



magnetic resources^{NL}

ANNUAL REPORT

**FINANCIAL YEAR
ENDED 30 JUNE 2016**

ABN: 34 121 370 232

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CORPORATE DIRECTORY



magnetic resources^{NL}

DIRECTORS

ERIC LIM (B.Comm)
Non-Executive Chairman

GEORGE SAKALIDIS (B.SC (Hons))
Executive Director

JULIEN SANDERSON (FCA)
Non-Executive Director

COMPANY SECRETARY
BEN DONOVAN

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

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

AUDITORS
Greenwich & Co Audit Pty Ltd
Chartered Accountants
Level 2, 35 Outram Street, West Perth WA 6005

STOCK EXCHANGE
Australian Securities Exchange (ASX)

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

ISSUED CAPITAL
141,538,659 fully paid ordinary shares.
20,418,862 partly paid shares (\$0.20 unpaid).
12,757,143 options to acquire fully paid shares exercisable at \$0.1499 by 27 December 2016
4,000,000 options to acquire fully paid shares exercisable at \$0.17 on or by 31 December 2017
150,000 options to acquire fully paid shares exercisable at \$0.18 on or by 31 December 2017

PROJECTS SUMMARY

GOLD

Mount Jumbo

The Mt Jumbo gold rich shear straddles EL38/3100 and ELA38/3127 and totals greater than 1.3km in length. A number of intersections are recorded Figures 3-6 and Table 1. This shear zone is very prospective and appears as a NNE fault intersection off a NS fault that passes just west of the Wallaby 7Moz deposit. This shear zone has been drilled by Normandy Exploration Limited, between 1994 to 1996 within the Mount Ajax E38/557 and are summarised in annual reports for the period 7 October 1993 to 6 October 1996, GSWA WAMEX Reports A46159, 48654, 49933.

Numerous high grade results are present with **34 intersections having over 2m @ 2g/t** Some of the better intersections include **15m @ 2.4g/t** from 97m in hole AXC013 (Fig.6 and Table 1) and **4m @ 7.2g/t** from 104m in hole AXC048 (Table 1) and the mineralisation is often associated with gossanous mineralisation which in some cases appear open at depth (Fig 5 and 6). A detailed ground magnetic survey (143km) has been completed over the 1.3km shear zone and over accessible parts of the interpreted Wallaby style intrusive.

Three lines of Induced Polarisation (I.P.) are shown on Fig 3. These lines are being carried out in September to characterise the gossanous gold rich shear zone encountered in the drilling and to also define the potential depth extent of this shear zone. There are at least 2 separate gold trends that are being mapped by this I.P. **A 4-hole RC drill programme is planned for October 2016** to test for depth extensions of the northern part of the Mt Jumbo shear zone (Fig.3).

A number of other prospective areas have been interpreted from aeromagnetics. Detailed cesium vapour ground magnetic surveys (472km) have recently been carried out to help define the interpreted shear zones and intrusives. A subsequent field visit has prioritised the respective areas and in some cases initial I.P. surveys are recommended. Additional drilling will be carried out on the southern part of the Mt Jumbo Shear Zone and other prospective areas outlined once the Hawks Nest (ELA38/3127) tenement is granted in October-November.

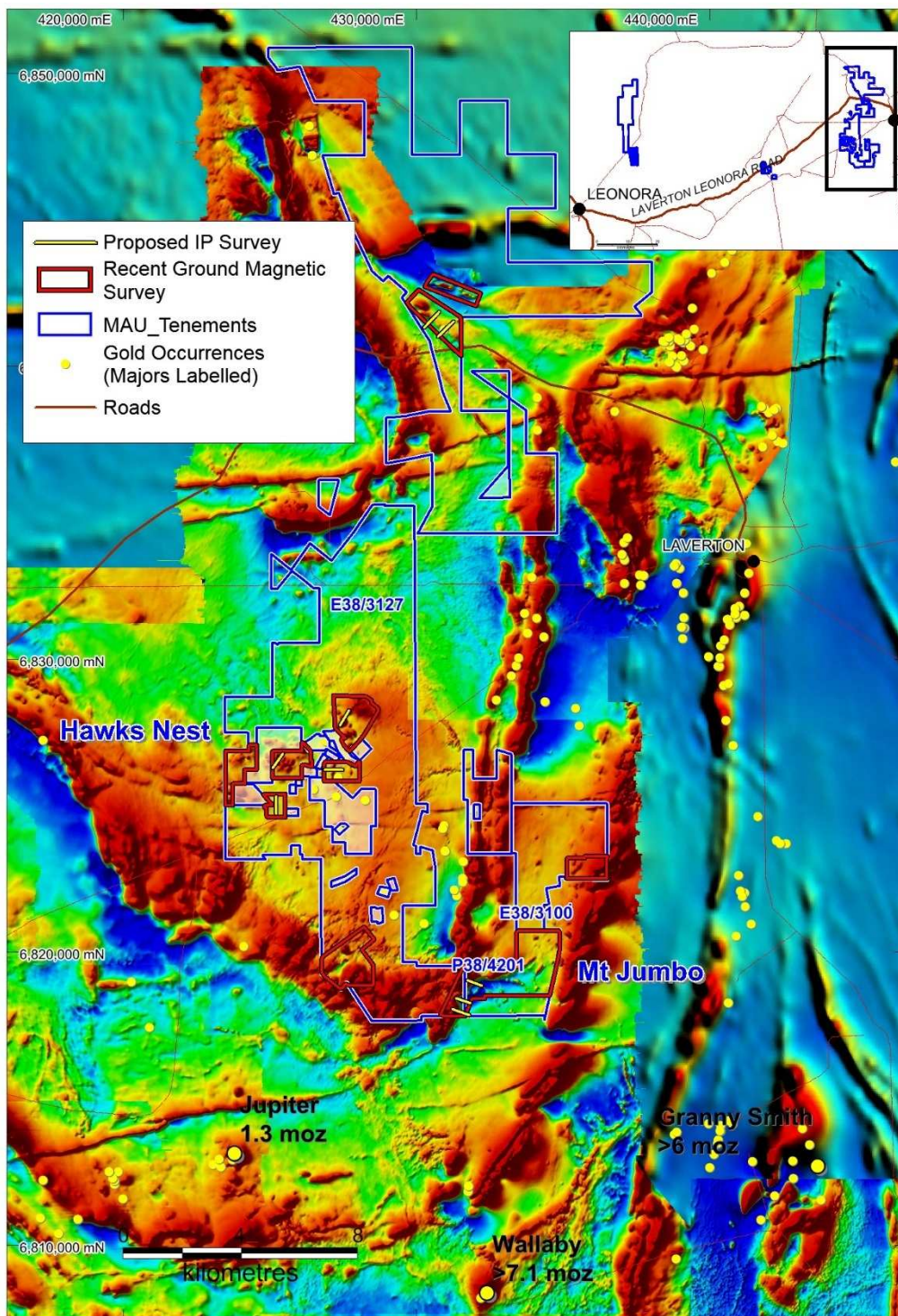


Figure 1. Laverton tenements, gold deposits, ground magnetics completed, I.P. surveys planned and detailed aeromagnetics.

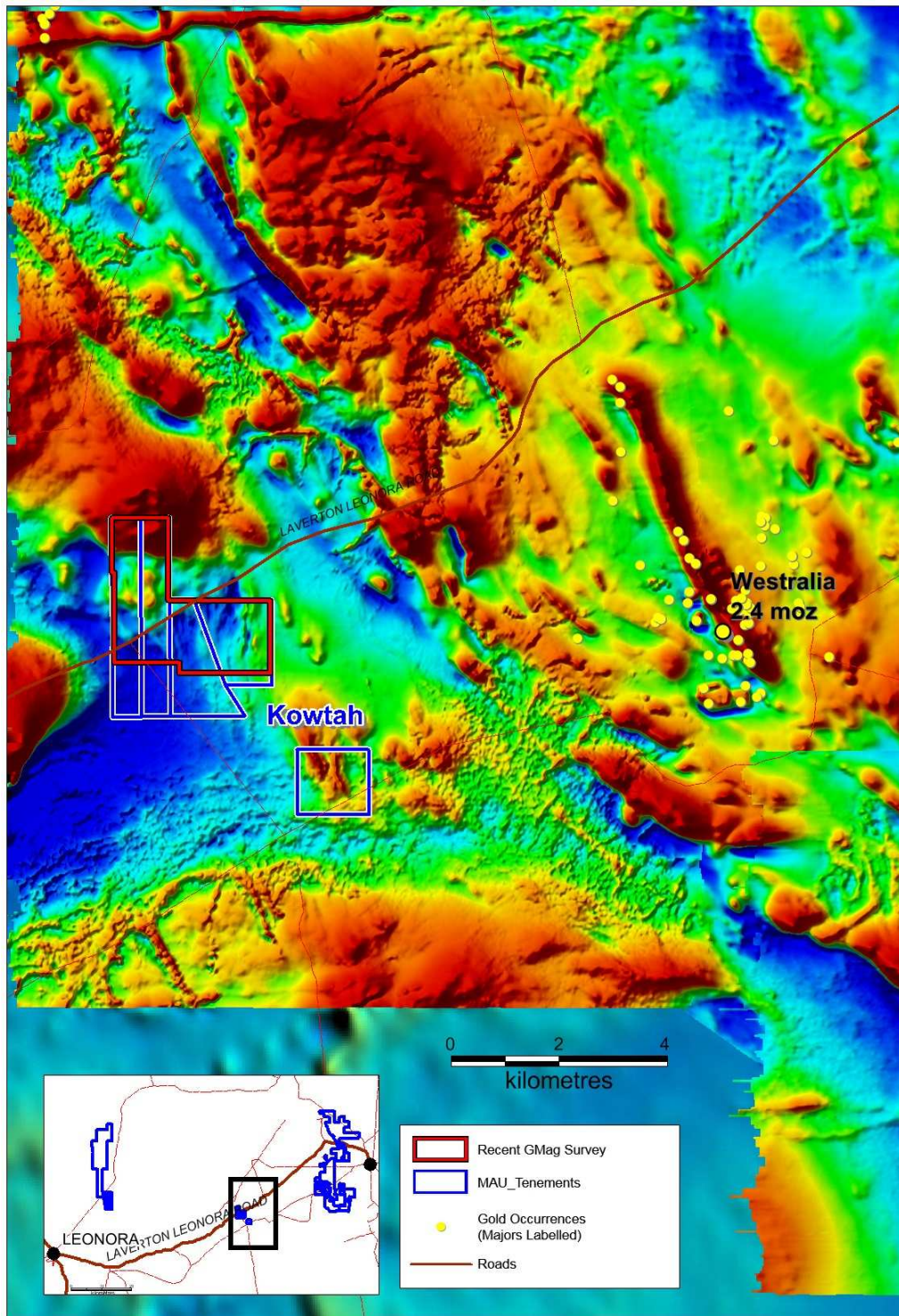


Figure 2. Leonora-Laverton tenements, gold deposits, ground magnetics completed and detailed aeromagnetics.

