



magnetic resources^{NL}

ABN: 34 121 370 232

ANNUAL REPORT

**FINANCIAL YEAR
ENDED 30 JUNE 2012**

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CORPORATE DIRECTORY



magnetic resources[™]

DIRECTORS

PETER THOMAS
Non-Executive Chairman

GEORGE SAKALIDIS
Managing Director

ROGER THOMSON
Executive Director

ERIC LIM
Non-Executive Director

COMPANY SECRETARY

Rudolf Tieleman

REGISTERED OFFICE

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16 Ord Street, West Perth WA 6005
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WEBSITE

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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

2nd Floor
16 Ord Street, West Perth WA 6005
Telephone (08) 9226 1777
Facsimile (08) 9485 2840

BANKERS

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

AUDITORS

Somes Cooke
Chartered Accountants
Level 1, 1304 Hay Street, West Perth WA 6005

STOCK EXCHANGE

Australian Securities Exchange (ASX)

COMPANY CODE

MAU (Fully paid shares)
MAUCA (Partly paid shares)

ISSUED CAPITAL

68,039,606 fully paid ordinary shares.

17,418,862 partly paid shares (\$0.20 unpaid).

2,295,000 options to acquire fully paid shares exercisable at \$0.2709 by 23 December 2014

2,145,000 options to acquire fully paid shares exercisable at \$0.4607 by 21 December 2015

2,700,000 options to acquire fully paid shares exercisable at \$0.1499 by 27 December 2016

PROJECT SUMMARIES

IRON ORE

Magnetic Resources remains focused on its extensive SW Western Australian iron ore holdings, targeting both direct shipping ore (DSO) grade hematite and premium quality magnetite deposits close to rail and port infrastructure. A location map of the company's tenements is shown in Figure 1. To date a cumulative total of 117km of magnetic targets with potential for coarse grained premium magnetite has now been identified on the company's tenements.

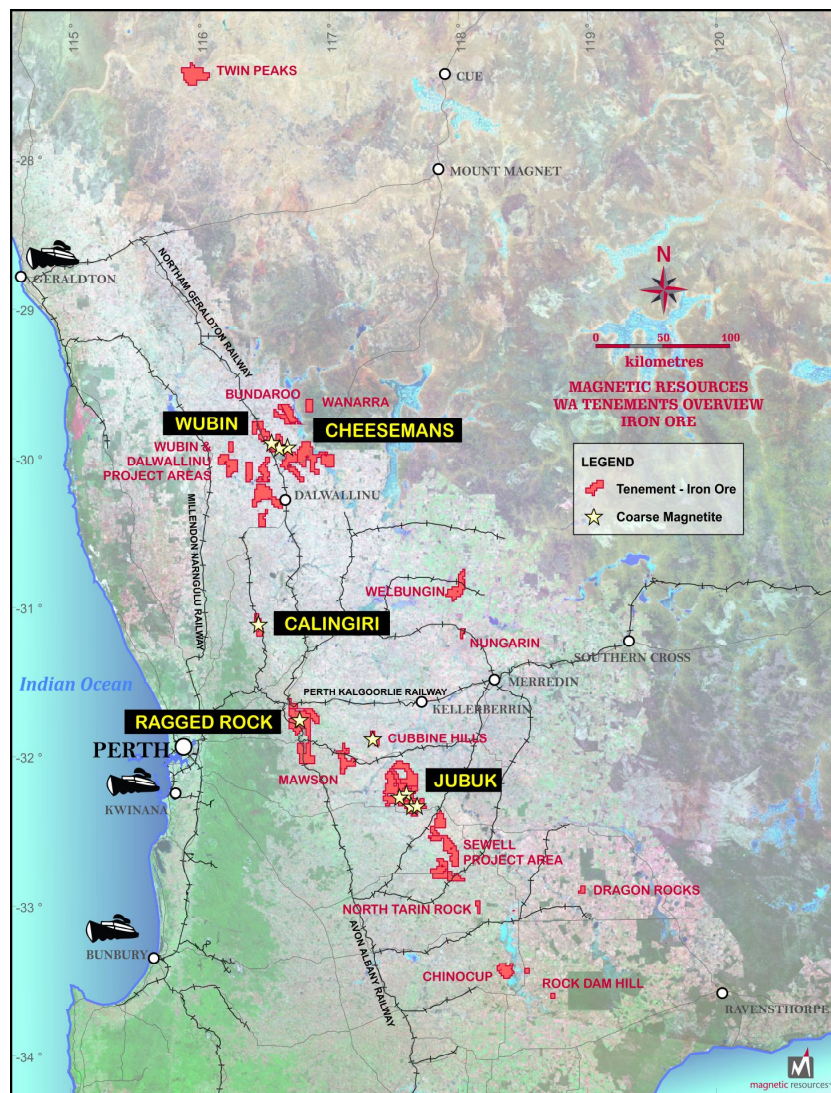


Figure 1
Location Map

RAGGED ROCK (Magnetic 100%)

In the latter part of the year reconnaissance mapping by Magnetic's geologists discovered coarse grained crystalline magnetite banded iron formations (BIF) at Ragged Rock about 100km NE of Perth. At the Ragged Rock exploration licence 12 magnetic targets totalling 41km in cumulative strike length have been identified for mapping and sampling. At target 1 At Target 1 two coarse grained metamorphosed BIF sequences were identified; a broad 40°-70° east dipping Western BIF up to at least 300m wide in outcrop and 5km in length and a flatter 20°-40° east dipping Eastern BIF up to 200m wide in outcrop and 1.7km in length which were rock sampled as follows (refer Figures 2-4):

