Company would receive staged payments and a royalty.

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

**NOTE 20 EQUITY-SETTLED SHARE BASED PAYMENTS**

During the year there were no share based payments (2016: nil)

**NOTE 21 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 2017 or 2016.

Transactions with directors, director-related parties and related entities **other than those disclosed elsewhere in this financial report** are as follows:

	2017 (\$)	2016 (\$)
Leeman Pty Ltd, a George Sakalidis related party, hire of specialised equipment	(16,275)	(2,888)
	<u>(16,275)</u>	<u>(2,888)</u>

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

**NOTE 22 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 23 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 2017 and 30 June 2016 was as follows:

	2017 (\$)	2016 (\$)
Cash and cash equivalents	722,396	478,580
Trade and other receivables	53,357	31,247
Trade and other payables	(184,083)	(86,253)
Working capital position	<u>591,670</u>	<u>423,574</u>

**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:

	2017 (\$)	2016 (\$)
AAA rated	-	-
AA rated	-	-
A rated	722,396	478,580

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

	2017 (\$)	2016 (\$)
<b>Trade and other receivables</b>		
Trade and other receivables	14,222	12,594
GST and tax refundable	<u>39,135</u>	<u>18,653</u>
	<u>53,357</u>	<u>31,247</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.

2017	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
<b>Financial Assets</b>	<b>1.91%</b>			
Cash and cash equivalents		722,396	-	722,396
Other receivables Available-for sale financial assets		-	54,089	54,089
		-	53,694	53,694
Total Financial Assets		722,396	107,783	830,179
<b>Financial Liabilities</b>				
Trade and other payables (excluding GST refund)		-	(184,093)	(184,093)
Net Financial Assets		722,396	(76,310)	652,085

**2017 (\$)**

Trade and other payables are expected to be paid as follows:

Less than 6 months	(184,093)
	(184,093)

2016	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
<b>Financial Assets</b>	<b>0.09%</b>			
Cash and cash equivalents		478,580	-	478,580
Other receivables Available-for sale financial assets		-	30,392	30,392
		-	47,533	47,533
Total Financial Assets		478,580	77,925	556,505
<b>Financial Liabilities</b>				
Trade and other payables (excluding GST refund)		-	(86,253)	(86,253)
Net Financial Assets		478,580	(8,328)	470,252

**2016 (\$)**

Trade and other payables are expected to be paid as follows:

Less than 6 months	(86,253)
	(86,253)

**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).

2017	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	53,694	-	-	53,694
	53,694	-	-	53,694
<hr/>				
2016	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	47,533	-	-	47,533
	47,533	-	-	47,533
<hr/>				

**(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:

	2017 (\$)	2016 (\$)
Change in loss – increase/(decrease):		
Increase in interest rate by 1%	(13,805)	(415)
Decrease in interest rate by 1%	13,805	415
Change in equity – increase/(decrease):		
Increase in interest rate by 1%	13,805	415
Decrease in interest rate by 1%	(13,805)	(415)



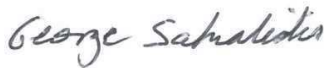
## **Directors' Declaration**

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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 2017 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 2017 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.



**SIGNED: GEORGE SAKALIDIS**

**MANAGING DIRECTOR**

**PERTH**

**Dated 29 September 2017**

## **Independent Audit Report to the members of Magnetic Resources NL**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Magnetic Resources NL (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2017 and of its financial performance for the period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Expenditure

Refer to Total Expenditure (\$2,082,394), accounting policy Note 1(c), and Note 3 (other expenses)

Key Audit Matter	How our audit addressed the matter
<p>Expenditure is a substantial figure in the financial statements of the Company, representing the majority of shareholder funds spent during the financial year.</p> <p>Given this represents a significant volume of transactions, we considered it necessary to assess whether the Company's expenses had been accurately recorded, whether the services provided had been delivered in the appropriate period, and whether all expenses related to activities undertaken by Magnetic Resources NL.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"><li>• We completed a walkthrough test of the Company's expenses system and assessed related controls.</li><li>• We selected a systematic sample of expenses using the dollar unit sampling method, and vouched each item selected to invoices and other supporting documentation.</li><li>• We tested a random sample of cash payments throughout the year to supporting documentation, to ensure no expenses had been paid but not recognised.</li><li>• We reviewed post year end payments and invoices to ensure that all goods and services provided during the financial year were recognised in expenses for the same period.</li><li>• For exploration expenses, we assessed which tenements the spending related to, to ensure funds were expended in relation to the Company's ongoing projects.</li></ul>