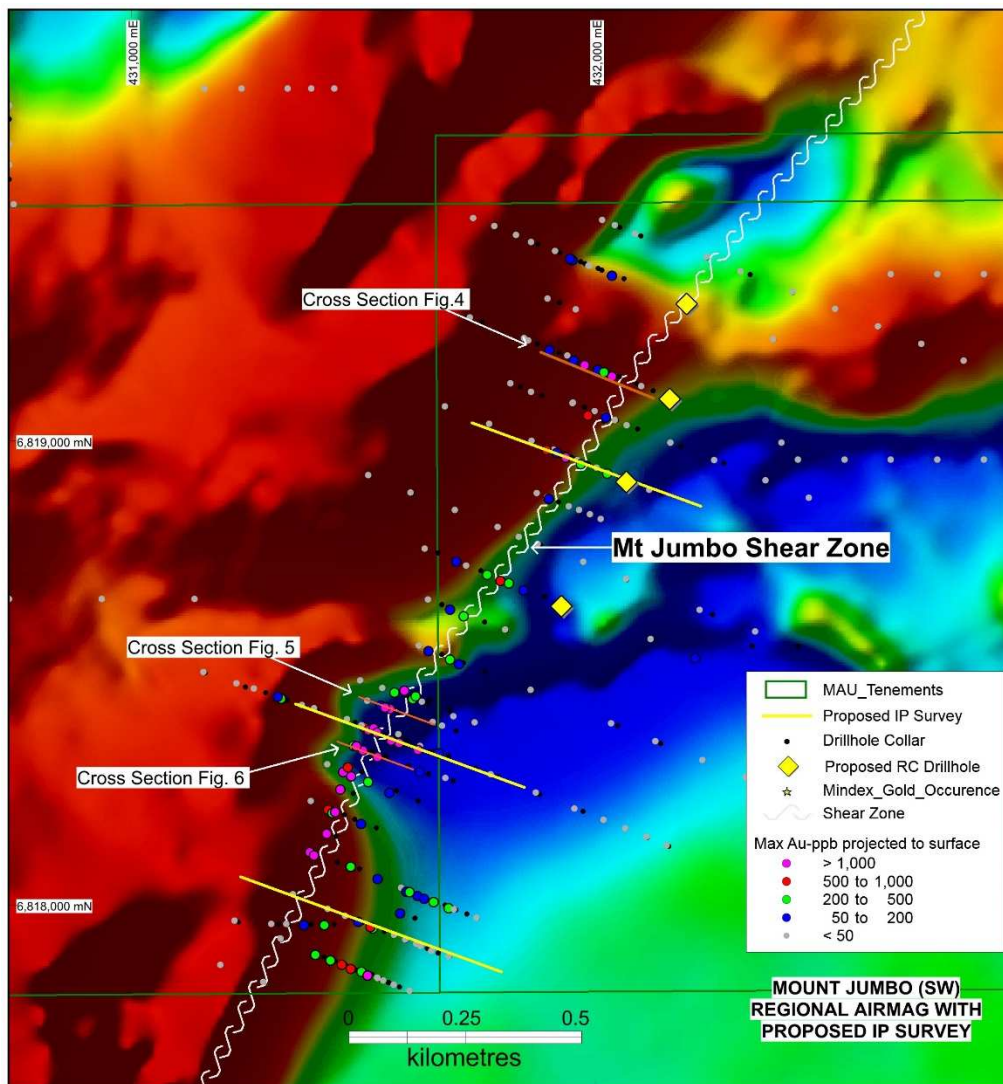


Figure 3. Mt Jumbo maximum gold intercepts projected to surface, historical cross sections, proposed I.P. surveys and RC drill holes.

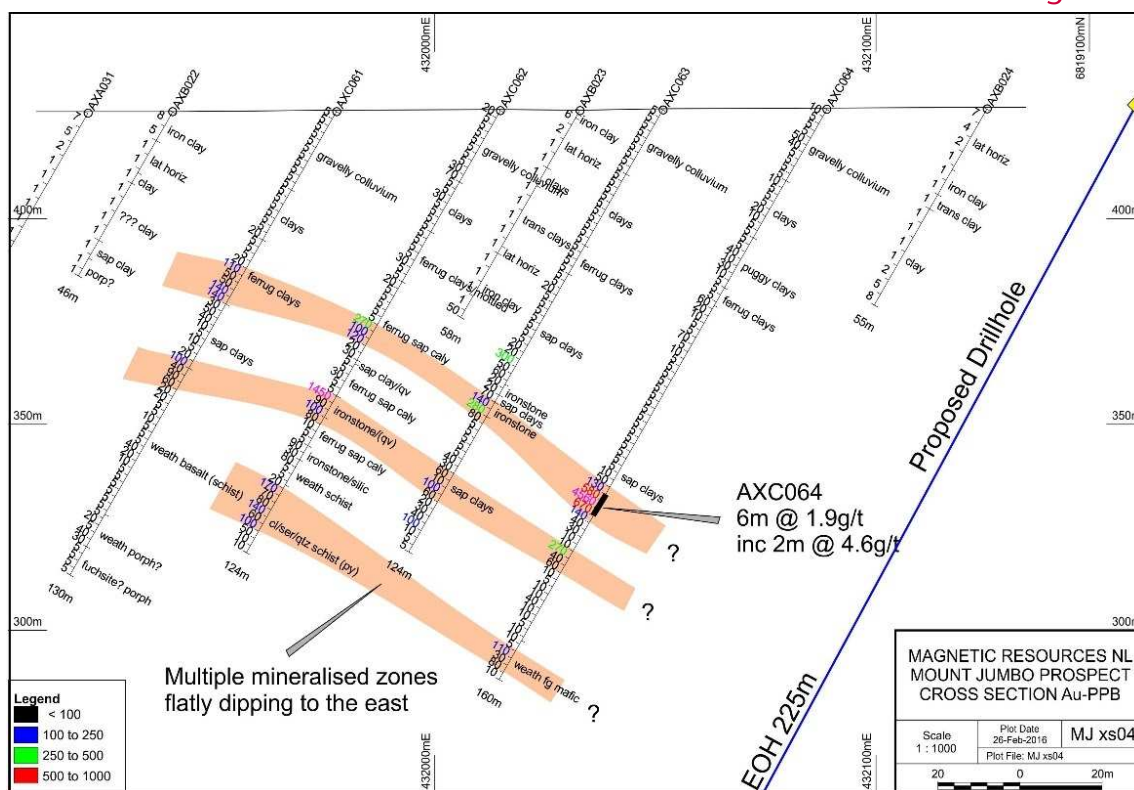


Figure 4. Mt Jumbo cross section

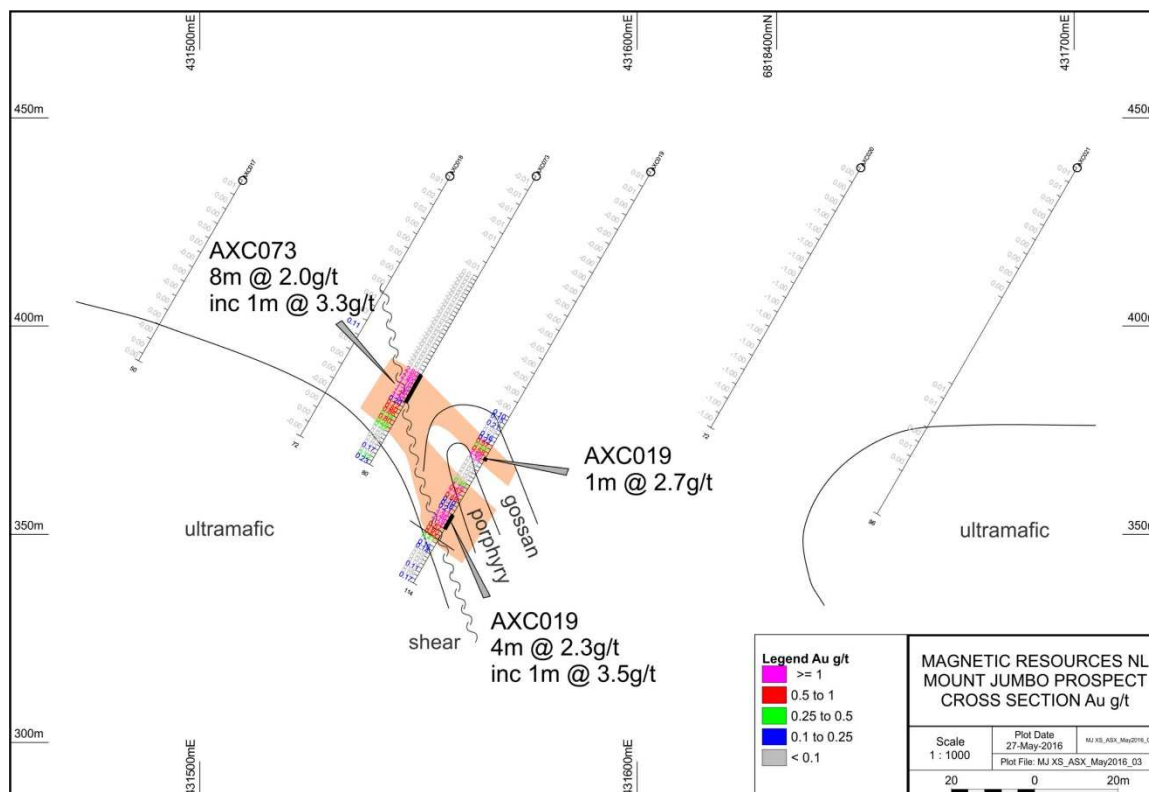


Figure 5. Mt Jumbo Cross Section

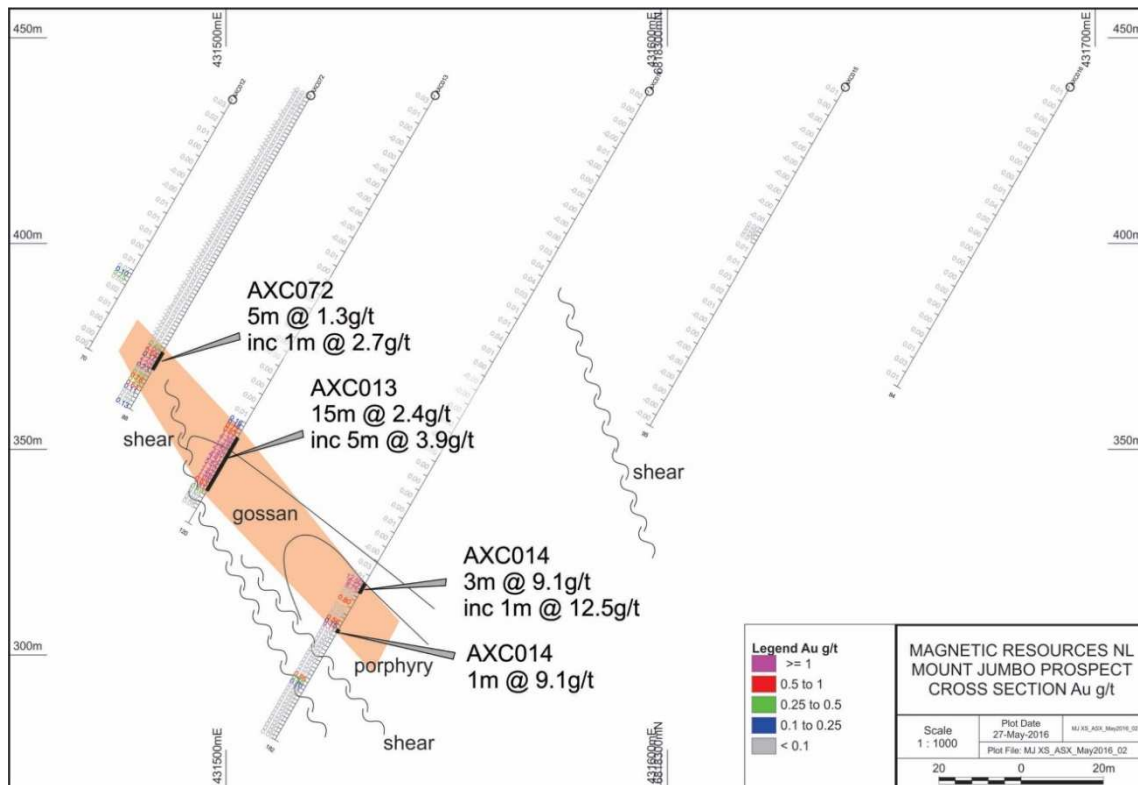


Figure 6. Mt Jumbo cross section

Hawks Nest 3

Hawks Nest 3 (Fig. 7 and 8) is a broad zone defined by surface sericite alteration of a porphyry and a mafic unit with an unusual carbonate rich sediment which have been drilled extensively down to 80m vertically. There is an extensive supergene gold mineralisation at 30-40m depth covering an area of 400m EW and 300m NS with 17 holes having values above 1g/t and a high value of 1m @13g/t from 22m in hole HNRC007 at 425176E 6825105N. An IP line is planned over the central part of this supergene zone to help define the down dip extent and source of the supergene zone prior to deeper drilling below 80m. Previous explorers include Metex May 1999 Wamex Report A67631 and Exodus Minerals Annual Report 97-98 Wamex Report A53924.