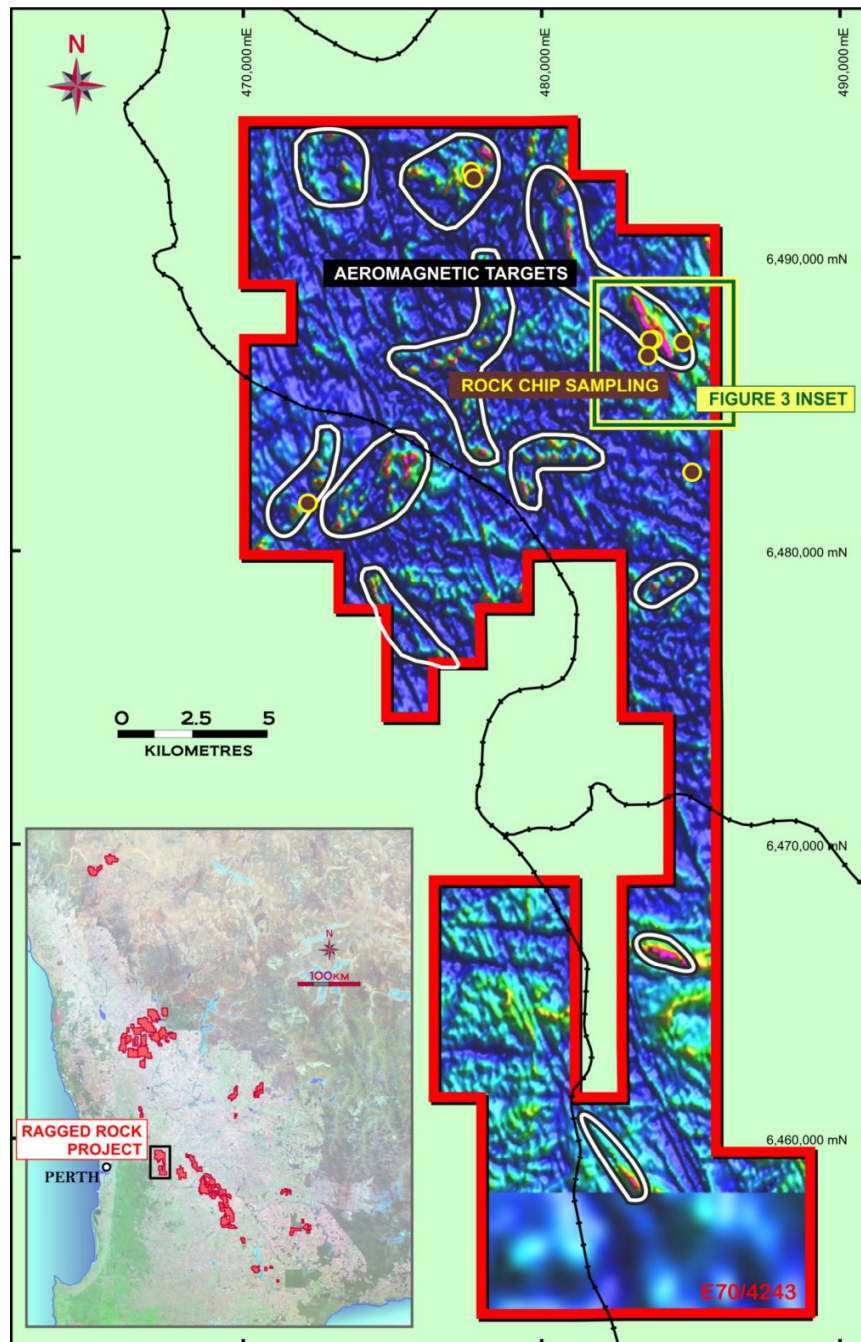


Figure 2
Ragged Rock Aeromagnetic Image Showing Target Areas

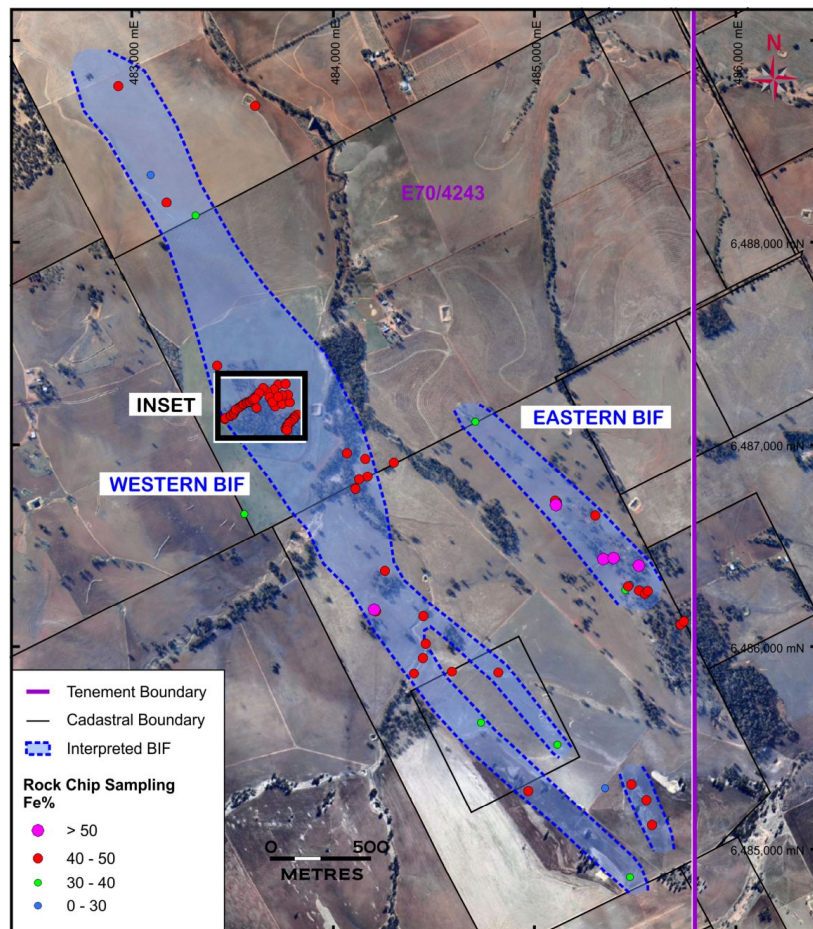


Figure 3
Ragged Rock Target 1, Western and Eastern BIF Sample Locations

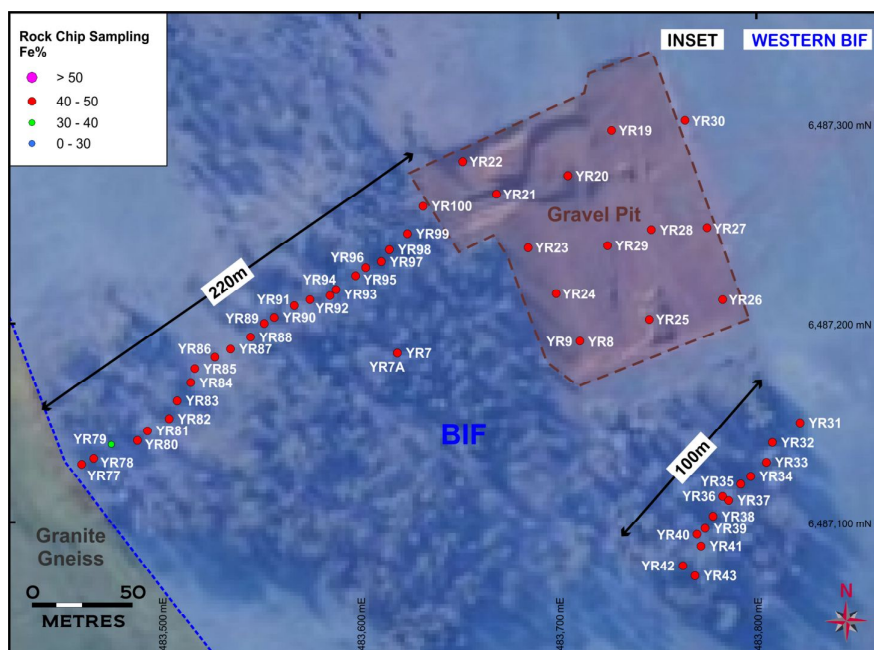


Figure 4
Ragged Rock Target 1 Western BIF Sample Locations Detail

Table 1
Western BIF: Average of 18 Rock Samples Over 2,400m Strike Length

Sample Number	Co-ordinates		Fe	SiO ₂	Al ₂ O ₃	P
	East	North	%	%	%	%
YR60- YR107	484,110- 485,584	6,484,860- 6,486,782	43.0	28.0	0.66	0.029

Analyses by HF digest and ICPOES and ICPMS methods - Labwest Pty Ltd

Table 2
Western BIF: Average of 24 Rock Samples Across 220m Width.

Sample Number	Co-ordinates		Fe	SiO ₂	Al ₂ O ₃	P
	East	North	%	%	%	%
YR77- YR100	483,460- 483,682	6,487,129- 6,487,259	44.0	25.5	2.6	0.031

Analyses by HF digest and ICPOES and ICPMS methods - Labwest Pty Ltd

Table 3
Western BIF: Average of 13 Rock Samples, Gravel Pit.

Sample Number	Co-ordinates		Fe	SiO ₂	Al ₂ O ₃	P
	East	North	%	%	%	%
YR8, YR19- YR30	483,783- 483,652	6,487,191- 6,487,302	47.0	26.0	3.6	0.022

Analyses by Bureau Veritas XRF fused disc

Table 4
Western BIF: Average of 13 Rock Samples Across 100m width.

Sample Number	Co-ordinates		Fe	SiO ₂	Al ₂ O ₃	P
	East	North	%	%	%	%
YR31-YR43	483,769- 483,822	6,487,073- 6,487,150	44.0	33.2	2.0	0.017

Analyses by Bureau Veritas XRF fused disc

Table 5
Eastern BIF: Average of 15 Rock Samples Over 900m Strike Length

Sample Number	Co-ordinates		Fe	SiO ₂	Al ₂ O ₃	P
	East	North	%	%	%	%
YR44- YR59	485,106- 485,742	6,486,703- 6,486,125	46.0	20.6	2.9	0.034

Analyses by HF digest and ICPOES and ICPMS methods - Labwest Pty Ltd

Preliminary Davis Tube Recovery (DTR) test work on three surface samples indicates head assays of 37.8% - 47.4%Fe which at a coarse grind of 500 microns produced concentrates grading between 67.6%Fe and 68.5%Fe with mass recoveries ranging from 21.1% to 40.5%. Mineralogical study of the samples indicates that the magnetite is partially altered to martite, a form of hematite, which may impact on the recoveries. It is anticipated that recoveries are likely to increase in the primary magnetite zone.

Magnetic is encouraged by these early results and is currently investigating the remaining 11 targets at Ragged Rock with the aim of prioritising these targets for drilling. Significantly, the reconnaissance results point to potential for substantial tonnages of coarse grained magnetite situated just 10km from the standard gauge, multi user Trans Australian Railway and 10km from the Avon - Albany railway, prompting further investigation of the port and infrastructure options available to this project.

REVIEW OF OPERATIONS

JUBUK (Magnetic 100%)

During the year consulting engineers Engenium Pty Ltd has completed an independent conceptual mining and economic study on Magnetic Resources' 100%-owned Jubuk Magnetite Project situated 200km southeast of Perth near Corrigin. The Jubuk tenements host the Jubuk coarse-grained magnetite deposit with an exploration target range of 30-50Mt of magnetite banded iron formation.

Magnetic has completed 68 drill holes, totalling 7720m, and completed 532 Davis Tube Recovery (DTR) determinations on RC drill samples from the drilling programmes. The test results continue to show the potential for the project to produce a high-grade concentrate suitable for Direct Reduction Furnace usage based on the high Fe and low SiO₂ contents.

Of these samples, 126 have been sourced from the weathered profile and 406 from fresh rock with the composite samples representing an average 3m down-hole width. Table 1 summarises the weighted averages of the feed and concentrate grades and apparent recovery rates. The tests were performed on samples ground to P₈₀ of 75 microns.

Table 6
DTR Testwork Summary

	Feed Grades %				Concentrate Grades %				Fe Rec	Mass Rec
	Fe	SiO ₂	Al ₂ O ₃	P	Fe	SiO ₂	Al ₂ O ₃	P		
Weathered	24.3	51.5	6.9	0.02	68.4	1.6	1.3	0.01	52.2	18.1
Fresh	24.1	49.9	6.4	0.03	69.6	1.2	1.1	0.00	76.2	27.5

All
Values
are
Weighte
d
Average
Values
based of

composite sample down-hole width

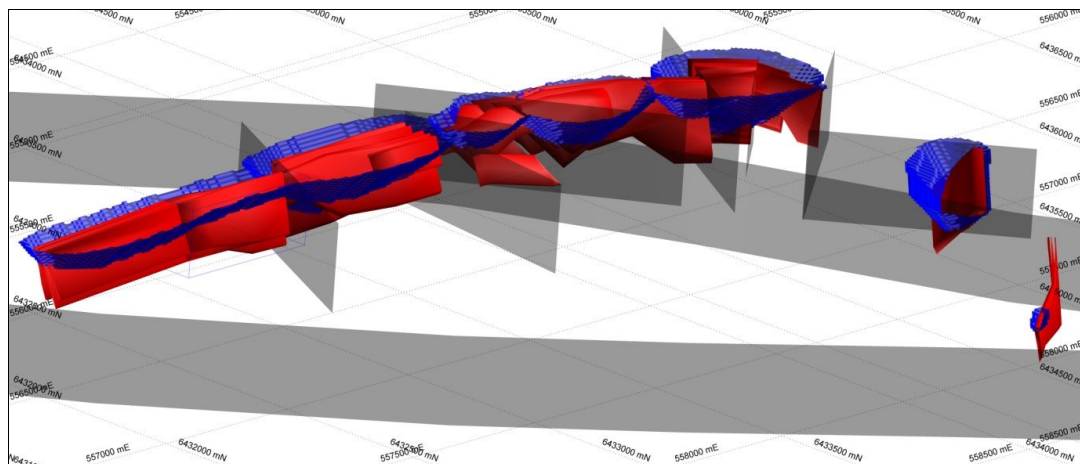


Figure 5

Optimised Conceptual Pits (Blue), Interpreted Mineralisation (red) and Inferred Structures (grey)

Whilst the feed grade and recovery rate are lower from within the weathered profile, the material from this zone produces a concentrate of very similar quality to the concentrate derived from fresh rock.