## **Other Information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors 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 preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the period ended 30 June 2017. The directors of the Magnetic Resources NL are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

#### **Opinion**

In our opinion, the Remuneration Report of Magnetic Resources NL for the period ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

*Greenwich & Co Audit Pty Ltd*

**Greenwich & Co Audit Pty Ltd**



**Andrew May**  
Audit Director

29 September 2017

## Other Information

Location	Tenement	Nature of Interest	Project	Equity (%) held at end of June 2017
WA	E70/3536	Granted	JUBUK	100%
WA	E70/4243	Granted	RAGGED ROCK	100%
WA	E70/4508	Granted	KAURING	100%
WA	E70/4528	Granted	KAURING	100%
WA	E70/4692	Granted	MT JOY	100%
WA	E77/2035	Granted	LAKE SEABROOK	Gold Rights Only
WA	E38/3100	Granted	MT JUMBO	100%
WA	P39/5594	Granted	KOWTAH	100%
WA	P39/5595	Granted	KOWTAH	100%
WA	P39/5596	Granted	KOWTAH	100%
WA	P39/5597	Granted	KOWTAH	100%
WA	P38/4201	Granted	MT JUMBO	100%
WA	E37/1258	Granted	MERTONDALE	100%
WA	P37/8687	Granted	CHRISTMAS WELL	100%
WA	P37/8688	Granted	CHRISTMAS WELL	100%
WA	P37/8689	Granted	CHRISTMAS WELL	100%
WA	P37/8690	Granted	CHRISTMAS WELL	100%
WA	P37/8691	Granted	CHRISTMAS WELL	100%
WA	P37/8692	Granted	CHRISTMAS WELL	100%
WA	P37/8693	Granted	CHRISTMAS WELL	100%
WA	P37/8694	Granted	CHRISTMAS WELL	100%
WA	P39/5617	Granted	KOWTAH EAST	100%
WA	E38/3127	Granted	HAWKS NEST	100%
WA	E37/1302	Application	RAESIDE	100%
WA	E37/1303	Application	NAMBI	100%
WA	P37/8905	Application	RAESIDE EAST	100%
WA	P37/8906	Application	RAESIDE EAST	100%
WA	P37/8907	Application	RAESIDE EAST	100%
WA	P37/8908	Application	RAESIDE EAST	100%
WA	P37/8909	Application	BRAISER	100%
WA	P37/8910	Application	BRAISER	100%
WA	P37/8911	Application	BRAISER	100%
WA	P37/8912	Application	BRAISER	100%
WA	P37/8913	Application	TRIGG	100%
WA	P37/8914	Application	TRIGG	100%
WA	P37/8915	Application	TRIGG	100%
WA	P37/8916	Application	TRIGG	100%
WA	P37/8917	Application	TRIGG	100%
WA	P37/8918	Application	TRIGG	100%
WA	P37/8919	Application	TRIGG	100%
WA	P37/8920	Application	TRIGG	100%
WA	P37/8921	Application	TRIGG	100%

The following information was applicable as at 21 September 2017

### Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares
1 to 1,000	609	1,081
1,001 to 5,000	198	516
5,001 to 10,000	84	79
10,001 to 100,000	252	91
100,001 and over	133	24
Total	1,276	1,791

The number of shareholdings held in less than marketable parcels is 687 shareholders holding 270,507 fully paid ordinary shares and 1,691 shareholders holding 2,344,566 partly paid contributing shares. There are no listed options.