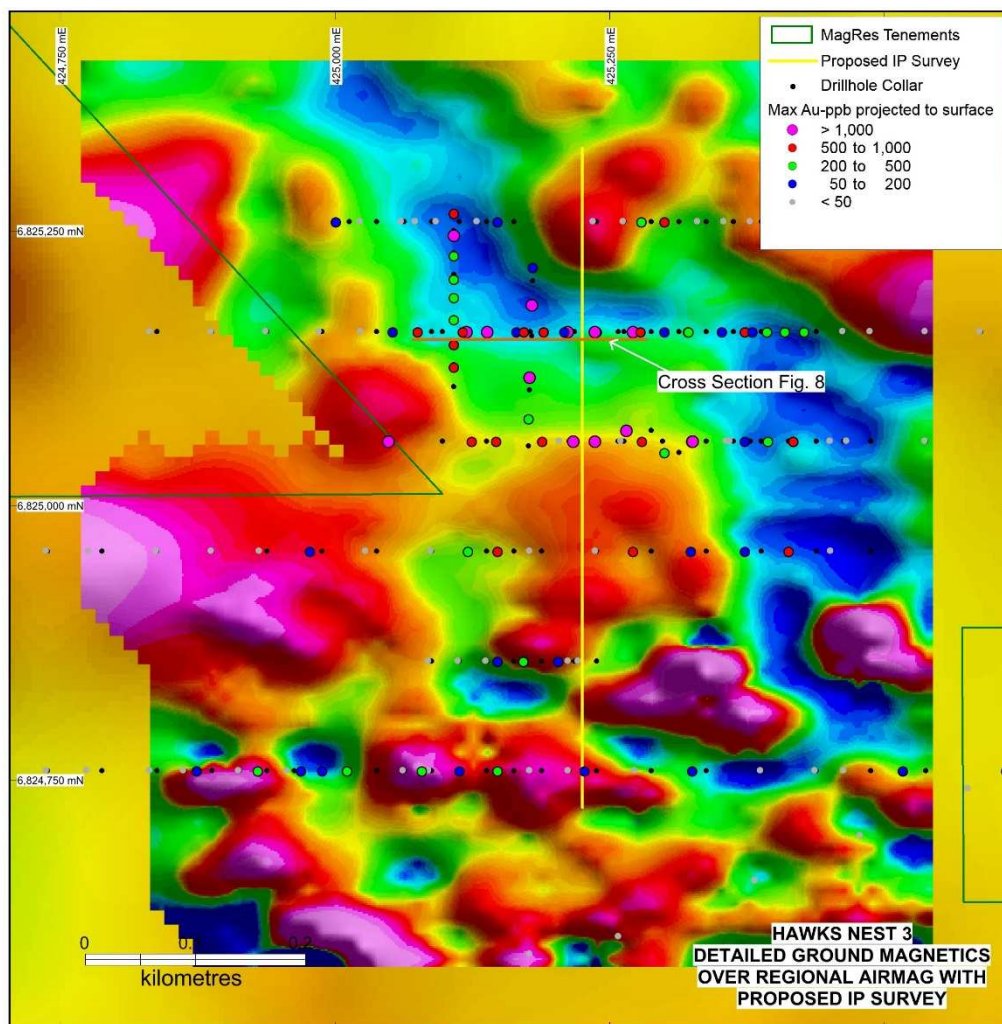


Figure 7. Hawks Nest 3 ground magnetics, maximum gold intercepts projected to surface, proposed I.P. surveys and cross section.

Legend Au g/t

- >= 1
- 0.5 to 1
- 0.25 to 0.5
- 0.1 to 0.25
- < 0.1

**MAGNETIC RESOURCES NL
HAWKS NEST 3
CROSS SECTION Au g/t**

Scale 1 : 1000

Plot Date 31-Aug-2016

Plot File xshn3_Asx

20 0 20m

- 11 -

Hawks Nest 7

The Marabou shear zone which is also called Hawks Nest 7 (Fig. 9) is 2.3km long and is well defined by a detailed cesium vapour ground magnetic survey completed recently. A number of anomalous gold intersections are present along this shear including 2m @ 110g/t from 38m within hole LJA0035 and 1m @ 3.6g/t from 44m in hole LJA0002. The shear zone is defined by quartz veins and disseminated sulphides and by a conductive zone as well. Two lines of IP are planned here to help define the sulphides at depth prior to any further deeper drilling.

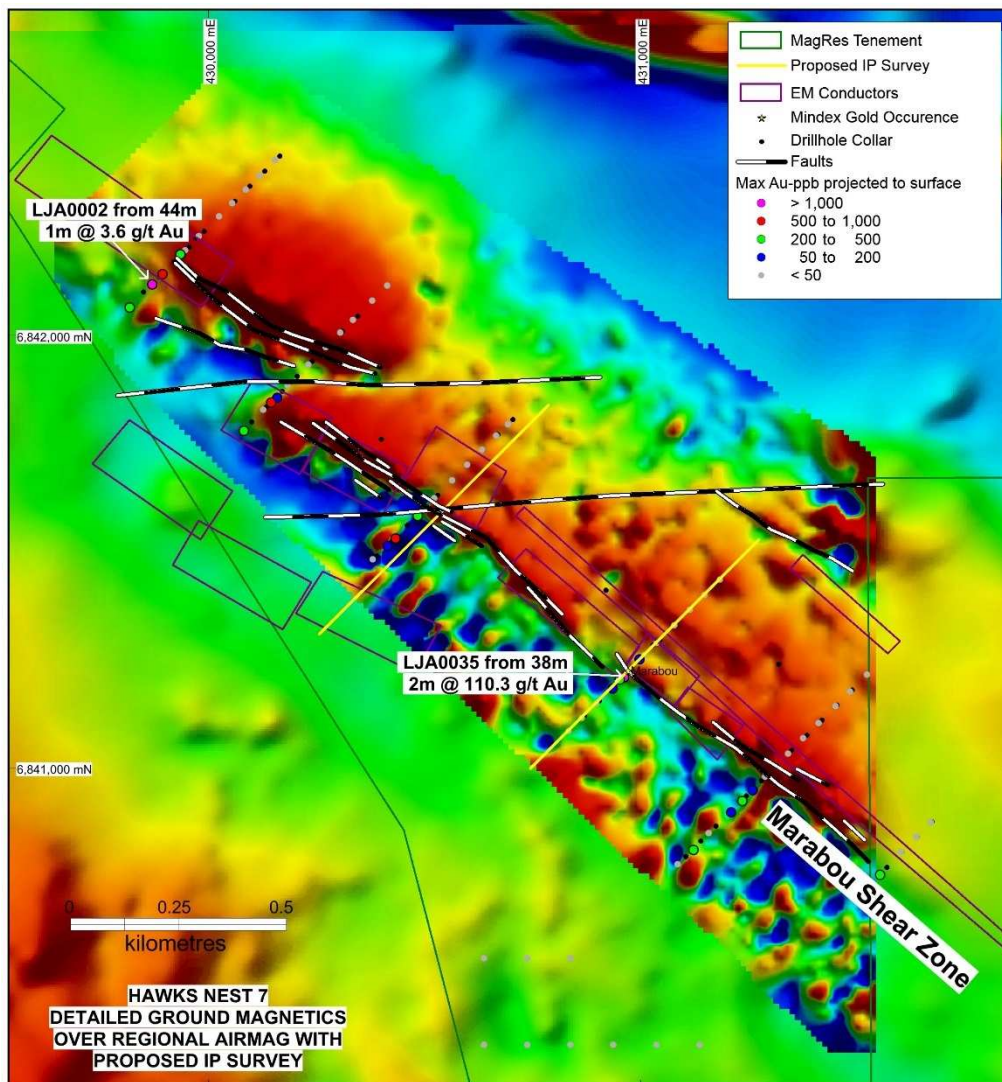


Figure 9. Hawks Nest 7 ground magnetics, maximum gold intercepts projected to surface, EM conductors and proposed I.P. survey.

Hawks Nest 4

The Hawks Nest 4 area has well defined magnetic mafic rocks which are disrupted by WNW structures. The southernmost structure has a number of historical diggings containing quartz veins and ironstones. Sample HNR017 (Table 2) had a high rock chip value of 51.7 g/t Au within an ironstone on surface from recent sampling. This is very encouraging and an IP line will be completed over this mineralised structural zone prior to drilling.

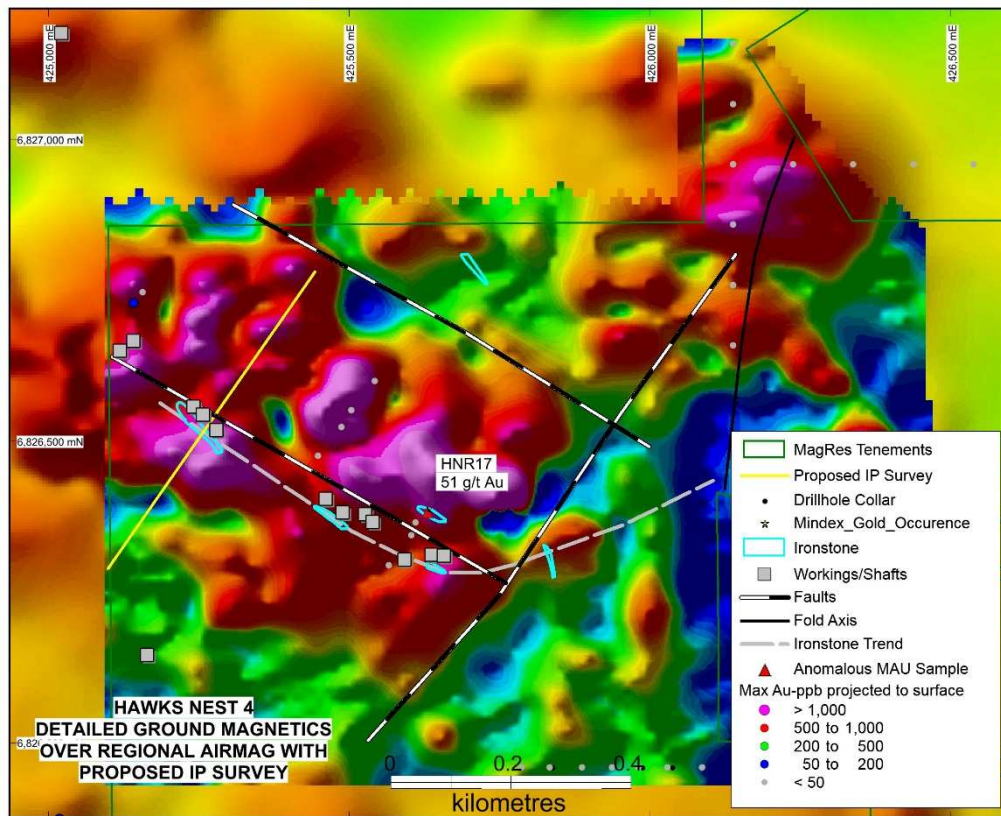


Figure 10. Hawks Nest 4 ground magnetics, historical diggings, anomalous rock chip sample and proposed I.P. survey.