The study assumed:

- Open pit contract mining.
- Conventional processing by crushing and screening, magnetic pre-concentration, milling, magnetic separation and filtering.
- Contract road haulage to port in containers.
- Port receipt, storage and export facilities using existing facilities at Kwinana.

The study reviewed a range of development options and concluded that a modest scale operation would be appropriate with a resultant reduction in capital costs by maximising local employment and minimising mine camp requirements for personnel, compared to larger tonnage options. Likewise the reduced power and water requirements were deemed achievable with minor upgrades to existing infrastructure. The capital costs of rail loading/unloading facilities and rail upgrades were eliminated by using road haulage directly to Kwinana in purpose built containers and discharge into ships using a container tipper mounted on existing container cranes or ships cranes. However the smaller scale of operation is reflected in higher operating costs.

REVIEW OF OPERATIONS



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The study indicates an NPV of A\$40M, a capital cost of A\$153M, operating costs of A\$106/tonne, an IRR of 18% and a nominal payback period of 4 years using the following mining, financial and cash flow assumptions:

- Mining rate of 2.0-2.4 Mtpa, producing 500,000-600,000tpa of magnetite concentrate;
- A Life of Mine of 14 years based on 29Mt of mineralisation;
- Long term iron ore price of US\$ \$1.77/dmtu (including 10% premium for quality product) and a long term exchange rate of 0.8 US\$/A\$;
- Strip ratio increasing from 1.4:1 to 3.6:1 over the Life of Mine;
- Mass recovery of 25%;
- Concentrate iron content of 67%;
- Royalty rate 5%;
- Tax rate 30%;
- Discount rate of 10%;
- Financial model over a project life of 14 years;
- No terminal value added to the NPV, (which would reflect any extension to the plant and/or mine life)
- Sustaining capital at 10% of direct capital from Year 4 onwards.

The capital cost of the base case study assumed new Australian-sourced equipment and applied a short term exchange rate of 1.0 US\$/A\$ reducing to 0.8 US\$/A\$ in Year 6. The study also modelled a combined road and rail transport scenario which resulted in an increased capital cost of A\$170M, an NPV of A\$35M and an IRR of 16%.

Sensitivity analysis was performed on the road transport case to determine the change in NPV with discount rates up to 15%. The impact on Project NPV with a $\pm 20\%$ change in exchange rate, price, production, operating costs and capital costs, was also modelled. The price, exchange rate and operating cost showed the potential to cause a negative NPV for the options examined in the $\pm 20\%$ range investigated.

The study does not classify as a "scoping study" because a JORC compliant resource has not been finalised. The tonnage and grade assumptions on which the study is based are derived from Magnetic Resources' estimates of the apparent extent of mineralisation.

Conceptual pit plans were optimised using a wire-framed geological model of the mineralisation based on sectional interpretation with assigned densities for the mineralisation and waste as shown in Figure 5, to develop stripping ratios and interpreted mineralisation tonnages available.

Magnetic Resources is investigating options to further reduce the capital costs. The study shows that additional mineralisation with low overburden strip ratios will strongly enhance the project economics.

CALINGIRI (Magnetic 100%)

Reconnaissance surface sampling by Magnetic has indicated the presence of elevated iron contents in ferruginous outcrops and subcrops coincident with one of the major magnetic trends evident on this tenement, see Figure 6.

Composite samples were collected as being representative of outcropping and sub-cropping roadside material where a road crosses the southernmost magnetic feature. The strike length of the significant magnetic anomalies in the southern half of the tenement totals about 8.5km. Sample analysis results are summarised in Table 7.

Iron grades range from 36.1%Fe to 57.3%Fe indicating that the magnetite-rich units interpreted to underlie the magnetic anomalies have been enriched in some areas and suggesting the possibility of direct shipping ore (DSO) grades being present. The Calingiri project is situated about 10km south of Cliffs' Yerecoin project where a substantial 186.8Mt magnetite resource, with high concentrate grades similar to Magnetic's Jubuk project, has been reported. The Toodyay-West Miling railway line passes through the tenement area providing potential for access to Kwinana port. Magnetic is encouraged by these early sampling results and is planning a programme of ground magnetic surveys and surface sampling to define drilling targets.

Table 7
Calingiri Surface Sample Results

Sample ID	Easting	Northing	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
CA1	449075	6548228	51.17	22.38	2.37	0.02	1.41
CA2	449104	6548239	36.10	24.07	16.07	0.012	6.39
CA3	449125	6548236	57.35	7.01	5.44	0.056	5.01
CA4	449125	6548236	56.45	4.13	4.03	0.075	10.40
CA5	449150	6548262	47.06	22.79	6.16	0.018	2.98
CA6	449166	6548265	40.10	23.69	13.30	0.029	3.59
CA6 Rpt			39.93	23.70	13.30	0.029	3.62

Co-ordinates Zone 50 MGA/GDA. All analyses by pressed powder XRF. LOI; loss on ignition

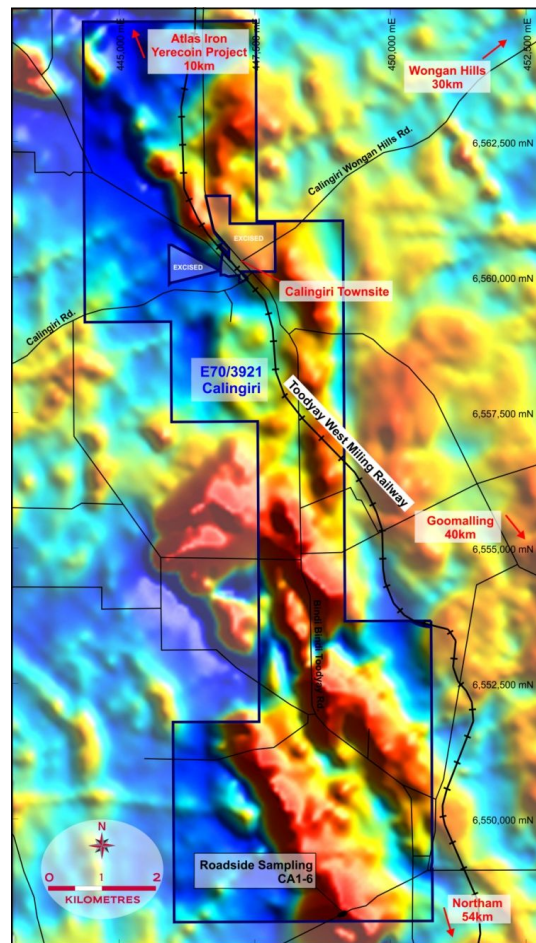


Figure 6
Calingiri Aeromagnetic Image Showing Sample Locations

WUBIN (Magnetic 100%)

Magnetic completed a 72-hole, 3082m RC drilling programme at the Cheesemans and Buntine iron ore targets in the Wubin area about 235km NNE of Perth. At Cheesemans the drilling tested a 1km strike length in the northern part of the 11km-long anomaly as shown in Figure 7.

The drilling intersected two metamorphosed BIF units with a best intercept of 22m at 28.3%Fe with significant intercepts summarised in the inset in Figure 7. DTR tests on composite samples from drill holes CHRC 15, 27, 35 and 38 indicates that the magnetite liberates well at a relatively coarse 125 micron grind size to produce a low silica concentrate as shown in Table 8.

Table 8
Cheesemans DTR Results

Grind Size Microns	Feed Grade %				Concentrate Grade %				Fe Recov %	Mass Recov %
	Fe	SiO ₂	Al ₂ O ₃	P	Fe	SiO ₂	Al ₂ O ₃	P		
-125	33.3	43.7	2.2	0.05	68.90	2.67	0.63	0.009	63.8	30.8
-75	33.3	43.7	2.2	0.05	70.15	1.44	0.58	0.005	64.1	30.4