### Substantial shareholders as at 21 September 2017:

Shareholder Name	Number of Shares	% of Issued Share Capital
MR HIAN SIANG CHAN	15,397,871	10.48%
MR CHOON KONG LIM	14,206,518	9.67%
AVA CARTEL SDN BHD	7,590,302	5.16%
MR ERIC LIM	7,498,011	5.10%
Total	44,692,702	30.41%

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

	Holder Name	Number Held	Percentage
1	MR HIAN SIANG CHAN	15,397,871	10.49%
2	MR CHOON KONG LIM	9,504,878	6.47%
3	AVA CARTEL SDN BHD	7,590,302	5.17%
4	MR CHUNG NENG WOON	6,000,000	4.09%
5	BNP PARIBAS NOMS PTY LTD	5,980,761	4.07%
6	MR AARON SIM KWANG LIANG	4,642,338	3.16%
7	MR JAN GERHARD HAANK & MS LI CHIAO CHEN	4,366,667	2.97%
8	GFI INVESTMENTS PTY LTD	4,250,000	2.89%
9	MR LIM JIN HUEI ERIC	4,148,011	2.83%
10	MR SAM SCIE	3,929,116	2.68%
11	TARGET RANGE PTY LTD	3,575,000	2.43%
12	ORBIT DRILLING PTY LTD	3,156,454	2.15%
13	MR CHIN HUAT LOO	3,008,884	2.05%
14	REKA CEMERLANG SDN BHD	2,750,000	1.87%
15	MR PHILIP RUSSELL HARRIS	2,176,162	1.48%
16	LEEMAN PTY LTD	1,988,089	1.35%
17	MR CHOON KONG LIM	1,887,744	1.29%
18	EMNJ PTY LTD	1,844,999	1.26%
19	RHODA HARRIS PTY LTD	1,832,709	1.25%
20	LIM YAN KWONG	1,800,000	1.23%
	TOTAL	89,829,985	1

Twenty largest shareholders – Quoted partly-paid contributing shares:

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

	Holder Name	Number Held	Percentage
1	GFI INVESTMENTS PTY LTD	2,916,704	14.28%
2	MR IAN RONALD BARON	2,051,999	10.05%
3	MR GEORGE SAKALIDIS & MRS JACQUELINE SAKALIDIS (SAKALIDIS SUPER FUND A/C)	2,040,333	9.99%
4	MR ROGER MICHAEL THOMSON & MRS ROSMARIE OLIVE THOMSON (THOMSON SUPER FUND A/C)	2,000,000	9.79%
5	MR GEORGE SAKALIDIS	958,114	4.69%
6	BRISPOIT NOMINEES PTY LTD	725,930	3.56%
7	MR BRENTON GRAHAM TIELEMAN	500,000	2.45%
8	GOFFACAN PTY LTD	454,297	2.22%
9	MR BARRINGTON DANCE & MS JEAN PATRICIA DANCE (THE DANCE SUPER FUND A/C)	450,000	2.20%
10	MR BARRINGTON DANCE	360,438	1.77%
11	MEGGSIES PTY LTD	259,497	1.27%
12	MRS GAYNOR CHRISTENSEN	228,567	1.12%
13	AUTO MANAGEMENT PTY LTD	218,654	1.07%
14	GILPIN PARK PTY LTD	205,556	1.01%
15	MR PETER WILLIAM TAYLOR & MRS MAUREEN JUNE TAYLOR (THE GOO OIL SUPER FUND A/C)	194,500	0.95%
16	DEVOMP PTY LTD	190,866	0.93%
17	MR ROBERT FRANCIS KAVANAGH	180,000	0.88%
18	R & R THOMSON PTY LTD	171,002	0.84%
19	MR ERIC ROBERT TERACE & MRS JUDITH FAY TERACE	163,333	0.80%

## Option to acquire Fully Paid Ordinary Shares, expiry 31.12.2017

NAME	Expiry price	Number
MRS JOAN GEACH	\$0.18	100,000
MR GEORGE SAKALIDIS	\$0.17	1,500,000
MR ERIC JIN HUEI LIM	\$0.17	500,000
ABACOT INVESTMENTS P/L	\$0.17	2,000,000
MR CYRIL GEACH	\$0.18	50,000

There are a total of 146,817,355 fully paid ordinary shares, 20,418,862 partly-paid contributing shares and 4,150,000 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.