Hawks Nest 5

Has a well-defined NS sheared strongly magnetic silicified banded magnetite-amphibolite unit that is up to 150m wide. A surface sample HNR08 from a working averaged 1.63g/t HNR06 (Table2) on the interpreted NS shear zone (Fig. 11). A line of I.P. is recommended which will also cover part of the shear zone and some of the old Emerald diggings prior to any drilling.

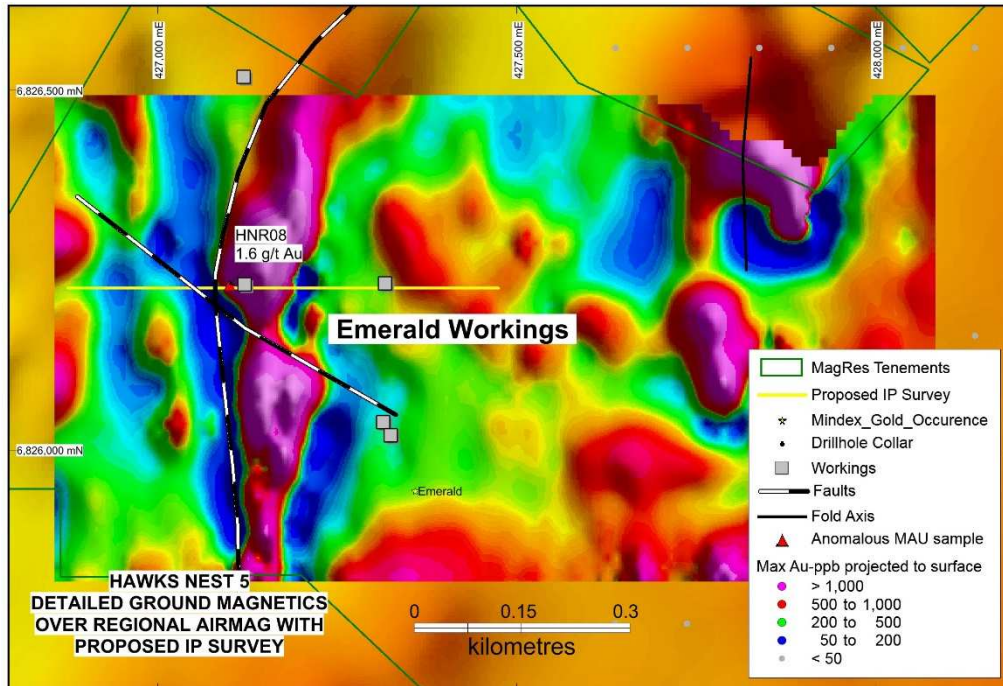


Figure 11. Hawks Nest 5 maximum gold intercepts projected to surface, anomalous rock chip sample and proposed I.P. survey.

Hawks Nest 6

Hawks Nest 6 has two 400m diameter circular magnetic anomalous interpreted mafic units that are broken up by NNW trending faults. The intersection of the NNW and NNE faults is seen as prospective target area and a line of I.P. is planned there will also straddle the northern circular feature.

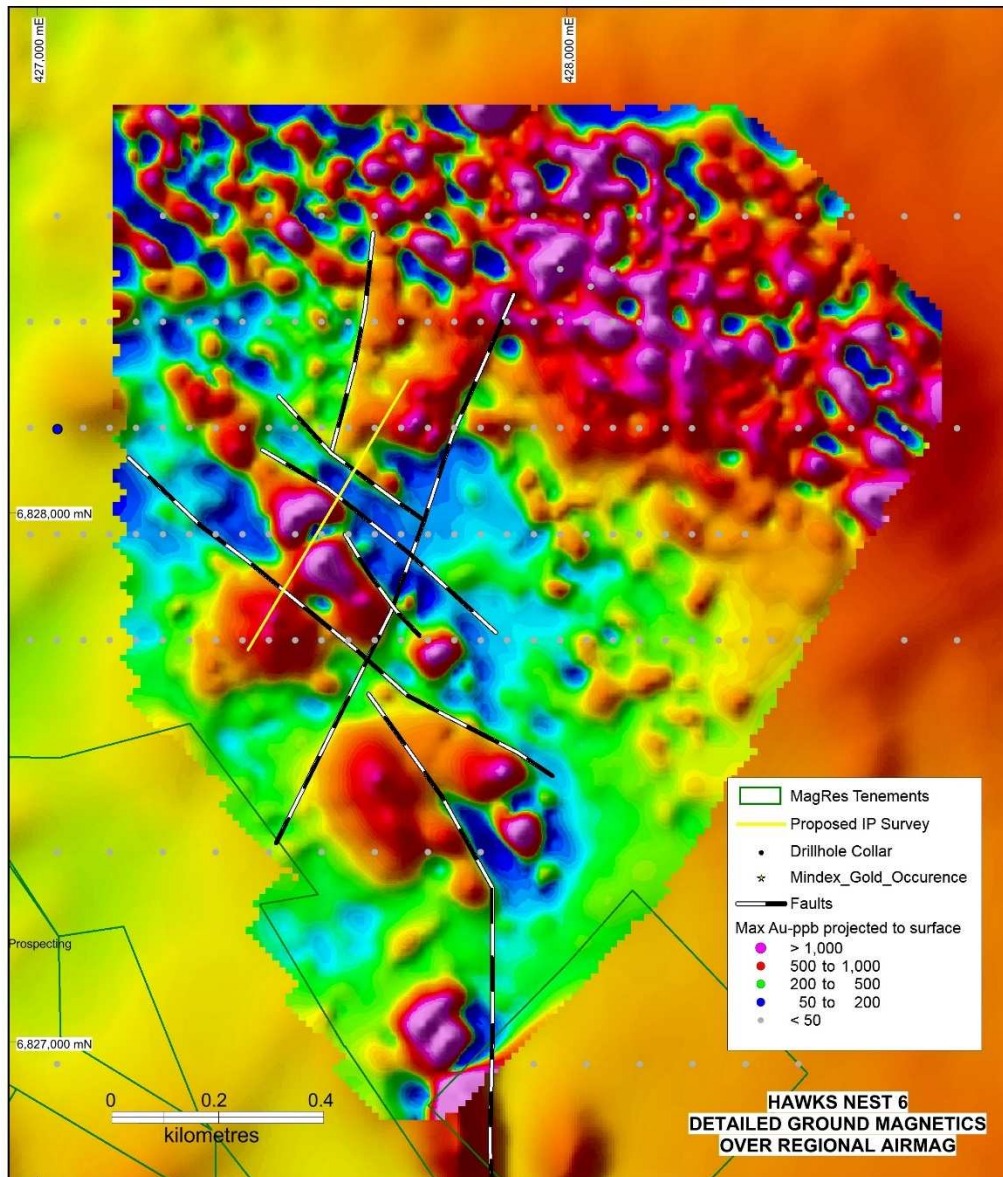


Figure 12. Hawks Nest 6 ground magnetic survey and Proposed I.P. Survey.

Table 1. Mt Jumbo Significant (>2g/t) Gold Intercepts

Hole_Id	MGA_East	MGA_North	From(m)	To(m)	Width(m)	Au g/t
AXA011	431958	6818960	48	52	4	2.4
AXC005	431612	6818340	72	73	1	6.9
AXC005			78	80	2	4.1
AXC005			96	97	1	5.1
AXC007	431548	6818366	70	71	1	2.7
AXC007			78	79	1	4.9
AXC007			85	86	1	2.2
AXC008	431572	6818367	85	86	1	2.6
AXC008			102	105	3	2.5
AXC008			108	109	1	2.2
AXC009	431591	6818354	130	131	1	2.1
AXC010	431642	6818330	173	173.5	0.5	4
AXC010			183.6	184.7	1.1	2.2
AXC013	431548	6818319	97	98	1	4.4
AXC013			100	105	5	4
AXC014	431597	6818300	138	141	3	9.1
AXC014			151	152	1	9.1
AXC019	431603	6818410	79	80	1	2.7
AXC019			90	91	1	2.1
AXC019			96	98	2	3.1
AXC047	431398	6818111	28	32	4	3.7
AXC048	431444	6818092	104	108	4	7.2
AXC058	431986	6818949	102	106	4	2.5
AXC064	432089	6819123	110	112	2	4.6
AXC065	431555	6817833	99	100	1	8.8
AXC068	431441	6818148	42	43	1	2.2
AXC069	431460	6818194	43	45	2	3.8
AXC069			46	47	1	2.6
AXC070	431478	6818240	58	60	2	4.1
AXC072	431520	6818331	72	73	1	2
AXC072			75	76	1	2.7
AXC073	431576	6818416	55	58	3	2.7
AXC073			62	63	1	3.3
AXC074	431618	6818453	64	65	1	2.6

REVIEW OF OPERATIONS

Table 2. Rock Chip Sampling August 2016

Sample No	East	North	Description	Au ppm	Ag ppm	As ppm
Hawks Nest 6	MGAz51	MGAz51				
HNR01	427579	6828039	Porphyry with possible disseminated magnetite. Float.	<0.001	0.02	<0.5
HNR02	427848	6828145	Sheared porphyry with minor pyrite voids.	0.005	0.07	1.1
HNR03	427848	6828145	Ferruginous quartz float.	<0.001	0.04	1.1
HNR04	427923	6827397	Quartz-ironstone float on dolerite (gabbro)-porphyry contact.	0.003	2.12	1.3
Hawks Nest 5						
HNR05	427308	6826235	Ferruginous quartz from pit spoil at the Emerald workings.	0.120	0.19	1.1
HNR06	427135	6826036	Banded magnetite-amphibolite (mylonite?) in porphyry.	0.004	0.09	0.7
HNR07	427116	6826202	Quartz veined, fresh silicified fine grained magnetite-amphibolite (mylonite?) in porphyry.	0.010	0.18	0.7
HNR08	427100	6826229	Silicified fine grained mafic rock with quartz veins from old digging.	1.630	3.45	0.7
HNR09	427166	6826522	Silicified fine grained mafic (?) rock with quartz veins from old digging.	0.011	0.04	1.1
HNR10	427166	6826522	Ferruginous quartz veined mafic schist from pit spoil.	0.230	0.37	1.1
HNR11	427304	6826240	1m quartz vein in altered porphyry, Emerald workings.	0.047	0.4	2.3
HNR12			No sample.			
Hawks Nest 4						
HNR13	426111	6826194	Ferruginous quartz breccia float.	0.002	0.05	5.2
HNR14	426145	6826812	Quartz-ironstone float.	0.003	0.64	4
HNR15	426573	6827061	Ferruginous hardpan from Brian Roberts' prospecting pit.	0.041	0.06	3.6
HNR16	426111	6826040	Ironstone float and sub outcrop.	<0.001	0.09	1.5
HNR17	425630	6826382	Quartz-ironstone sub outcrop.	51.690	14.63	72.2
HNR18	425603	6826343	Ferruginous quartz vein (outcrop).	0.200	0.91	4.2
Hawks Nest 3			No samples.			