Test work by Amdel Mineral Laboratories. Field strength 3000 gauss

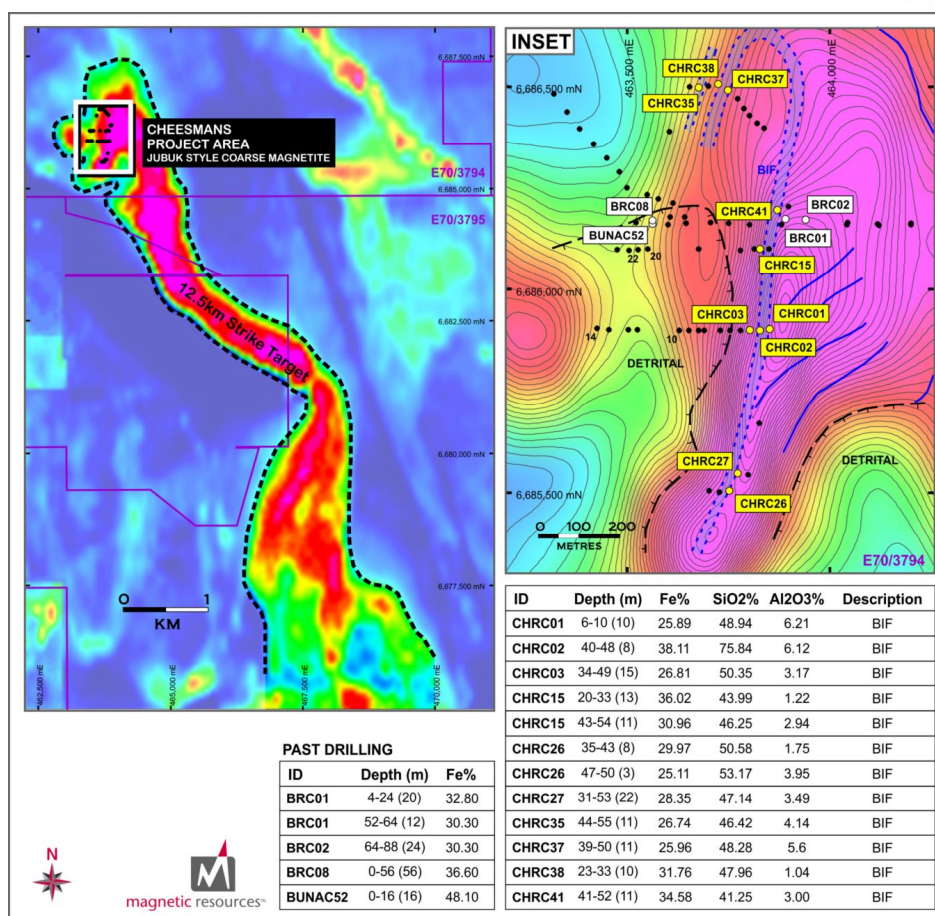


Figure 7
Cheesemans Aeromagnetics and Drilling Locations

5km north of Cheesemans, the Buntine prospect is a 7.5km-long high amplitude magnetic target. Drilling tested a 900m strike length in three drill lines, with results summarised in Table 9.

Table 9
Buntine BIF Drill Results

Hole Number	Co-ordinates		From m	To m	Interval m	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
	East	North							
BRC 27	458485	6689690	41	52	11	27.94	42.69	5.13	0.05
BRC 30	458416	6689751	28	33	5	33.53	45.44	1.71	0.03
BRC 32*	458530	6689704	33	38	5	30.70	43.04	2.31	0.07
			43	52	9	28.87	42.98	4.66	0.06

Analyses by pressed powder XRF. Azimuth 060° unless indicated otherwise. Dip-60°. *Azimuth 240°. 1m intervals

The Buntine BIF is steep dipping, ranging in down hole thickness from 5m to 11m. A single DTR composite test sample from drill holes BRC 27 and 32 returned a lower grade concentrate with a lower recovery compared to the Cheesemans BIF, as shown in Table 10.

Table 10
Buntine DTR Results

Feed Grade %				Concentrate Grade %				Fe Recov %	Mass Recov %
Fe	SiO ₂	Al ₂ O ₃	P	Fe	SiO ₂	Al ₂ O ₃	P		
30.5	41.5	4.4	0.061	64.56	4.00	1.30	0.008	32.4	15.3

75 micron grind size. Field strength 3000 gauss.

REVIEW OF OPERATIONS

NUNGARIN (Magnetic 100%)

Reconnaissance mapping and sampling has confirmed the presence of magnetite BIF associated with a 6km-long aeromagnetic target situated 40km NNW of Merredin, as shown in Figure 8.

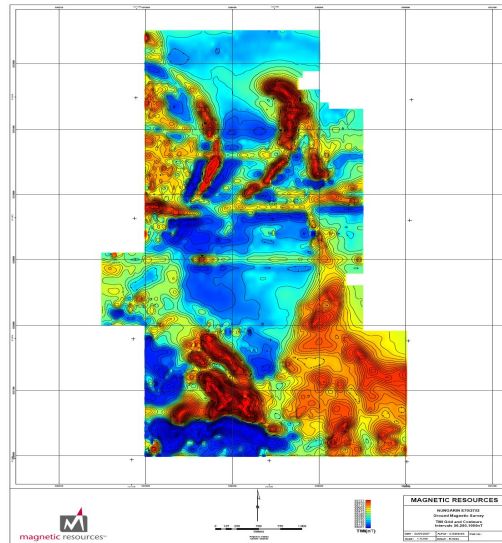


Figure 8
Nungarin Aeromagnetic Image (dark red areas
coincide with mapped BIF)

GOLD (Magnetic 100%)

Farmin participant Pacific Ore Ltd withdrew from the joint venture comprising the North Lake Grace, Holland Rocks and Greenshield Soak gold tenements. These tenements cover greenstone sequences with gold anomalies or historic drill intersections on gold mineralisation. Magnetic is seeking to farm out these gold prospects in order to focus on its iron ore projects.

The information in this report is based on information compiled or reviewed 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. George Sakalidis 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 2004 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 2012.

DIRECTORS

The following persons were directors of Magnetic Resources NL ("Magnetic") during the whole of the year and up to the date of this report except for Mr Lim who was appointed on 23 August 2011:

Peter Thomas
George Sakalidis
Roger Thomson
Eric Lim

PRINCIPAL ACTIVITIES

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

RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of \$1,954,111 (2011: \$2,959,926).

The foregoing figure includes \$258,660 (2011: \$190,905) in respect of "equity-settled share based payments". This is not a cash outlay. It is brought to account by virtue of a requirement at law. Net of this figure, the operating loss was \$1,695,451 (2011: \$2,769,021).

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 2.89 cents (2011: 4.39 cents). Diluted Loss per share in respect of the both years ended 30 June 2012 and 30 June 2011 was the same as the Basic Loss per share.

FINANCIAL POSITION

The Company's cash position as at 30 June 2012 was \$1,354,592, a decrease from the 30 June 2011 cash balance which was \$2,808,652. The cash position is adequate to fund committed exploration expenditure.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial period other than the placement of 521,970 shares at an issue price of \$0.20 to one of the Company's drilling contractors in exchange for drilling services rendered.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL ISSUES

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

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

Peter S Thomas

Chairman

Mr Thomas was a practising solicitor from 1980 until June 2011, specialising in the provision of corporate and commercial advice to explorers and miners. Since the mid-1980s, he has served on the boards of various listed companies. He is also non-executive founding chairman of Image Resources NL (since 19 April 2002), Meteoric Resources NL (since that company was incorporated on 13 February 2004), Emu Nickel NL (since that company was incorporated on 29 August 2007) and Middle Island Resources Limited (since 2 March 2010), each of which is ASX listed.

Mr Thomas has a relevant interest in 28,555 fully paid ordinary shares, 42,833 contributing shares and 1,500,000 options to acquire fully paid ordinary shares.

George Sakalidis

Managing Director

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

Mr Sakalidis has a relevant interest in 5,164,482 ordinary fully paid shares, 3,076,113 contributing shares and 2,400,000 options to acquire fully paid ordinary shares.

Roger M Thomson

Technical Director

Mr Thomson is a geologist with more than 35 years' experience in mineral exploration, mining geology and management in Australia, Africa, South America and Southeast Asia. He has held the positions of General Manager Exploration with Delta Gold Ltd and Sons of Gwalia Ltd and has been responsible for, or closely associated with, making economic discoveries of gold and tantalum in Australia. Mr Thomson successfully managed the exploration programme that led to the discovery of the multi-million ounce Sunrise gold deposit near Laverton in Western Australia. He is an Associate of the Royal School of Mines, a Member of the Australasian Institute of Mining and Metallurgy and a Member the Australian Institute of Geoscientists. Mr Thomson is an executive director of this company, Magnetic Resources NL (since the company was incorporated on 23 August 2006), managing director of Meteoric Resources NL (since that company was incorporated on 13 February 2004), each of which is ASX listed. He was an executive director of Image Resources NL from 19 April 2002 to 24 May 2012, an executive director of Emu Nickel NL from the date that company was incorporated on 29 August 2007 to 4 April 2012.

Mr Thomson has a relevant interest in 249,279 ordinary fully paid shares, 2,152,669 contributing shares and 1,550,000 options to acquire fully paid ordinary shares.

Eric JH Lim

Non-executive Director appointed 23 August 2011

Mr Eric JH Lim, has been appointed a non-executive director of the Company.

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 3,350,000 ordinary fully paid shares and 500,000 options to acquire fully paid ordinary shares.

Rudolf Tieleman

Company Secretary

Mr Tieleman is an accountant with over 25 years' experience in public practice. He has extensive knowledge in matters relating to the operation and administration of listed mining companies in Australia.

AUDIT COMMITTEE

At the date of this report the Company does not have a separately constituted Audit Committee as all matters normally considered by an audit committee are dealt with by the full board.

DIRECTORS' REPORT



REMUNERATION COMMITTEE

The Remuneration Committee comprises Messrs Thomas and Tieleman.

No remuneration committee meetings were held during the year.

MEETINGS OF DIRECTORS

During the financial year ended 30 June 2012, there were five meetings of directors, each of which were attended by Messrs Thomas, Sakalidis and Thomson and two of which were attended by Mr Lim.

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
Peter Thomas	Non-Executive Chairman
George Sakalidis	Managing Director
Roger Thomson	Executive Director
Eric Lim	Non-Executive Director
Rudolf Tieleman	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

The Remuneration Committee ("**committee**") comprises Messrs Thomas and Tieleman and its mandate is to make recommendations to the Board with respect to 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

DIRECTORS' REPORT



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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 2012.