REVIEW OF OPERATIONS

Table 2 Continued. Rock Chip Sampling August 2016

Sample No	East	North	Description	Au ppm	Ag ppm	As ppm
Hawks Nest 2			No samples.			
Jumbo SW			No samples.			
Hawks Nest 1						
HNR19	427695	6819274	Quartz veined, weakly pyritic flaggy quartzite (fine grained felsic?)	0.085	0.1	0.8
HNR20	427573	6819150	Sheared serpentinite	0.010	<0.01	<0.5
Hawks Nest 7						
HNR21	430262	6841849	Black quartz-ironstone float.	0.035	0.3	205.7
HNR22	430252	6841870	Ferruginous quartzite and quartz-ironstone float.	0.026	0.51	21.2
HNR23	430163	6841873	Banded ferruginous quartzite sub outcrop.	0.110	0.36	105
HNR24	429940	6842148	Ferruginous banded felsic (?) volcanic.	0.004	0.2	3.1
Kowtah						
KTR01	398346	6817755	Granite chips from bottom of Metex drill hole.	0.004	0.05	1.2
Mertondale						
MDR01	351700	6837844	Dark brown/black ironstone nodules at Breakaway Bore.	0.002	0.04	2.6
MDR02	351821	6838515	Dark brown/black ironstone nodules.	0.003	0.03	2
MDR03	352195	6839283	Dark brown/black ironstone nodules.	0.002	0.04	1.5
MDR04	352535	6840311	Dark brown/black ironstone nodules.	0.001	0.03	1.7
MDR05	352018	6838845	Fresh pink granite chips in old drill hole.	<0.001	0.02	0.6

NEW TENEMENTS AND BACKGROUND

The Leonora-Laverton district is well endowed with large world class gold deposits. A regional study by the Company has so far identified a total of 5 Project areas totalling 272sq km (Fig.1 & 2) that have the potential to host large scale deposits. These tenements are within 50km of existing gold operations, opening the possibility for toll treating. The Gold tenements now held by Magnetic include: Mt Jumbo E38/3100 and P38/4201 (17sqkm); Kowtah P39/8694-8697 and P39/5617 (9sqkm); Hawks Nest E38/3127 (150sqkm) Mertondale E37/1258 (81sqkm); Christmas Well P37/8687-8694 (14sqkm).

The objective of Magnetic Resources' gold exploration program is to identify large gold deposits of 1Moz or greater utilising the geological and geophysical characteristics of the known surrounding deposits. This belt is well endowed with over 34Moz (mined plus resources) being second to the Kalgoorlie region in WA.

A number of very large deposits (Fig.1) are present including: Wallaby (>7.1Moz mined plus resource), Sunrise Dam (>10Moz mined), Granny Smith (>6Moz mined), Gwalia (7.3Moz mined plus resource), Westralia (2.4Moz mined plus resource) and Jupiter (1.3Moz mined resource). The Mt Jumbo and Hawks Nest tenements are only 10km and 20km north of the Wallaby deposit respectively.

Work planned by the Company will be focused on extensions of any known mineralised zones within the tenements, identified by previous exploration, and large scale localised features identified by geological and geophysical interpretation, that are prospective for large scale deposits which appear to be largely untested.

Initial work over targets identified is expected to be will include gold soil geochemistry and ground magnetics, which in some cases can identify near surface mineralisation. The Company will also examine the effectiveness of any historical work including assessment of whether the drill depth was adequate.

REVIEW OF OPERATIONS



IRON ORE

The Company has not actively explored its iron ore tenements during the year, including the tenements Jubuk, Ragged Rock, Kauring and Mt Joy, but holds a retention licence over the Jubuk projects.

OTHER COMMODITIES (Magnetic 0%):

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

COMPETENT PERSONS SIGN OFF

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

DIRECTORS REPORT

Your directors present their report on the Company for the year ended 30 June 2016.

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 unless otherwise stated:

Eric Lim

George Sakalidis (appointed 29 January 2016)

Julien Sanderson (appointed 29 January 2016)

Gavin Fletcher (removed by a shareholder vote on 29 January 2016)

John Blanning (removed by a shareholder vote on 29 January 2016)

PRINCIPAL ACTIVITIES

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

RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss \$1,260,925. (2015: \$1,265,207).

DIVIDENDS

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

REVIEW OF OPERATIONS

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

EARNINGS PER SHARE

Basic Loss per share for the financial period was 1.26 cents (2015: 1.31 cents). Diluted Loss per share in respect of the both years ended 30 June 2016 and 30 June 2015 was the same as the Basic Loss per share.

FINANCIAL POSITION

The Company's cash position as at 30 June 2016 was \$478,580, a decrease from the 30 June 2015 cash balance which was \$883,906. The Company has raised additional cash post the year end, and the cash position is adequate to fund committed exploration expenditure.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- On 24 November 2015, the Company announced it had received a requisition notice under Section 249D of the Corporations Act seeking the removal of Mr Gavin Fletcher and Mr John Blanning, and the appointment of Mr George Sakalidis and Mr Julien Sanderson. This notice was withdrawn and replaced with a new notice on 1 December 2015.
- On 5 January 2016, the Company announced the completion of a convertible note issue raising \$300,000 with participation by directors subject to shareholder approval.
- At a requisitioned shareholder meeting on 29 January 2016, shareholder voted to remove Mr Gavin Fletcher and Mr John Blanning, and appoint Mr George Sakalidis and Mr Julien Sanderson as Non-Executive Directors.
- On 4 February 2016, the Company terminated Mr Gavin Fletcher as Managing Director.
- On 7 April 2016, the Company announced that former Managing Director, Mr Gavin Fletcher had lodged a claim against the Company and its officers for \$199,375 plus 295,889 shares, in relation to unpaid termination benefits. The allegations are strongly disputed by the Company and legal advice is being sought.
- On 16 May 2016, the Company announced it had raised \$620,000 via the issue of shares to related and unrelated parties, with the issue to related parties being subject to shareholder approval.
- On 17 June 2016, the Company announced it had issued 6,699,998 shares to related and unrelated parties following shareholder approval.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 4 August 2016, the company announced that it had received firm commitments for \$2,003,744 via the issue of new shares at \$0.078 per share. On the 10 August 2016, the company announced that it had received funds associated with the placement announced on the 4 August 2016, and had issued 25,689,026 shares after receiving \$2,003,744.03 in subscription fees. The Company also issued a further 512,820 shares at \$0.078 per share in lieu of placement fees.

DIRECTORS REPORT

On 11 August 2016, the Company announced a change of auditor to Greenwich & Co Audit Pty Ltd, following the merger with the previous auditors, Somes Cooke.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

On 7 April 2016, the Company announced that former Managing Director, Mr Gavin Fletcher had lodged a claim against the Company and its officers for \$199,375 plus 295,889 shares, in relation to unpaid termination benefits.

The allegations are strongly disputed by the Company and legal advice is being sought.

The Company notes that shareholders overwhelmingly voted down all of Mr Fletcher's termination benefits at the general meeting held on 20 November 2015, and voted for his removal at a general meeting on 29 January 2016. Shareholders again overwhelmingly voted down all of Mr Fletcher's termination benefits at the general meeting held on 31 May 2016.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL ISSUES

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

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Eric JH Lim

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

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

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

Mr Lim has a relevant interest in 7,498,011 ordinary fully paid shares and 1,000,000 options to acquire fully paid ordinary shares.

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

George Sakalidis (appointed on 29 January 2016)

George was a founding director and shareholder of the Company since incorporation and was the former Managing Director until October 2014. During this time, Mr Sakalidis worked tirelessly to establish a portfolio of assets which the Company continues to develop and pursue with the aim of being a producer.

Mr Sakalidis is an exploration geophysicist with over 30 years' industry experience, and his career has included extensive gold, diamond, base metals, iron ore and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits, the Dongara Mineral Sands Deposits and the Boonanarring-Gingin South-Helene Mineral Sands Deposits in Western Australia.

Mr Sakalidis has a relevant interest in 4,153,537 ordinary fully paid shares, 3,076,113 contributing shares and 2,300,000 options to acquire fully paid ordinary shares.

Mr Sakalidis is also a director of Image Resources NL (since incorporation on 13 May 1994), Emu Nickel NL (since incorporation on 29 August 2007), Meteoric Resources NL (since incorporation on 13 February 2004) and Potash West NL (since incorporation on 12 November 2010).

Julien Sanderson (appointed on 29 January 2016)

Julien is a chartered accountant with more than 40 years' experience in banking, corporate, accounting, taxation, company secretarial practice and international and local corporate governance. Mr Sanderson's experience spans a range of private and public companies in a broad range of industries including mining and resources. Previously Mr Sanderson was Financial Controller and subsequently Manager Director and Company

DIRECTORS REPORT

Secretary of ASX-listed Biron Corporation Limited and non-executive Chairman of Premier Gold NL and Corporate Finance Manager of Kia Ora Gold NL.

Mr Sanderson has a relevant interest in 150,000 ordinary fully paid shares,

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

Ben Donovan (Company Secretary)

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

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

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

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

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

Gavin Fletcher (removed by shareholders on 29 January 2016)

Mr Fletcher is a metallurgist with 16 years' experience.

John Blanning (removed by shareholders on 29 January 2016)

Mr Blanning is a civil engineer with over 30 years of mining, construction & business management experience.

AUDIT COMMITTEE

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

	Eligible to Attend	Attended
George Sakalidis	1	1
Eric Lim	2	2
Julien Sanderson	1	1
Gavin Fletcher	1	1
John Blanning	1	1

REMUNERATION COMMITTEE

At the date of this report, the Remuneration Committee comprises the current board of directors. No remuneration committee meetings were held during the year as the board decided all matters.

MEETINGS OF DIRECTORS

During the financial year ended 30 June 2016, the following director meetings were held:

	Eligible to Attend	Attended
George Sakalidis	5	5
Eric Lim	8	8
Julien Sanderson	5	5
Gavin Fletcher	3	3
John Blanning	3	3

*Excludes meetings held by circular resolution

DIRECTORS REPORT

REMUNERATION REPORT (Audited)

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

Key Management Person	Position
Eric Lim	Non-Executive Chairman
George Sakalidis	Executive Director (Appointed 29 January 2016)
Julien Sanderson	Non-Executive Director (Appointed 29 January 2016)
Ben Donovan	Company Secretary
Gavin Fletcher	Former Managing Director (removed by a shareholder vote on 29 January 2016)
John Blanning	Non-Executive Director (removed by a shareholder vote on 29 January 2016)

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

Key Management Personnel Remuneration and Incentive Policies

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

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

Non-Executive Directors

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

Incentive Plans and Benefits Programs

The committee is to:

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

Retirement and Superannuation Payments

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

Relationship between Company Performance and Remuneration

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

Use of Remuneration Consultants

The Company did not employ the services of any remuneration consultant during the financial year ended 30 June 2016.

DIRECTORS REPORT

Key Management Personnel Remuneration for 30 June 2016

Key Management Personnel	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity settled Share Based Payments (\$)	Total (\$)
Eric Lim	40,000	-	-	-	40,000
George Sakalidis (appointed 29 January 2016)	73,935	7,023	-	-	80,958
Julien Sanderson (appointed 29 January 2016)	17,128	1,583	-	-	18,711
Ben Donovan Company Secretary	107,737	-	-	-	107,737
Gavin Fletcher (removed 29 January 2016) (1)	158,813	26,636	-	-	185,449
John Blanning (removed 29 January 2016)	31,969	-	-	-	31,969
Total	429,582	35,242			464,824

(1) As outlined at Note 21, the former Managing Director, Gavin Fletcher has lodged a claim against the company and its officers for \$199,375 plus 295,889 shares.

Key Management Personnel Remuneration for 30 June 2015

Key Management Personnel	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity settled Share Based Payments (\$)	Total (\$)
Gavin Fletcher Executive Director	279,197	15,833	-	-	295,030
Eric Lim Non-Executive Director	43,333	-	-	-	43,333
John Blanning Non-Executive Director (appointed 17 October 2014)	43,115	-	-	-	43,115
Ben Donovan Company Secretary	81,255	-	-	-	81,255
George Sakalidis (resigned 17 October 2014)	43,968	1,900	-	-	45,868
Total	490,868	17,773	-	-	508,641

DIRECTORS REPORT

Employment Details of Members of Key Management Personnel

Key Management Personnel	Position held as at 30 June 2016 and any changes during the year	Contract details Continuation and Termination	Proportion of 2015 / 2016 Remuneration related to performance (other than options issued)		Proportion of 2015/ 2016 Remuneration not related to performance (Fixed salary/fees)
			Non-cash salary based incentives	Shares / units	
Eric Lim	Non-Executive Director	No fixed term	-	-	40,000
George Sakalidis	Executive Director, appointed 29 January 2016	No fixed term 2 months' notice required to terminate	-	-	80,958
Julien Sanderson	Non-Executive Director appointed 29 January 2016	No fixed term	-	-	18,711
Ben Donovan	Company Secretary	No fixed term 4 months' notice required to terminate	-	-	107,737
Gavin Fletcher	Removed 29 January 2016	N/A	-	-	206,283
John Blanning	Removed 29 January 2016	N/A	-	-	31,969

Options held by Key Management Personnel

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

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

30 June 2016:

Name	Balance at the beginning of the year or date of appointment	Grant Details			Exercised during the year		Lapsed	Other changes during the year	Balance at the end of the year or date of retirement / removal
		Issue Date	No.	Value \$	No.	Value \$			
Eric Lim	1,000,000	-	-	-	-	-	-	-	1,000,000
George Sakalidis	N/a	-	-	-	-	-	-	(800,000)	2,300,000
Julien Sanderson	-	-	-	-	-	-	-	-	-
Gavin Fletcher (removed 29 January 2016)	3,764,286	-	-	-	-	-	-	-	3,764,286

DIRECTORS REPORT

John Blanning (removed 29 January 2016)	1,764,286	-	-	-	-	-	-	-	1,764,286
Ben Donovan Appointed 13.3.2013	141,143	-	-	-	-	-	-	-	141,143
Total	6,669,715					-	-	(800,000)	8,969,715

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 2016:

Name	Balance at the start of the year or date of appointment	Granted as Remuneration during the Year	Issued on exercise of Options during the Year	Other Changes during the Year	Balance at the end of the year or date of retirement / removal
Eric Lim					
Ordinary shares	6,998,011	-	-	500,000	7,498,011
Contributing shares	-			-	-
George Sakalidis					
Ordinary shares	N/a	-	-	533,332	4,153,537
Contributing shares	N/a			-	3,076,113
Julien Sanderson					
Ordinary shares	-	-	-	150,000	150,000
Contributing shares	-			-	-
Gavin Fletcher					
Ordinary shares	3,732,074	-	-	-	3,732,074
Contributing shares	1,436,418			-	1,436,418
John Blanning					
Ordinary shares	5,040,071	-	-	-	5,040,071
Contributing shares	1,385,524			-	1,385,524
Ben Donovan					
Ordinary shares	283,364	-	-	-	283,364
Contributing shares	60,000			-	60,000
Total Ordinary shares	16,053,520			1,183,332	20,857,057
Total Contributing shares	2,881,942	-	-	-	5,958,055

Consultant Agreements

On 10 August 2016, the Company entered into an employment agreement with Mr Sakalidis for his services as an executive director effective 7 February 2016. The key terms of the agreement are for Mr Sakalidis to work an average of 95 hours per month at an hourly rate of \$155 per hour performing the normal duties associated with an executive director of an ASX listed company. Mr Sakalidis is also entitled to participate in any short

DIRECTORS REPORT

and long term incentive plans, and normal leave entitlements. Either party may give 2 months notice of their intention to terminate the agreement, or immediately if Mr Sakalidis commits any serious misconduct or if removed by shareholders.

Mr Donovan is engaged by the Company as Company Secretary. Mr Donovan is employed on an agreed annual fee with additional hours paid at market rates. Each party can terminate the agreement with 4 months notice.

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

Guaranteed Rate Increases

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

Other Equity –related KMP Transactions

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

Other Transactions with KMP and / or their Related Parties

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

END OF AUDITED SECTION

DIRECTORS' INTERESTS

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

	Fully Paid Ordinary Shares	Partly-paid Contributing Shares	Options to Acquire Fully Paid Ordinary Shares
Eric Lim	7,498,011	-	1,000,000
George Sakalidis	4,153,537	3,076,113	2,300,000
Julien Sanderson	150,000	-	-
Total	11,801,548	3,076,113	3,300,000

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.

EMPLOYEES

At 30 June 2016, 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 2015.

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.

DIRECTORS REPORT

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 \$13,050 (2015: \$6,174) 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:

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

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

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2016, no shares were issued on the exercise of options granted.

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

Non-audit Services

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors

SIGNED



GEORGE SAKALIDIS
EXECUTIVE DIRECTOR

Perth

28 September 2016



Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

Auditor's Independence Declaration

To those charged with governance of Magnetic Resources NL

As auditor for the audit of Magnetic Resources NL for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd

Andrew May
Audit Director

Perth

28 September 2016

CORPORATE GOVERNANCE STATEMENT



CORPORATE GOVERNANCE STATEMENT

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

Disclosure of Corporate Governance Practices

Summary Statement

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

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.magres.com.au, under the section marked Corporate Governance.

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2015/2016 financial period ("Reporting Period").

Principle 1 – Lay Solid Foundations for Management and Oversight

Recommendation 1.1: A listed entity should disclose:

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

Disclosure:

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

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

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

CORPORATE GOVERNANCE STATEMENT



or the lead independent Director, as appropriate.

Recommendation 1.2: A listed entity should:

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

Disclosure:

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

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

During the year, Mr Sakalidis and Mr Sanderson were nominated as directors by shareholders under Section 249D of the Corporations Act. The Company undertook a bankruptcy search of both directors and a review of their resumes but did not undertake criminal checks as Mr Sakalidis was a former director of the Company and both parties were nominated by shareholders.

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

Disclosure:

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

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

Disclosure:

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

Recommendation 1.5: A listed entity should:

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

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

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

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

Recommendation 1.6:

A listed entity should:

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

Disclosure:

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

Recommendation 1.7

A listed entity should:

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

Disclosure:

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

Principle 2 – Structure the Board to Add Value

Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director,and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Disclosure:

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

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

Recommendation 2.2

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

Disclosure:

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

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director

Name	Position	Independent
Mr Eric Lim	Non-Executive Chairman	No
Mr George Sakalidis	Executive Director	No
Mr Julien Sanderson	Non-Executive Director	Yes

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

- Is not a substantial shareholder of the Company or an officer of or directly or indirectly associated with a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- Within the past three years has not been a principal of a material professional advisor or a material consultant to the Company or an employee associated with a such a material service provider or advisor; and,
- Does not have a material contractual relationship with the Company other than as a Director of the Company.

Disclosure:

The Board comprises three Directors, with Mr Sakalidis as an executive director, and Mr Lim as a substantial shareholder, and Mr Sanderson as an independent director. For this reason, only Mr Sanderson is considered independent. The Board considers that given the size of the Company, it is better to have directors with the appropriate skill sets as key board members.

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

Identification of Independent Directors

Mr Sanderson is the only current independent director. Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Group's Materiality Thresholds

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

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

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

Recommendation 2.4

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

Disclosure:

Set out above, the Company does not meet this requirement due to the size of the Company. Only Mr Sanderson is deemed as independent.

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

Disclosure:

The Chair of the Board is Mr Lim, which allows for the division of the roles with the Executive Director role carried out by Mr Sakalidis. But Mr Lim is not deemed to be independent.

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

Disclosure:

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

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

expenses associated with obtaining such advice.

Principle 3 – Act ethically and responsibly

Recommendation 3.1

A listed entity should:

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

Disclosure:

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

Principle 4 – Safeguard Integrity in Financial Reporting

Recommendation 4.1

The board of a listed entity should:

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

Disclosure:

The Board has established an Audit committee, however, given the size of the Company and there only being 3 directors, each director acts as a member of the Audit Committee. Only Mr Sanderson is considered independent.

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

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

Recommendation 4.2

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

Disclosure:

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

Recommendation 4.3

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

Disclosure:

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

CORPORATE GOVERNANCE STATEMENT



Principle 5 – Make Timely and Balanced Disclosure

Recommendation 5.1: Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

Disclosure:

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

Principle 6 – Respect the Rights of Security Holders

Recommendation 6.1:

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

Disclosure:

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

Recommendation 6.2

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

Disclosure:

The company welcomes open communication with shareholders.

Recommendation 6.3

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

Disclosure:

A copy is available on the Company's website.

Recommendation 6.4

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

Disclosure:

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

Principle 7 – Recognise and Manage Risk

Recommendation 7.1: The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director,
- and disclose:
- (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

CORPORATE GOVERNANCE STATEMENT



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

Disclosure:

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

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

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

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

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

The Board has also established an audit and risk committee.

Given that the board consists of 3 members, all members comprise the audit and risk committee, and only Mr Sanderson is considered to be independent.

Recommendation 7.2:

The board or a committee of the board should:

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

Disclosure:

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

Recommendation 7.3: A listed entity should disclose:

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

Disclosure:

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

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

Recommendation 7.4

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

Disclosure:

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

Principle 8 – Remunerate Fairly and Responsibly

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

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

Disclosure:

The Company has established a Remuneration Committee. The Committee has adopted a formal charter setting out the responsibilities and considerations in determining remuneration of Executives and Non-Executives. The Committee consists of the current board members given the size of the Company. The Board considers the remuneration committee is sufficient given the size of the Board even though only Mr Sanderson is deemed to be independent.

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

Recommendation 8.2:

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

Disclosure:

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

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

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

Recommendation 8.3:

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

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

Disclosure:

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

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

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

Securities Trading Policy

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

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

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

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

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

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
For the year ended 30 June 2016



	Notes	2016 (\$)	2015 (\$)
Revenue:			
Interest income		5,253	32,238
Other revenue	3	275	255,458
Expenses:			
Depreciation expense	11	(8,425)	(24,764)
Exploration and tenement expenses		(292,968)	(704,569)
Impairment of available for sale financial assets		-	(22,060)
Other expenses	3	(966,746)	(801,510)
(Loss) before income tax expense		(1,262,611)	(1,265,207)
Income tax expense	4	-	-
(Loss) from continuing operations		(1,262,611)	(1,265,207)
Other comprehensive income for the year, net of tax		1,686	-
Total comprehensive income for the year		(1,260,925)	(1,265,207)
Total comprehensive income for year attributable to members of the Company		(1,260,925)	(1,265,207)
Basic (loss) per share (cents per share)	7	(1.26)	(1.31)
Diluted (loss) per share (cents per share)	7	(1.26)	(1.31)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016



	Notes	2016 (\$)	2015 (\$)
Current Assets			
Cash and cash equivalents	8	478,580	883,906
Trade and other receivables	9	31,247	10,569
Other assets	10	25,569	24,421
Total Current Assets		<u>535,396</u>	<u>918,896</u>
Non-Current Assets			
Property, plant and equipment	11	34,267	39,965
Other financial assets	12	47,533	45,847
Total Non-Current Assets		<u>81,800</u>	<u>85,812</u>
TOTAL ASSETS		<u>617,196</u>	<u>1,004,708</u>
Current Liabilities			
Trade and other payables	13	86,253	121,140
Total Current Liabilities		<u>86,253</u>	<u>121,140</u>
TOTAL LIABILITIES		<u>86,253</u>	<u>121,140</u>
NET ASSETS		<u>530,943</u>	<u>883,568</u>
Equity			
Contributed equity	14	16,559,745	15,651,445
Reserves	14	949,204	1,140,109
Accumulated (losses)		(16,978,006)	(15,907,986)
TOTAL EQUITY		<u>530,943</u>	<u>883,568</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016