Key Management Personnel Remuneration

Year ended 30 June 2012					
Key Management Person	Short-term benefits Fees & contractual payments (\$)	Post- employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity-settled share based payments (1) (\$)	Total (\$)
Peter Thomas Non-Executive Chairman	40,000	3,600	43,600	47,900	91,500
George Sakalidis Managing Director	119,825	3,600	123,425	76,640	200,065
Roger Thomson Executive Director	74,425	3,600	78,025	47,900	125,925
Eric Lim Non-Executive Director	37,271	-	37,271	47,900	85,171
Rudolf Tieleman Company Secretary	35,557	-	35,557	38,320	73,877
Total	307,078	10,800	317,878	258,660	576,538

Note (1) Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 29 November 2011. These options were valued in accordance with International Financial Reporting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value (the expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board. "Fair value" commonly does not reflect realisable value and the Board does not represent that stated fair values reflect their view of market values. This observation is over-riding and shall prevail over any inconsistent possible interpretation) as at their grant date. The valuation was derived using a Black-Scholes Options Pricing Model. The options vested immediately. The options have an expiry date of 27 December 2016, an exercise price of \$0.1499, and were valued at \$0.0958 per option.

DIRECTORS' REPORT



Year ended 30 June 2011					
Key Management Person	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity-settled share based payments (2) (\$)	Total (\$)
Peter Thomas Non-Executive Chairman	40,000	3,600	43,600	44,500	88,100
George Sakalidis Managing Director	118,583	3,600	122,183	71,200	193,383
Roger Thomson Executive Director	79,690	3,600	83,290	44,500	127,790
Rudolf Tieleman Company Secretary	45,925	-	45,925	-	45,925
Total	284,198	10,800	294,998	160,200	455,198

Note (2) Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 24 November 2010. These options were valued in accordance with International Financial Reporting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value as at their grant date. An independent valuer used a range of open form (basic and binomial) models. The options vested immediately.

Consultant Agreements

A consulting agreement has been executed between the Company and Mr Sakalidis' nominated associated entity under which Mr Sakalidis delivers consulting services to the Company. Either party may, in its sole and absolute discretion, terminate the engagement by providing 30 days written notice. The Company may, at its option, elect to pay the consultant the equivalent remuneration for the period of the notice and dispense with the notice period. There are no provisions for the payment of any other termination payments.

The Company is party to a separate consulting agreement with Mr Thomson's nominee which is in the same form as the one above described.

Other major provisions of those agreements are set out as follows:

Contracted entity	Term of agreement	Rate	Review period	Increase
Leeman Pty Ltd (G Sakalidis)	No set term	\$155.00 per hour	Annually on 1 July	Discretionary by Board
Regor Consulting Pty Ltd (RM Thomson)	No set term	\$135.00 per hour	Annually on 1 July	

Messrs Thomas, Lim and Tieleman do not have employment contracts with the Company save to the extent that the Company's constating documents comprise the same.

Guaranteed Rate Increases

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

DIRECTORS' REPORT



DIRECTORS' INTERESTS

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

	Fully Paid Ordinary Shares	Partly-paid Contributing Shares	Options to Acquire Fully Paid Ordinary Shares
Peter Thomas	28,555	42,833	1,500,000
George Sakalidis	5,164,482	3,076,113	2,400,000
Roger Thomson	249,279	2,152,669	1,550,000
Eric Lim	3,350,000	-	500,000
Total	8,792,316	5,271,615	5,950,000

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.

What follows in this Directors' Report has not been subject to audit.

EMPLOYEES

At 30 June 2012, 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 2011.

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 \$7,133 (2011: \$6,078) was incurred in insurance premiums for this purpose.

OPTIONS

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

2,295,000 options exercisable at \$0.2709 per option on or before 23 December 2014;

2,145,000 options exercisable at \$0.4607 per option on or before 21 December 2015;

2,700,000 options exercisable at \$0.1499 per option on or before 27 December 2016;

PROCEEDINGS ON BEHALF OF THE COMPANY

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

DIRECTORS' REPORT



AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors

SIGNED: GEORGE SAKALIDIS
MANAGING DIRECTOR

Perth

28th September 2012

AUDITOR'S INDEPENDENCE DECLARATION



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West Perth
WA 6005

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Chartered Accountants
Business Consultants
Financial Advisors

To those charged with governance of Magnetic Resources NL

As auditor for the audit of Magnetic Resources NL for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

Somes Cooke

SIGNED: NICHOLAS HOLLENS

1304 Hay Street
West Perth WA 6005
Date: 28 September 2012

Preamble

This statement is provided in compliance with the recommendations (**Recommendations**) in the ASX Corporate Governance Council's second edition of the Corporate Governance Principles and Recommendations with 2010 amendments.

Reference is to be made to this Statement or the Directors' Report for the information required by the Recommendations to appear in an Annual Report.

Except to the extent indicated in the "if not, why not" exception report appearing below, the Company has resolved that for so long as it is admitted to the official lists of the ASX, it shall abide by the ASX Recommendations.

Due to the exigencies and vagaries of commercial life and changing circumstances, there will, no doubt, be occasions when, especially because of the size of the Company and the composition of its Board, that it can be expected to depart from the policies and charters which it has adopted. These policies have been adopted on the basis that, in the circumstances of the Company, they reflect what is considered to reflect a reasonable aspiration. It is not expected that they will be slavishly adhered to. Their object is to focus attention upon the issues they address and provoke thought about and awareness of those issues and the pitfalls that one could otherwise fall into inadvertently. The important thing is to develop a culture conducive only to good and appropriate conduct and practices.

Honesty and integrity must be the overriding and guiding principle in all things- substance must prevail over form and lip service. The Company intends that adherence to these policies be a condition of each contract of employment or service.

The Board encourages all key management personnel, other employees, contractors and other stakeholders to monitor compliance with this Corporate Governance manual and periodically, by liaising with the Board, management and staff, especially in relation to observable departures from the intent of hereof and with any ideas or suggestions for improvement. Suggestions for improvements or amendments can be made at any time by providing a written note to the chairman.

By force of its adopted policies as uploaded to its website or as a matter of practice (but this may change), the Company complies with the Recommendations, except to the extent set out below after the relevant recommendation under the subheading "**if not, why not**":

Recommendation/Comment/Exception	
1.	Lay solid foundations for management and oversight Companies should establish and disclose the respective roles and responsibilities of Board and management.
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
1.2	Companies should disclose the process for evaluating the performance of senior executives.
1.3	Companies should provide the information indicated in the Guide to Reporting on Principle 1.
2.	Structure the board to add value Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
2.1	A majority of the board should be independent directors. "If not, why not": <i>There are four Directors on the Board, two of whom (Messrs G Sakalidis and RM Thomson) serve as executives and are not considered to be independent.</i> <i>As to the chair, Mr PS Thomas, refer the "If not, why not" response to Recommendation 2.2.</i> <i>Mr JH Lim is considered by the Board to be an independent director however it is noted that he has a relevant interest in a large number of shares which may be perceived to place his independence in doubt.</i> <i>Given all the circumstances attendant upon the Company (including its objectives, the nature and extent of its actual and proposed operations, its capital base and other resources, the costs associated with a board comprised of more than the current number and the need for a board comprised of persons with a blend and diversity of traits, skills, gender, experience, expertise, entrepreneurialism, innovation, tenacity, vision and dedication in order to enliven the prospects of creating value for shareholders) it is thought by the Board that to appoint further directors (whose perceived independence is beyond doubt) or to procure the departure of one of the existing directors is unnecessary.</i> <i>The Board, which sits as the Nominations Committee, will regularly consider the composition of the Board.</i>
2.2	The chair should be an independent director. "If not, why not": <i>See the "If not, why not" response to Recommendation 2.1. The chair, whilst considered to be independent, will work quite closely with the management team. He regards himself as being free of any relationship that could materially interfere with the independent exercise of his judgement. However he acknowledges that it might well be perceived that his role in the formation and early development and promotion of the Company, his shareholding in the Company and his remuneration as a Director compromises or materially interferes with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things.</i>
2.3	The roles of the chair and chief executive officer (or equivalent) should not be exercised by the same individual.
2.4	The board should establish a nomination committee. "If not, why not" <i>The full Board undertakes, on an ad-hoc unstructured basis, the duties which would normally fall to a Nomination Committee.</i>



The Company does not currently have a formal Nomination Committee policy because of its size, limited resources and the composition of the Board.

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.

2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.

The skills, experience and period of office of Directors are set out in the Company's Annual Report (Directors' Report). Statements as to the composition of the board and the Company's materiality thresholds are disclosed elsewhere in this Report. The Company does not currently have a formal nomination policy or committee.

"If not, why not"

Given the composition of the Company's board, it is not possible to comply.

The full Board undertakes, on an ad-hoc unstructured basis, the duties which would normally fall to a Nomination Committee. The Company does not currently have a formal Nomination Committee policy because of its size, limited resources and the composition of the Board.

3. Promote ethical and responsible decision- making

Companies should actively promote ethical and responsible decision-making.

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to the:

- 3.1.1. practices necessary to maintain confidence in the Company's integrity;
- 3.1.2. practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
- 3.1.3. responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

"If not, why not":

The Company has not established a formal diversity policy. Its informal policy does not include requirements for the Board to seek to establish measurable objectives for achieving gender diversity. The Board does not think it useful to include measurable objectives in relation to gender but, rather, thinks capability and capacity are far more significant.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

"If not, why not":

See the response to 3.2 above.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

In compliance with the Company's reporting requirement on that matter:

- the proportion of women employees in the whole organisation is approximately 40% (excluding directors);
- there are currently no women in senior executive positions; and
- there are currently no women on the board.

3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3.

4. Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

4.1 The board should establish an audit committee.

"If not, why not":

The full Board undertakes the duties that would otherwise fall to the audit committee.

The Company is small, has a small board with a tight management structure, relies on equity capital for funding and in all the circumstances of the Company the board does not perceive that the gains to be derived through the operation of a formal committee structured in the manner contemplated by the Recommendations can be cost justified.

4.2 The audit committee should be structured so that it:

- 4.2.1. consists only of non-executive directors;
- 4.2.2. consists of a majority of independent directors;
- 4.2.3. is chaired by an independent chair, who is not chair of the board;
- 4.2.4. has at least three members.

"If not, why not":

See the response to 2.1 above.