	Contributed Equity (Net of Costs) (\$)	Share Based Payments Reserve (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 2014	14,193,014	1,251,534	(14,754,204)	690,344
Comprehensive income				
Operating (loss) for the year	-	-	(1,265,207)	(1,265,207)
Total comprehensive income for the year	-	-	(1,265,207)	(1,265,207)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	1,458,431	-	-	1,458,431
Options expired during the year	-	(111,425)	111,425	-
Share based payments expense	-	-	-	-
Total transactions with owners and other transfers	1,458,431	(111,425)	111,425	1,458,431
Balance at 30 June 2015	15,651,445	1,140,109	(15,907,986)	883,568
Balance at 1 July 2015	15,651,445	1,140,109	(15,907,986)	883,568
Comprehensive income				
Operating (loss) for the year	-	-	(1,262,611)	(1,262,611)
Other comprehensive income for the year			1,686	1,686
Total comprehensive income for the year	-	-	(1,260,925)	(1,260,925)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	908,300	-	-	908,300
Options expired during the year	-	(190,905)	190,905	-
Share based payments expense	-	-	-	-
Total transactions with owners and other transfers	908,300	(190,905)	190,905	908,300
Balance at 30 June 2016	16,559,745	949,204	(16,978,006)	530,943

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016



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	Notes	2016 (\$)	2015 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(890,540)	(726,847)
Interest received		5,253	30,199
Sundry Income		275	-
R&D Claim		-	555,159
Net cash (used in) operating activities	15	<u>(885,012)</u>	<u>(141,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(2,727)	(19,560)
Payments for exploration and evaluation		(425,887)	(841,024)
Purchase of new tenements		-	-
Proceeds from sale of fixed assets		-	47,954
Net cash (used in) investing activities		<u>(428,614)</u>	<u>(812,630)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	14	908,300	1,440,573
Net cash provided by financing activities		<u>908,300</u>	<u>1,440,573</u>
Net increase / (decrease) in cash held		(405,326)	486,454
Cash and cash equivalents at the beginning of the financial year		883,906	397,452
Cash and cash equivalents at the end of the financial year	8	<u><u>478,580</u></u>	<u><u>883,906</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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 2016.

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 \$2.1 million.
- (b) current cash resources are considered adequate to fund the entity's immediate operating and exploration activities however given the state of the equity markets, the rate of expenditure on exploration as a whole has been reduced; and
- (c) the need to raise additional funds by the issue of additional shares or the sale of assets if a high level of exploration activity is to be undertaken.

Accounting Policies

(a) Revenue

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

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

(b) Employee Benefits

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

(c) Exploration and Evaluation Expenditure

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

(d) Acquisition of Assets

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

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

(e) Goods and Services Tax (GST)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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

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

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

(f) Income Tax

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

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

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

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

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

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

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

(g) Cash and Cash Equivalents

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

(h) Impairment of Assets

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

(i) Earnings per Share

(i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.

(ii) *Diluted Earnings per Share* – Options that are considered to be dilutive are taken into consideration when calculating the diluted earnings per share.

(j) Property, plant and equipment

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

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

The carrying amounts of plant, equipment and motor vehicles are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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

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

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

(k) Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

less principal repayments;

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

less any reduction for impairment.

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

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Financial liabilities

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

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



Impairment

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

Financial Guarantees

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

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

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

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

De-recognition

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

(l) Provisions

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

(m) Leases

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

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

(n) Contributed Equity

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

(o) Comparative Figures

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

(p) Segment Reporting

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

(q) Critical Accounting Estimates, Assumptions, and Judgements

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

Taxation

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

Environmental Issues

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



Impairment

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

(r) New Accounting Standards

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

- (i) Australian Accounting and Auditing Standards applicable to the company for the first time for the financial year ended 30 June 2016 have not had a material input in the financial statements.

NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

Revenue and assets by geographical region

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

Major customers

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

NOTE 3 REVENUE AND EXPENDITURE

Other Income

Research and development tax concession (net of costs)	-	208,961
Sundry Income	275	-
Profit on sale of Fixed Assets	-	46,497
	<u>275</u>	<u>255,458</u>

EXPENDITURE

Other Expenses

Occupancy costs	(53,996)	(54,876)
Filing and ASX Fees	(36,511)	(39,602)
Corporate and management	(414,050)	(369,854)
Other expenses from continuing operations	(462,189)	(337,178)
	<u>(966,746)</u>	<u>(801,510)</u>

NOTE 4 INCOME TAX EXPENSE

The components of tax expense comprise:

Current tax	-	-
Deferred tax asset/liability	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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	1,260,925	1,265,207
Prima facie tax benefit attributable to loss from continuing operations before income tax at 28.5% / 30%	359,363	379,562
Tax effect of Non-allowable items		
• Equity-settled share based payments expense	-	-
• R & D claim rebate	-	62,688
• Other	4,740	11,497
Deferred tax benefit on tax losses not brought to account	(364,103)	(453,747)
Income tax attributable to operating loss	-	-

Unrecognised temporary differences

Net deferred tax assets (calculated at 28.5% (2016) and 30% (2015)) have not been recognised in respect of the following items:

Accrued expenses	(7,804)	(13,933)
Available-for-sale financial assets loss	(481)	6,618
Unrecognised deferred tax assets relating to the above temporary differences	(8,285)	(7,315)

Unrecognised deferred tax assets

The Company has accumulated tax losses of \$14,163,521 (2015: \$12,920,305)

The potential deferred tax asset of these losses \$4,036,603 (2015: \$3,876,092) 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.

NOTE 5	KEY MANAGEMENT PERSONNEL COMPENSATION	2016 (\$)	2015 (\$)
	Short-term employee benefits	429,582	490,868
	Post-employment benefits	35,242	17,773
	Equity-settled share based payments	-	-
		464,824	508,641

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

Information on related party and entity transactions is disclosed in Note 21.

NOTE 6	AUDITORS REMUNERATION	2016 (\$)	2015 (\$)
	Amounts received or due and receivable by the auditors of the Company for:		
	Auditing and reviewing the financial report	17,000	22,000
	Other	-	200
		17,000	22,200

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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NOTE 7 EARNINGS PER SHARE

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share

	2016 (\$)	2015 (\$)
Loss for the year	(1,262,611)	(1,265,207)
Earnings used in calculating basic and diluted earnings per share	(1,262,611)	(1,265,207)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	100,036,814	96,918,176

The Company had 20,418,862 (2015 – 20,418,862) partly-paid contributing shares and 16,907,143 (2015 – 19,052,143) options over fully paid ordinary shares on issue at balance date. Options and contributing shares are considered to be potential ordinary shares. However, they are not considered to be dilutive in this year and accordingly have not been included in the determination of diluted earnings per share.

NOTE 8 CASH AND CASH EQUIVALENTS

	2016 (\$)	2015 (\$)
Cash at bank	451,009	256,333
Deposits at call	27,571	627,573
	478,580	883,906

NOTE 9 TRADE AND OTHER RECEIVABLES

	2016 (\$)	2015 (\$)
Trade receivables	11,497	7,531
Other receivables	1,097	3,038
GST refundable	18,653	-
	31,247	10,569

NOTE 10 OTHER ASSETS

	2016 (\$)	2015 (\$)
Prepayments	25,569	24,421

NOTE 11 PROPERTY, PLANT, EQUIPMENT

	2016 (\$)	2015 (\$)
Plant and equipment	141,141	138,414
Less: Accumulated depreciation	(106,874)	(98,449)
	34,267	39,965
Motor vehicles	68,800	68,800
Less: Accumulated depreciation	(68,800)	(68,800)
	-	-
	34,267	39,965

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	39,965	46,626
Additions	2,727	19,560
Disposals	-	(1,457)
Depreciation expense	(8,425)	(24,764)
Total plant, equipment and motor vehicles at end of year	34,267	39,965

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016



NOTE 12	OTHER FINANCIAL ASSETS	2016 (\$)	2015 (\$)
Non-Current			
Available-for-sale financial assets – shares in listed corporations		47,533	45,847
		<u>47,533</u>	<u>45,847</u>
Investments in related parties			
Available-for-sale financial assets includes the following investments held in director-related party entities:			
Image Resources NL		22,092	20,829
Meteoric Resources NL		2,400	1,600
Emu Nickel NL		1,602	601
		<u>26,094</u>	<u>23,030</u>
NOTE 13	TRADE AND OTHER PAYABLES	2016 (\$)	2015 (\$)
Trade creditors and accruals		67,068	143,701
GST Refundable		-	(31,566)
PAYG Withholding & Superannuation Payable		19,185	9,005
		<u>86,253</u>	<u>121,140</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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NOTE 14 EQUITY

	2016		2015	
	No.	\$	No.	\$
Contributed Equity – Ordinary Shares				
At the beginning of year	97,936,814	15,651,445	90,612,758	14,193,014
Shares issued during the year at \$0.20 each	-	-	7,205,000	1,441,000
Shares issued during the year at \$0.15 each	-	-	119,056	17,858
Shares issued during the year at \$0.06 each	4,999,998	300,000	-	-
Shares issued during the year at \$0.05 each	12,400,000	620,000	-	-
Broker / Sundry Share issuance costs	-	(11,700)	-	(427)
Closing balance:	115,336,812	16,559,745	97,936,814	15,651,445
Contributed Equity – Contributing Shares – Partly-paid				
At the beginning of year	20,418,862	-	20,418,862	-
Shares issued during the year at \$Nil	-	-	-	-
Closing balance:	20,418,862	-	20,418,862	-
Reserves				
Equity based share based benefits reserve (i)		949,204		1,140,109
Closing balance		949,204		1,140,109

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

Options

Options exercisable at \$0.2709 on or before 23.12.2014 to acquire fully paid ordinary shares	-	-
Options exercisable at \$0.4607 on or before 21.12.2015 to acquire fully paid ordinary shares	-	2,145,000
Options exercisable at \$0.1499 on or before 27.12.2016 to acquire fully paid ordinary shares	12,757,143	12,757,143
Options to acquire fully paid shares exercisable at \$0.17 on or by 31 December 2017	4,000,000	4,000,000
Options to acquire fully paid shares exercisable at \$0.18 on or by 31 December 2017	150,000	150,000
Total Options	16,907,143	19,052,143

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

	Number of Options	\$
At 1 July 2014	23,597,143	1,251,534
Options expired during the year	(4,545,000)	(111,425)
At 30 June 2015	19,052,143	1,140,109
At 1 July 2015	19,052,143	1,140,109
Options expired during the year	(2,145,000)	(190,905)
At 30 June 2016	16,907,143	949,204

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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.



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NOTE 15 CASH FLOW INFORMATION

	2016 (\$)	2015 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(1,260,925)	(1,265,207)
Depreciation and amortisation	8,425	24,764
Exploration expenditure	292,968	858,883
Impairment of available-for-sale financial assets	(1,686)	22,060
Loss / (Profit) on sale of fixed assets	-	(46,497)
Share based payments	-	-
Changes in operating assets and liabilities:		
Decrease / (Increase) in trade and other receivables relating to operating activities	(20,678)	295,471
Decrease / (Increase) in prepayments	(1,148)	1,942
Decrease in trade and other payables relating to operating activities	98,032	(32,905)
Cash flow from operations	(885,012)	(141,489)

Non-cash financing activities are listed at Note 19.

NOTE 16 TENEMENT EXPENDITURE CONDITIONS

Pursuant to relevant legislation in Western Australia, mineral tenements are held subject to the condition that rate and rentals are paid and prescribed expenditure conditions are met. Application for exemption from all or some of the prescribed expenditure conditions may be made but no assurance is given that any such application will be granted. If the prescribed expenditure conditions are not met with respect to a tenement, that tenement is liable to forfeiture. The prescribed expenditure condition in respect of the granted tenements for the next twelve months amounts to \$166,000 (2015: \$290,334). The prescribed expenditure condition in respect of the pending tenements for the next twelve months amounts to \$209,080.

NOTE 17 TENEMENT ACCESS

Native Title and Freehold

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

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

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

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

NOTE 18 EVENTS SUBSEQUENT TO REPORTING DATE

On 4 August 2016, the company announced that it had received firm commitments for \$2,003,744 via the issue of new shares at \$0.078 per share. On the 10 August 2016, the company announced that it had received funds associated with the placement announced on the 4 August 2016, and had issued 25,689,026 shares after receiving \$2,003,744.03 in subscription fees. The Company also issued a further 512,820 shares at \$0.078 per share in lieu of placement fees.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



NOTE 19 EQUITY-SETTLED SHARE BASED PAYMENTS

During the year there were no share based payments (2015: nil)

NOTE 20 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

Particulars of contractual arrangements and financial benefits provided to the key management personnel are detailed in the directors' report. There are no amounts owing to directors and/or director-related parties (including GST) at 30 June 2016 or 2015

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

	2016 (\$)	2015 (\$)
Leeman Pty Ltd, a George Sakalidis related party, hire of specialised equipment	(2,888)	-
	<u>(2,888)</u>	<u>-</u>

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

NOTE 21 CONTINGENT LIABILITIES

Native Title

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

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

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

Proceedings against the company

On 7 April 2016, the Company announced that former Managing Director, Mr Gavin Fletcher had lodged a claim against the Company and its officers for \$199,375 plus 295,889 shares, in relation to unpaid termination benefits. The allegations are strongly disputed by the Company and legal advice is being sought. The Company will provide updates to the market at the appropriate time, but continues to defend the claim

NOTE 22 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Risk Management Policies

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

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

Specific Financial Risk Exposure and Management

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

Interest Rate Risk

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

Liquidity Risk

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

Capital Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

The working capital position of the Company at 30 June 2016 and 30 June 2015 was as follows:



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	2016 (\$)	2015 (\$)
Cash and cash equivalents	478,580	883,906
Trade and other receivables	31,247	10,569
Trade and other payables – excludes share applications received prior to balance date in respect of shares issued after balance date	(86,253)	(121,140)
Working capital position	423,574	773,335

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:

	2016 (\$)	2015 (\$)
AAA rated	-	-
AA rated	-	-
A rated	478,580	883,906

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

	2016 (\$)	2015 (\$)
Trade and other receivables		
Trade and other receivables	12,594	10,569
GST and tax refundable	18,653	-
	31,247	10,569

(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.

2016	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets	0.09%			
Cash and cash equivalents		478,580	-	478,580
Other receivables		-	31,247	31,247
Available-for sale financial assets		-	47,533	47,533
Total Financial Assets		478,580	78,780	557,360
Financial Liabilities				
Trade and other payables (excluding GST refund)		-	(86,253)	(86,253)
Net Financial Assets		478,580	(7,474)	471,106

	2016 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(86,253)
	(86,253)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



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2015	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets	2.97%			
Cash and cash equivalents		883,906	-	883,906
Other receivables		-	42,135	42,135
Available-for sale financial assets		-	10,569	10,569
Total Financial Assets		883,906	52,704	936,610
Financial Liabilities				
Trade and other payables (excluding GST refund)		-	(121,140)	(121,140)
Net Financial Assets		883,906	(68,436)	815,420

2015
(\$)

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

Less than 6 months	(121,140)
	(121,140)

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).

2016	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	47,533	-	-	47,533
	47,533	-	-	47,533

2015	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	45,847	-	-	45,847
	45,847	-	-	45,847

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



(c) Sensitivity Analysis – Interest rate risk

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

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

	2016 (\$)	2015 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 0.09% (2015 (2.97%))	(415)	(25,413)
- Decrease in interest rate by 0.09% (2015 (2.97%))	415	25,413
Change in equity – increase/(decrease):		
- Increase in interest rate by 0.09% (2015 (2.97%))	415	25,413
- Decrease in interest rate by 0.09% (2015 (2.97%))	(415)	(25,413)

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 2016 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 2016 complies with section 300A of the Corporations Act 2001;
2. the Chief Financial Officer has declared pursuant to section 295A(2) of the Corporations Act 2001 that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and the notes for the financial year comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

A handwritten signature in dark ink, reading 'George Sakalidis'.

SIGNED: GEORGE SAKALIDIS
EXECUTIVE DIRECTOR

PERTH
Dated 28 September 2016



Greenwich & Co

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Independent Auditor's Report

To the members of Magnetic Resources NL

Report on the Financial Report

We have audited the accompanying financial report of Magnetic Resources NL ("the Company") which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Magnetic Resources NL.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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.

Independence

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

Opinion

In our opinion:

- (a) the financial report of Magnetic Resources NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

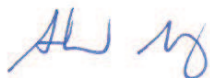
We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Magnetic Resources NL for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd



Andrew May
Audit Director

Perth

28 September 2016

OTHER INFORMATION

Location	Tenement	Nature of Interest	Project	Equity (%) held at end of June 2016
WA	E70/3536	Granted	JUBUK	100%
WA	E70/4243	Granted	RAGGED ROCK	100%
WA	E70/4508	Granted	KAURING	100%
WA	E70/4528	Granted	KAURING	100%
WA	E70/4692	Granted	MT JOY	100%
WA	E77/2035	Granted	LAKE SEABROOK	Gold Rights Only
WA	E38/3100	Granted	MT JUMBO	100%
WA	P39/5594	Application	KOWTAH	100% pending grant
WA	P39/5595	Application	KOWTAH	100% pending grant
WA	P39/5596	Application	KOWTAH	100% pending grant
WA	P39/5597	Application	KOWTAH	100% pending grant
WA	P38/4201	Application	MT JUMBO	100% pending grant
WA	E37/1258	Application	MERTONDALE	100% pending grant
WA	P37/8687	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8688	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8689	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8690	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8691	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8692	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8693	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8694	Application	CHRISTMAS WELL	100% pending grant
WA	P39/5617	Application	KOWTAH EAST	100% pending grant
WA	E38/3127	Application	HAWKS NEST	100% pending grant
WA	P37/8687	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8688	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8689	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8690	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8691	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8692	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8693	Application	CHRISTMAS WELL	100% pending grant
WA	P37/8694	Application	CHRISTMAS WELL	100% pending grant
WA	P39/5617	Application	KOWTAH EAST	100% pending grant
WA	E38/3127	Application	HAWKS NEST	100% pending grant

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The following information was applicable as at 19 September 2016

Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares
1 to 1,000	624	1,085
1,001 to 5,000	201	517
5,001 to 10,000	93	84
10,001 to 100,000	269	94
100,001 and over	137	26
Total	1,324	1,806

The number of shareholdings held in less than marketable parcels is 844 shareholders holding 825,302 fully paid ordinary shares and 1,793 shareholders holding 9,260,544 partly paid contributing shares. There are no listed options.

Substantial shareholders as at 19 September 2016:

Shareholder Name	Number of Shares	% of Issued Share Capital
MR HIAN SIANG CHAN	15,397,871	10.88%
MR CHOON KONG LIM	12,935,478	9.14%
AVA CARTEL SDN BHD	7,590,302	5.36%
MR ERIC LIM	7,498,011	5.30%
Total	43,421,011	30.68%

Twenty largest shareholders – Quoted fully paid ordinary shares:

NAME	Number	% held
MR HIAN SIANG CHAN	15,397,871	10.88%
MR CHOON KONG LIM	9,504,878	6.72%
AVA CARTEL SDN BHD	7,590,302	5.36%
BNP PARIBAS NOMS PTY LTD	6,127,930	4.33%
MR CHUNG NENG WOON	6,000,000	4.24%
MR AARON SIM KWANG LIANG	4,642,338	3.28%
MR JAN GERHARD HAANK &	4,366,667	3.09%
GFI INVESTMENTS PTY LTD	4,250,000	3.00%
MR LIM JIN HUEI ERIC	4,148,011	2.93%
LIM & TAN SECURITIES PTE LTD	3,871,040	2.73%
ABN AMRO CLEARING SYDNEY	3,237,514	2.29%
MR SAM SCIE	2,742,703	1.94%
TARGET RANGE PTY LTD	2,600,000	1.84%
MR CHIN HUAT LOO	2,580,584	1.82%
MR PHILIP RUSSELL HARRIS	2,000,000	1.41%
LEEMAN PTY LTD	1,988,089	1.40%
MR CHOON KONG LIM	1,887,744	1.33%
RHODA HARRIS PTY LTD	1,693,826	1.20%
MR CHOON KONG LIM	1,542,856	1.09%
MR YAN KHENG TAN	1,282,051	0.91%
MR YAN KWONG LIM	1,208,414	0.85%
TOTAL	88,662,818	62.64%

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Twenty largest shareholders – Quoted partly-paid contributing shares:

NAME	Number	% Held
MR IAN RONALD BARON	2,051,999	10.05%
MR GEORGE SAKALIDIS &	2,040,333	9.99%
MR ROGER MICHAEL THOMSON &	2,000,000	9.79%
MR GEORGE SAKALIDIS	958,114	4.69%
MR JOHN BRYANT BLANNING	750,000	3.67%
MET ASSIST PTY LTD	750,000	3.67%
MR GAVIN JOHN FLETCHER	746,418	3.66%
BRISPOT NOMINEES PTY LTD	725,930	3.56%
MR JOHN BRYANT BLANNING &	635,524	3.11%
MR BRENTON GRAHAM TIELEMAN	500,000	2.45%
GOFFACAN PTY LTD	454,297	2.22%
MR BARRINGTON DANCE &	450,000	2.20%
MR BARRINGTON DANCE	360,438	1.77%
MEGGSIES PTY LTD	259,497	1.27%
MRS GAYNOR CHRISTENSEN	228,567	1.12%
AUTO MANAGEMENT PTY LTD	218,654	1.07%
GILPIN PARK PTY LTD	205,556	1.01%
MR PETER WILLIAM TAYLOR &	194,500	0.95%
DEVOMP PTY LTD	190,866	0.93%
MR ROBERT FRANCIS KAVANAGH	180,000	0.88%
TOTAL	13,900,693	68.08%

Twenty largest option holders – All options are unquoted:

Option to acquire Fully Paid Ordinary Shares, exercisable at \$0.1499, expiry 27.12.2016

NAME	Number
Peter S Thomas	3,000,000
George Sakalidis	1,764,285
Roger M Thomson	1,764,285
Eric Lim	800,000
Rudolf Tieleman	500,000
Met Assist Pty Ltd	500,000
Sherryl Anne McIntyre	500,000
Bee W Gee Pty Ltd	423,429
Jodie Marie Lea	400,000
Vincent Leonard Willis	282,286
MetComm Pty. Ltd.	282,286
Thomas Bernhard Baeko	211,714
Clinton Thomas Holland	211,714
John Richard Galligan	141,143
Bohdan Matthew Illich	141,143

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Jason Maurice Young	141,143
John Blanning	141,143
Clinton Peter Keenan	141,143
Rob Kavanagh	141,143
Glenn Robert Turkington	141,143

Option to acquire Fully Paid Ordinary Shares, expiry 31.12.2017

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

There are a total of 141,538,659 fully paid ordinary shares, 20,418,862 partly-paid contributing shares and 16,907,143 options on issue. Both the fully paid ordinary shares and partly-paid contributing shares are listed on Australian Securities Exchange Limited.

Buy-Back Plans

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

Voting Rights

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