The Board has only two independent directors so the Company cannot comply with Recommendation 4.2.4. Mr Lim is resident in Singapore resulting in adverse cost implications if he were to personally attend meetings in Perth. The Company's policy regarding the composition of the Audit Committee (the full Board) has not been revised since Mr Lim's appointment.

4.3 The Audit Committee should have a formal charter.

4.4 Companies should provide the information indicated in Guide to Reporting on Principle 4.

5. Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.

6. Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.



- 6.2 Companies should provide the information indicated in the Guide to Reporting on Principle 6.
7. **Recognise and manage risk**
Companies should establish a sound system of risk oversight and management and internal control.
- 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
"If not, why not"
If this requirement is directed at requiring such summary to appear in this statement, that has not happened because a copy of the Company Risk Management Policy can be viewed on the Company's website.
- 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
"If not, why not"
Management has not reported to the board as to the effectiveness of the Company's management of its material business risks. Whilst the board recognises the benefit of the discipline of documenting such matters, the board has deployed its scarce resources to other endeavours in priority to the preparation of a written report on the matter of risk. Given that the Company has a Risk Management Policy in place and the nature, extent and scale of its operations are extremely limited with internal control measures already in place, the Company considers that it is managing its material business risks just as effectively as if a formal independent committee was established for the purpose recommended. The Company will review the need to require management to design and implement risk management and internal control systems as it develops.
- 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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 reporting risks.
- 7.4 Companies should provide the information indicated in Guide to Reporting on Principle 7.
"If not, why not":
The Board received from management a report as to the effectiveness of the Company's management of its material business risks. The Board has received declarations in accordance with section 295A of the Corporations Act. Whilst the board recognises the benefit of the discipline of documenting such matters, the board has deployed its scarce resources to other endeavours in priority to the preparation of a written report on the matter of risk given the Company has strict procedures in place and the board has two executive directors so they are well versed in the day to day affairs of the Company and know what measures are in place.
8. **Remunerate fairly and responsibly**
Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.
- 8.1 The board should establish a remuneration committee.
- 8.2 The Remuneration Committee should be structured so that it:
8.2.1. consists of a majority of independent directors;
8.2.2. is chaired by an independent director;
8.2.3. has at least three members.
"If not, why not":
See the response to 2.1 above.
- 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- 8.4 Companies should provide the information indicated in Guide to Reporting on Principle 8.
"If not, why not":
The information required by the Recommendation appears elsewhere in this Annual Report except that during the year ended 30 June 2012, the Board determined to put to shareholders for approval the proposition that equity based remuneration be provided to each director in accordance with the terms off the Notice of Meeting convening the 2011 Annual General Meeting. The Board was of the view that further review of remuneration was not desirable and was not to be undertaken given the state of the equity markets. Because the Board acted on an ad-hoc, unstructured basis as the Remuneration Committee, records were not maintained to enable full compliance.

ADDITIONAL INFORMATION

The following information is required by the Recommendations to appear in this Statement.

The board has agreed on the following guidelines for assessing the materiality of matters:

1. MATERIALITY – QUANTITATIVE

1.1. Statement of Financial Position items:

Statement of Financial Position items are material if they have a value of more than 5% of pro-forma net assets.

1.2. Statement of Comprehensive Income items:

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

2. MATERIALITY – QUALITATIVE

Items are also material if:

- 2.1. they are of a character that enlivens the obligation to disclose under either ASX Listing Rule 3.1 or the continuous disclosure obligations arising in terms of the Corporations Act;
- 2.2. they impact on the reputation of the Company;
- 2.3. they involve a breach of legislation;
- 2.4. they are outside the ordinary course of business;
- 2.5. they could affect the Company's rights to its assets;
- 2.6. if accumulated they would trigger the quantitative tests;
- 2.7. they involve a contingent liability that would have a probable effect of 5% or more on Statement of Financial Position or Statement of Comprehensive Income items; or
- 2.8. 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%.

3. MATERIAL CONTRACTS

Contracts will be considered material if:

- 3.1. they are outside the ordinary course of business;
- 3.2. they contain exceptionally onerous provisions in the opinion of the Board;
- 3.3. they impact on income or distribution in excess of the quantitative tests;
- 3.4. there is a likelihood that either party will default, and the default may trigger any of the quantitative tests;
- 3.5. they 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;
- 3.6. they contain or trigger change of control provisions;
- 3.7. they are between or for the benefit of related parties; or
- 3.8. they otherwise trigger the quantitative tests.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012



	Notes	2012 (\$)	2011 (\$)
Revenue:			
Interest income		105,574	197,839
Other revenue	3	102,673	65,386
Expenses:			
Bad debt expense		(66,119)	-
Depreciation expense	11	(55,736)	(54,292)
Exploration and tenement expenses		(1,226,296)	(2,456,468)
Impairment of available for sale financial assets		(59,084)	(14,789)
Share based payments expense	21	(258,660)	(190,905)
Other expenses	3	(496,463)	(506,697)
(Loss) before income tax expense		(1,954,111)	(2,959,926)
Income tax expense	4	-	-
(Loss) from continuing operations		(1,954,111)	(2,959,926)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,954,111)	(2,959,926)
Total comprehensive income for year attributable to members of the Company		(1,954,111)	(2,959,926)
Basic (loss) per share (cents per share)	7	(2.89)	(4.39)
Diluted (loss) per share (cents per share)	7	(2.89)	(4.39)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012



	Notes	2012 (\$)	2011 (\$)
Current Assets			
Cash and cash equivalents	8	1,354,592	2,808,652
Trade and other receivables	9	250,685	234,128
Other assets	10	13,986	6,443
Total Current Assets		<u>1,619,263</u>	<u>3,049,223</u>
Non-Current Assets			
Property, plant and equipment	11	96,412	152,148
Other financial assets	12	97,691	156,775
Total Non-Current Assets		<u>194,103</u>	<u>308,923</u>
TOTAL ASSETS		<u>1,813,366</u>	<u>3,358,146</u>
Current Liabilities			
Trade and other payables	13	262,304	216,556
Provisions	14	1,345	816
Total Current Liabilities		<u>263,649</u>	<u>217,372</u>
TOTAL LIABILITIES		<u>263,649</u>	<u>217,372</u>
NET ASSETS		<u>1,549,717</u>	<u>3,140,774</u>
Equity			
Contributed equity	15	12,435,920	12,331,526
Reserves	15	550,365	291,705
Accumulated (losses)		(11,436,568)	(9,482,457)
TOTAL EQUITY		<u>1,549,717</u>	<u>3,140,774</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012



	Contributed Equity (Net of Costs)	Employee Benefits Reserve	Accumulated Losses	Total
	(\$)	(\$)	(\$)	(\$)
Balance at 1.7.2010	11,121,526	100,800	(6,522,531)	4,699,795
Operating (loss) for the year	-	-	(2,959,926)	(2,959,926)
Shares issued during the year	1,260,000	-	-	1,260,000
Share issue costs	(50,000)	-	-	(50,000)
Share based payments expense	-	190,905	-	190,905
Balance at 30.6.2011	12,331,526	291,705	(9,482,457)	3,140,774
Balance at 1.7.2011	12,331,526	291,705	(9,482,457)	3,140,774
Operating (loss) for the year	-	-	(1,954,111)	(1,954,111)
Shares issued during the year	104,394	-	-	104,394
Share based payments expense	-	258,660	-	258,660
Balance at 30.6.2012	12,435,920	550,365	(11,436,568)	1,549,717

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012



magnetic resources^{NL}

	Notes	2012 (\$)	2011 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(415,012)	(438,117)
Interest received		105,574	197,839
Net cash (used in) operating activities	16	<u>(309,438)</u>	<u>(240,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(50,631)
Payments for exploration and evaluation		(1,130,264)	(2,725,370)
Purchase of new tenements		(14,358)	(24,757)
Purchase of investments		-	(30,300)
Net cash (used in) investing activities		<u>(1,144,622)</u>	<u>(2,831,058)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	16	-	1,260,000
Share issue costs		-	(50,000)
Net cash provided by financing activities		<u>-</u>	<u>1,210,000</u>
Net (decrease) in cash held		(1,454,060)	(1,861,336)
Cash and cash equivalents at the beginning of the financial year		2,808,652	4,669,988
Cash and cash equivalents at the end of the financial year	8	<u><u>1,354,592</u></u>	<u><u>2,808,652</u></u>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



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 28 September 2012.

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 \$1,044,000;
- (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).

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

(d) Acquisition of Assets

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

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

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



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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 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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



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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 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. "Fair value" commonly does not reflect realisable value and the Board does not represent that stated fair values reflect their view of market or realisable values. This observation is over-riding and shall prevail over any inconsistent possible interpretation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



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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) Interest in Joint Ventures

Interest in joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed, liabilities and expenses incurred and revenue from the sale of joint venture output. Interest in joint venture operations are brought to account by including assets and liabilities in their respective classifications using the cost method.

(o) 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.

(p) Share-based Payments and Value Attribution to Equity Remuneration/Benefits

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

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

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

The Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued, however, in the absence of reliable measure of the goods or services received, AASB 2: Share Based Payments prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant.

(q) Comparative Figures

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



(r) 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.

(s) 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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Share based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are ascribed a fair value using the Black-Scholes Option Pricing Model. This model uses assumptions and estimates as inputs.

(t) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to adopt any of the new and amended pronouncements before this becomes mandatory. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



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Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Company.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Company.

AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to Company items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Company.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- for an offer that may be withdrawn – when the employee accepts;
- for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

NOTE 2 OPERATING SEGMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



Segment Information

Identification of reportable segments

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

Revenue and assets by geographical region

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

Major customers

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

NOTE 3	REVENUE AND EXPENDITURE	2012 (\$)	2011 (\$)
REVENUE			
Other Income			
	Research and development grant (net of costs)	102,673	65,386
		<u>102,673</u>	<u>65,386</u>
EXPENDITURE			
Other Expenses			
	Occupancy costs	(90,000)	(90,000)
	Filing and ASX Fees	(27,250)	(32,560)
	Corporate and management	(215,548)	(187,488)
	Other expenses from continuing operations	(163,665)	(196,649)
		<u>(496,463)</u>	<u>(506,697)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 4 INCOME TAX EXPENSE

	2012 (\$)	2011 (\$)
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	<u>-</u>	<u>-</u>

The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:

Loss from continuing operations before income tax	1,954,111	2,959,926
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	586,233	887,978
Tax effect of Non-allowable items		
• Equity-settled share based payments expense	(77,598)	(57,271)
• R & D claim rebate	36,238	23,077
• Other	(22,539)	(789)
Deferred tax benefit on tax losses not brought to account	(522,334)	(852,995)
Income tax attributable to operating loss	<u>-</u>	<u>-</u>

Unrecognised temporary differences

Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:

Accrued expenses	(4,195)	(1,933)
Provisions	29,496	20,367
Available-for-sale financial assets loss	17,725	4,437
Unrecognised deferred tax assets relating to the above temporary differences	<u>43,026</u>	<u>22,871</u>

Unrecognised deferred tax assets

The Company has accumulated tax losses of \$10,258,973 (2011: \$8,517,860).

The potential deferred tax asset of these losses \$3,077,692 (2011: \$2,555,358) will only be recognised if:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 5	KEY MANAGEMENT PERSONNEL COMPENSATION	2012 (\$)	2011 (\$)
	Short-term employee benefits	307,078	284,198
	Post-employment benefits	10,800	10,800
	Equity-settled share based payments	258,660	160,200
		<u>576,538</u>	<u>455,198</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.

Options held by Key Management Personnel

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

30 June 2012:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Peter Thomas	1,000,000	500,000	-	-	1,500,000	1,500,000
George Sakalidis	1,600,000	800,000	-	-	2,400,000	2,400,000
Roger Thomson	1,050,000	500,000	-	-	1,550,000	1,550,000
Eric Lim	-	500,000	-	-	500,000	500,000
Rudolf Tieleman	250,000	400,000	-	-	650,000	650,000
Total	3,900,000	2,700,000	-	-	6,600,000	6,600,000

30 June 2011:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Peter Thomas	500,000	500,000	-	-	1,000,000	1,000,000
George Sakalidis	800,000	800,000	-	-	1,600,000	1,600,000
Roger Thomson	550,000	500,000	-	-	1,050,000	1,050,000
Rudolf Tieleman	250,000	-	-	-	250,000	250,000
Total	2,100,000	1,800,000	-	-	3,900,000	3,900,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



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 2012:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Peter Thomas			
Ordinary shares	28,555	-	28,555
Contributing shares	42,833	-	42,833
George Sakalidis			
Ordinary shares	4,270,531	626,576	4,897,107
Contributing shares	3,076,113	-	3,076,113
Roger Thomson			
Ordinary shares	238,445	-	238,445
Contributing shares	2,177,669	-	2,177,669
Eric Lim			
Ordinary shares – as held on date of appointment	-	3,350,000	3,350,000
Contributing shares	-	-	-
Rudolf Tieleman			
Ordinary shares	25,000	-	25,000
Contributing shares	600,000	-	600,000
Total Ordinary shares	4,562,531	3,976,576	8,539,107
Total Contributing shares	5,896,615	-	5,896,615

30 June 2011:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Peter Thomas			
Ordinary shares	28,555	-	28,555
Contributing shares	42,833	-	42,833
George Sakalidis			
Ordinary shares	4,270,531	-	4,270,531
Contributing shares	3,076,113	-	3,076,113
Roger Thomson			
Ordinary shares	238,445	-	238,445
Contributing shares	2,177,669	-	2,177,669
Rudolf Tieleman			
Ordinary shares	21,866	3,134	25,000
Contributing shares	600,000	-	600,000
Total Ordinary shares	4,559,397	3,134	4,562,531
Total Contributing shares	5,896,615	-	5,896,615

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 6 AUDITORS REMUNERATION

	2012 (\$)	2011 (\$)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	21,000	19,500
Other	1,050	-
	<u>21,050</u>	<u>19,500</u>

NOTE 7 EARNINGS PER SHARE

	2012 (\$)	2011 (\$)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(1,954,111)	(2,959,926)
Earnings used in calculating basic and diluted earnings per share	<u>(1,954,111)</u>	<u>(2,959,926)</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>67,620,228</u>	<u>67,356,540</u>

The Company had 17,418,862 (2011 – 17,418,862) partly-paid contributing shares and 7,140,000 options (2011 – 4,440,000) 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

	2012 (\$)	2011 (\$)
Cash at bank	151,871	151,730
Deposits at call	1,202,721	2,656,922
	<u>1,354,592</u>	<u>2,808,652</u>

NOTE 9 TRADE AND OTHER RECEIVABLES

	2012 (\$)	2011 (\$)
Trade receivables	26,550	93,877
GST and tax refundable	224,135	140,251
	<u>250,685</u>	<u>234,128</u>

NOTE 10 OTHER ASSETS

	2012 (\$)	2011 (\$)
Prepayments	<u>13,986</u>	<u>6,443</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 11	PROPERTY, PLANT, EQUIPMENT	2012 (\$)	2011 (\$)
Plant and equipment		165,895	165,895
Less: Accumulated depreciation		(129,534)	(96,534)
		<u>36,361</u>	<u>69,361</u>
Motor vehicles		113,681	113,681
Less: Accumulated depreciation		(53,630)	(30,894)
		<u>60,051</u>	<u>82,787</u>
		<u>96,412</u>	<u>152,148</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		152,148	155,809
Additions		-	50,631
Disposals		-	-
Depreciation expense		(55,736)	(54,292)
Total plant, equipment and motor vehicles at end of year		<u>96,412</u>	<u>152,148</u>
NOTE 12	OTHER FINANCIAL ASSETS	2012 (\$)	2011 (\$)
Non-Current			
Available-for-sale financial assets – shares in listed corporations		97,691	156,775
		<u>97,691</u>	<u>156,775</u>
Investments in related parties			
Available-for-sale financial assets includes the following investments held in director-related party entities:			
Image Resources NL		89,945	138,862
Meteoric Resources NL		5,200	12,000
Emu Nickel NL		2,546	5,913
		<u>97,691</u>	<u>156,775</u>
NOTE 13	TRADE AND OTHER PAYABLES	2012 (\$)	2011 (\$)
Trade creditors and accruals		<u>262,304</u>	<u>216,556</u>
NOTE 14	CURRENT PROVISIONS	2012 (\$)	2011 (\$)
Leave accruals		1,345	816

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 15 EQUITY

	2012		2011	
	No.	\$	No.	\$
Contributed Equity – Ordinary Shares				
At the beginning of year	67,517,636	12,331,526	64,717,636	11,121,526
Shares issued during the year at \$0.45 each	-	-	2,800,000	1,260,000
Shares issued during the year at \$0.20 each	521,970	104,394	-	-
Share issuance costs	-	-	-	(50,000)
Closing balance:	68,039,606	12,435,920	67,517,636	12,331,526
Contributed Equity – Contributing Shares – Partly-paid				
At the beginning of year	17,418,862	-	17,418,862	-
Conversion to fully paid ordinary shares	-	-	-	-
Closing balance:	17,418,862	-	17,418,862	-
Reserves				
Employee benefits reserve (i)		550,365		291,705
Closing balance		550,365		291,705

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

Options

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

Options exercisable at \$0.2709 on or before 23.12.2014 to acquire fully paid ordinary shares	2,295,000	2,295,000
Options exercisable at \$0.4607 on or before 21.12.2015 to acquire fully paid ordinary shares	2,145,000	2,145,000
Options exercisable at \$0.1499 on or before 27.12.2016 to acquire fully paid ordinary shares	2,700,000	-
Total Options	7,140,000	4,440,000

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 16 CASH FLOW INFORMATION

	2012 (\$)	2011 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(1,954,111)	(2,959,926)
Bad debts expense	66,119	-
Depreciation and amortisation	55,736	54,292
Exploration expenditure	1,226,296	2,456,468
Loss on available-for-sale financial assets	59,084	14,789
Share based payments	258,660	190,905
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables relating to operating activities	(81,855)	(14,764)
(Increase)/decrease in prepayments	(7,543)	3,581
Increase in trade and other payables in relation to operating activities	67,647	13,927
Increase in provisions	529	450
Cash flow from operations	(309,438)	(240,278)

Non-cash financing activity:

During the year ended 30 June 2012, the Company issued 521,970 fully paid ordinary shares as settlement of drilling expenses of \$104,394.

NOTE 17 TENEMENT EXPENDITURE CONDITIONS

The Company has many tenements. Pursuant to relevant legislation in Western Australia, those 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 \$1,065,417. The Company intends to rationalise its tenement interests in order to focus on the more prospective tenements with the consequence that it is expected during the financial year ended 30 June 2013, the prescribed expenditure conditions will applicable to the Company's holdings will diminish.

The Company has the ability to diminish its exposure under these conditions through the application of a variety of techniques including applying for exemptions (from the regulatory expenditure obligations), surrendering tenements, relinquishing portions of tenements or entering into farm-out agreements whereby third parties bear the burdens of such obligation in whole or in part.

NOTE 18 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 19 EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than the matters referred to in the directors' report or as reported to ASX.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



NOTE 20 EQUITY-SETTLED SHARE BASED PAYMENTS

On 27 December 2011, 2,700,000 share options were granted to directors and the company secretary to take up ordinary shares. The options are exercisable on or before 27 December 2016, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. Each option was ascribed a fair value of \$0.0958, calculated using the Black-Scholes Option Pricing Model applying the following inputs:

Exercise price:	\$0.22
Life of option:	5 years
Expected share price volatility:	127%
Risk-free interest rate:	4.04%
Discount factor for being unlisted and associated lack of marketability	20%

The share based payments expense (assessed by reference to "fair value") shown in the financial report amounted to \$258,660 (2011: \$Nil).

NOTE 21 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

The Company is party to a Serviced Offices Agreement with Image Resources NL (**Image**), a director-related party, whereby Image has agreed to provide the Company with serviced offices at 16 Ord Street, West Perth for a fee of \$7,500 per month, terminable at will by either party on one month's notice. The amount owing at 30 June 2012 under that arrangement amounted to \$49,500 including GST.

Particulars of contractual arrangements and financial benefits provided to the key management personnel are detailed in the directors' report. The total amount owing to directors and/or director-related parties (including GST) at 30 June 2012 was \$68,403.

Save as disclosed above, there were no related party or related entity transactions.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



The working capital position of the Company at 30 June 2012 and 30 June 2011 was as follows:

	2012 (\$)	2011 (\$)
Cash and cash equivalents	1,354,592	2,808,652
Trade and other receivables	250,685	234,128
Trade and other payables	(262,304)	(216,556)
Working capital position	1,342,973	2,826,224

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:

	2012 (\$)	2011 (\$)
AAA rated	-	-
AA rated	-	-
A rated	1,354,592	2,808,652

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

	2012 (\$)	2011 (\$)
Trade and other receivables		
Trade and other receivables	26,550	93,877
GST and tax refundable	224,135	140,251
	250,685	234,128

(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.

2012	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		1,354,592	-	1,354,592
Other receivables		-	250,685	250,685
Available-for sale financials assets		-	97,691	97,691
Total Financial Assets	4.22%	1,354,592	348,376	1,702,968
Financial Liabilities				
Trade and other payables		-	(262,304)	(262,304)
Net Financial Assets		1,354,592	86,072	1,440,664

	2012 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(262,304)
	(262,304)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012



2011	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		2,808,652	-	2,808,652
Other receivables		-	234,128	234,128
Available-for sale financials assets		-	156,775	156,775
Total Financial Assets	5.51%	2,808,652	390,903	3,199,555
Financial Liabilities				
Trade and other payables		-	(216,556)	(216,556)
Net Financial Assets		2,808,652	174,347	2,982,999

2011
(\$)

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

Less than 6 months

(216,556)

(216,556)

(c) 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).

2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	97,691	-	-	97,691
	97,691	-	-	97,691
2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	156,775	-	-	156,775
	156,775	-	-	156,775

**NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS for the year ended 30 June 2012**



(d) **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:

	2012 (\$)	2011 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	(27,092)	(56,173)
- Decrease in interest rate by 2%	27,092	56,173
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	27,092	56,173
- Decrease in interest rate by 2%	(27,092)	(56,173)

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Act 2001;
 - (b) give a true and fair view of the financial position as at 30 June 2012 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 2012 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 this 28th day of September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETIC RESOURCES NL



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WA 6005

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WA 6872

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Chartered Accountants
Business Consultants
Financial Advisors

Report on the Financial Report

We have audited the accompanying financial report of Magnetic Resources NL which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Magnetic Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Magnetic Resources NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETIC RESOURCES NL

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2012. The directors of the company 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 conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Magnetic Resources NL for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Somes Cooke

SIGNED: NICHOLAS HOLLENS

Somes Cooke
1304 Hay Street
West Perth WA 6005

28 September 2012

TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
E59/1781	Application	TWIN PEAKS	100%
E70/2828	Granted	ROCK DAM HILL	100%
E70/3498	Granted	LAKE GRACE	100%
E70/3533	Granted	HOLLAND ROCKS	100%
E70/3535	Application	JUROPIN ROCKS	100%
E70/3536	Granted	JUBUK	100%
E70/3541	Granted	NORTH TARIN ROCK	100%
E70/3591	Granted	JITARNING	100%
E70/3605	Granted	GREENSHIELD SOAK	100%
E70/3716	Granted	LOMOS	100%
E70/3789	Granted	CHINOCUP	100%
E70/3790	Granted	DUDININ	100%
E70/3794	Granted	BUNTINE	100%
E70/3795	Granted	WOOBIN WELL	100%
E70/3796	Granted	LAKE GOORLI	100%
E70/3839	Granted	DUNEDIN	100%
E70/3888	Granted	TAMAR HILLS	100%
E70/3910	Granted	NUGADONG	100%
E70/3912	Granted	MILING	100%
E70/3918	Granted	GUNYIDI	100%
E70/3919	Granted	CHIARCONO	100%
E70/3921	Granted	CALINGIRI	100%
E70/3922	Granted	MAWSON	100%
E70/3925	Granted	BUNDAROO	100%
E70/3972	Granted	NUNGARIN	100%
E70/4179	Granted	LAKE KING	100%
E70/4243	Granted	RAGGED ROCK	100%
E70/4355	Application	BUNTINE WEST	100%
E70/4384	Application	MT MARY	100%

OTHER INFORMATION

The following information was applicable as at 20 September 2012.

Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares	Options 23.12.2014	Options 21.12.2015	Options 27.12.2016
1 to 1,000	675	1,083			
1,001 to 5,000	252	517	3	1	
5,001 to 10,000	136	85	2	3	
10,001 to 100,000	323	88	5	6	
100,001 and over	78	21	4	3	5
Total	1,464	1,794	14	13	5

The number of shareholdings held in less than marketable parcels is 949 fully paid ordinary shares and 1,764 partly paid contributing shares.

There are no listed options.

Substantial shareholders:

The names of the substantial shareholders listed in the Company's register as at 20 September 2012:

Shareholder Name	Number of Shares	% of Issued Share Capital
Image Resources NL	7,248,011	10.65
UOB Kay Hian Private Ltd <Clients A/c>	6,079,344	8.94
George Sakalidis	5,163,480	7.59
Ava Cartel SDN BHD	4,616,672	6.79
Hian Siang Chan	3,800,000	5.58
Total	26,907,507	39.55

Twenty largest shareholders – Quoted fully paid ordinary shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	Image Resources NL	7,248,011	10.65
2.	UOB Kay Hian Private Ltd <Clients A/c>	6,079,344	8.94
3.	Ava Cartel SDN BHD	4,616,672	6.79
4.	Hian Siang Chan	3,800,000	5.58
5.	Leeman Pty Ltd	3,769,795	5.54
6.	NEFCO Nominees Pty Ltd	2,974,000	4.37
7.	Choon Kong Lim	2,361,111	3.47
8.	Citicorp Nominees Pty Ltd	2,172,681	3.19
9.	George Sakalidis	1,186,797	1.74
10.	Chin Huat Loo	1,113,347	1.64
11.	Sian Hoon Margaret Teo	1,088,889	1.60
12.	National Nominees Ltd	1,037,000	1.52
13.	Sino Europe Investments Ltd	1,000,230	1.47
14.	Earle G McIntosh	1,000,000	1.47
15.	Jan G Haank and LC Chen	800,000	1.18
16.	HSBC Custody Nominees Australia Ltd	771,891	1.13
17.	Denis Ribton	765,555	1.13
18.	Denis and J Ribton <Ribton Super A/c>	700,000	1.03
19.	Lee Beng Ho and Mun S Eow	666,666	0.98
20.	ABN Amro Clearing Sydney <Customer A/c>	574,961	0.85
	Total	43,726,950	64.27

OTHER INFORMATION



Twenty largest shareholders – Quoted partly-paid contributing shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	Ian Baron	2,051,999	11.78
2.	George and J Sakalidis<Sakalidis Super A/c>	2,040,333	11.71
3.	Roger Thomson <Thomson Super A/c>	2,000,000	11.48
4.	Denis Ribton	1,186,418	6.81
5.	George Sakalidis	958,114	5.50
6.	Brispot Nominees Pty Ltd <House Head A/c>	725,930	4.17
7.	TPT Nominee Pty Ltd <Tieleman Practice A/c>	500,000	2.87
8.	Barrington and J Dance <Dance Super A/c>	450,000	2.58
9.	Barrington Dance	412,438	2.37
10.	Eric and J Terace	254,999	1.46
11.	Gilpin Park Pty Ltd	247,222	1.42
12.	Gaynor Christensen	228,567	1.31
13.	Auto Management Pty Ltd	218,654	1.26
14.	Peter and M Taylor <Good Oil Super A/c>	194,500	1.12
15.	Devomp Pty Ltd <Alanta Super A/c>	190,866	1.10
16.	Vernon and J Wheatley <Pulo Rd Super A/c>	173,214	0.99
17.	Goffacan Pty Ltd	173,134	0.99
18.	Meggsies Pty Ltd	157,415	0.90
19.	Jon Snow Investments Pty Ltd	120,000	0.69
20.	Russell Nominees Pty Ltd <Tieleman Family A/c>	100,000	0.57
	Total	12,383,803	71.08

Twenty largest option holders – All options are unquoted:

	Optionholder Name	Options Expiring 23.12.2014	Options Expiring 21.12.2015	Options Expiring 27.12.2016	Total Options	% Held
1.	George Sakalidis	800,000	800,000	800,000	2,400,000	33.61
2.	Roger M Thomson	550,000	500,000	500,000	1,550,000	21.71
3.	Peter S Thomas	500,000	500,000	500,000	1,500,000	21.01
4.	Rudolf Tieleman	250,000	-	400,000	650,000	9.10
5.	Employee Share Option Plan Participants	195,000	345,000	-	540,000	7.56
6.	Eric Lim	-	-	500,000	500,000	7.00
	Total	2,295,000	2,145,000	2,700,000	7,140,000	100.00

There are a total of 68,039,606 fully paid ordinary shares, 17,418,862 partly-paid contributing shares and 7,140,000 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.