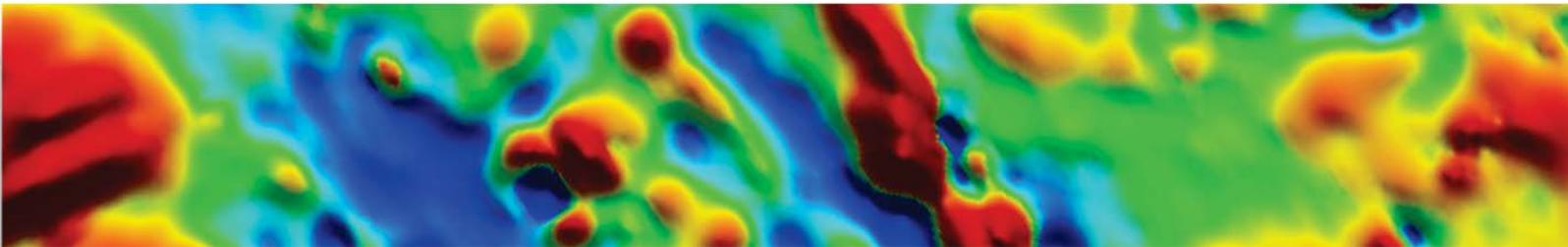




magnetic resources^{NL}

Annual Report

**FINANCIAL YEAR
ENDED 30 JUNE 2018**



Magnetic Resources NL

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

ABN 34 121 370 232

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Corporate Directory

DIRECTORS

ERIC LIM (B.Comm)

Non-Executive Chairman

GEORGE SAKALIDIS (B.SC (Hons))

Managing Director

JULIEN SANDERSON (FCA)

Non-Executive Director

COMPANY SECRETARY

BEN DONOVAN

REGISTERED OFFICE

1st Floor

44A Kings Park Road

West Perth WA 6005

Telephone (08) 9226 1777

WEBSITE

www.magres.com.au

FOR SHAREHOLDER INFORMATION CONTACT**SHARE REGISTRY**

Security Transfer Registrars Pty Ltd

770 Canning Highway, Applecross WA 6153

Telephone (08) 9315 2333

Facsimile (08) 9315 2233

FOR INFORMATION ON THE COMPANY CONTACT**PRINCIPAL & REGISTERED OFFICE**

1st Floor

44A Kings Park Road

West Perth WA 6005

Telephone (08) 9226 1777

BANKERS

Bank of Western Australia Ltd

Hay Street, West Perth WA 6005

AUDITORS

Greenwich & Co Audit Pty Ltd

Chartered Accountants

Level 2, 35 Outram Street, West Perth WA 6005

STOCK EXCHANGE

Australian Securities Exchange (ASX)

COMPANY CODE (quoted)

MAU (Fully paid shares)

MAUCA (Partly paid shares)

ISSUED CAPITAL (as at August 2018)

185,402,128 fully paid ordinary shares.

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

3,000,000 options to acquire fully paid shares exercisable at \$0.377 on or by 31 December 2021

Review of Operations

Projects Summary: Gold

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

In addition to the exploration carried out in the Leonora and Laverton areas, there has been drilling and sampling at Birthday Patch (P53/1627–28) and Kowtah (P39/5594–5597, 5617). In the June 2018 quarter all rehabilitation was completed for all the drilling during 2017–18.

Several highlights include an intersection of 7m @ 4.5g/t from 5m in MHNRC048 at Hawks Nest5 (HN5), which is part of a 50m long zone within the Laverton field. Follow up RC drilling has enlarged this NW trending gold mineralised zone to greater than 250m. A further 24 RC holes totalling 1350m is planned to test this promising newly defined mineralised zone.

In the Leonora region there are 10.4km of multielement targets identified at Mertondale and Christmas Well. A large RAB drilling campaign of 103 RAB holes for 4885m is planned to test the extensive geochemical targets. Early promising results from Triumvirate workings include 4m @ 11g/t from 16m in hole CWRAB38. These will be followed up with RC drilling.

Promising rock chip samples ranging from 1.0g/t to 7.2g/t and lag samples ranging from 0.7g/t and 6.5g/t being tested with 6 RC holes totalling 500m at Mt Jumbo East.

Leonora Area

Magnetic Resources NL has 183km² of tenure in the Mertondale Region, which includes the following granted tenements: E37/1258 Mertondale, E37/1177 Mertondale East, E37/1303 Nambi, P37/8687–94 Christmas Well, P37/8913,14,21 Trigg, P37/8905–08 Raeside East and P37/8909–12 Braiser as shown in Figure 1.

Most of the work to date (Table 1) has been at the Mertondale and Christmas Well areas, which are 20km NW of the Cardinia Gold Project (193,000oz) and only 5km west of the Mertondale Deposit (395,000oz). The numerous targets are at changes in orientation of the Mertondale Shear and parallel shears, which were identified from interpretation of 100m-spaced detailed aeromagnetic surveys.

Table 1. Summary of work done in the Leonora region

Tenement	Rock chip sampling	Soil sampling	Completed exploration	Proposed exploration
Mertondale E37/1258	57	455 soils 345 laterites 22 costeans 500t (prospectors)	899 RAB holes for 5314m 26 RC holes for 1452m 156m ground magnetics	RAB assays pending 14 RAB holes for 560m 45km ground magnetics
Mertondale East E37/1177	15	1 clay 148 laterites 144 soils		
Christmas Well P37/8687-94	4		298 RAB holes for 2878m 25km ground magnetics	1 RC hole for 120m RAB assays pending
Nambi E37/1303	1		47km ground magnetics	Ground magnetic modelling
Raeside East P37/8905-08			26km ground magnetics	149 shallow RAB for 745m 25 RC holes for 1250m
Braiser P37/8909-12				156km Ground magnetics 97 shallow RAB for 485m 25 RC holes for 1250m
Trigg P37/8913,14,21				150 shallow RAB for 745m 25 RC holes for 1250m

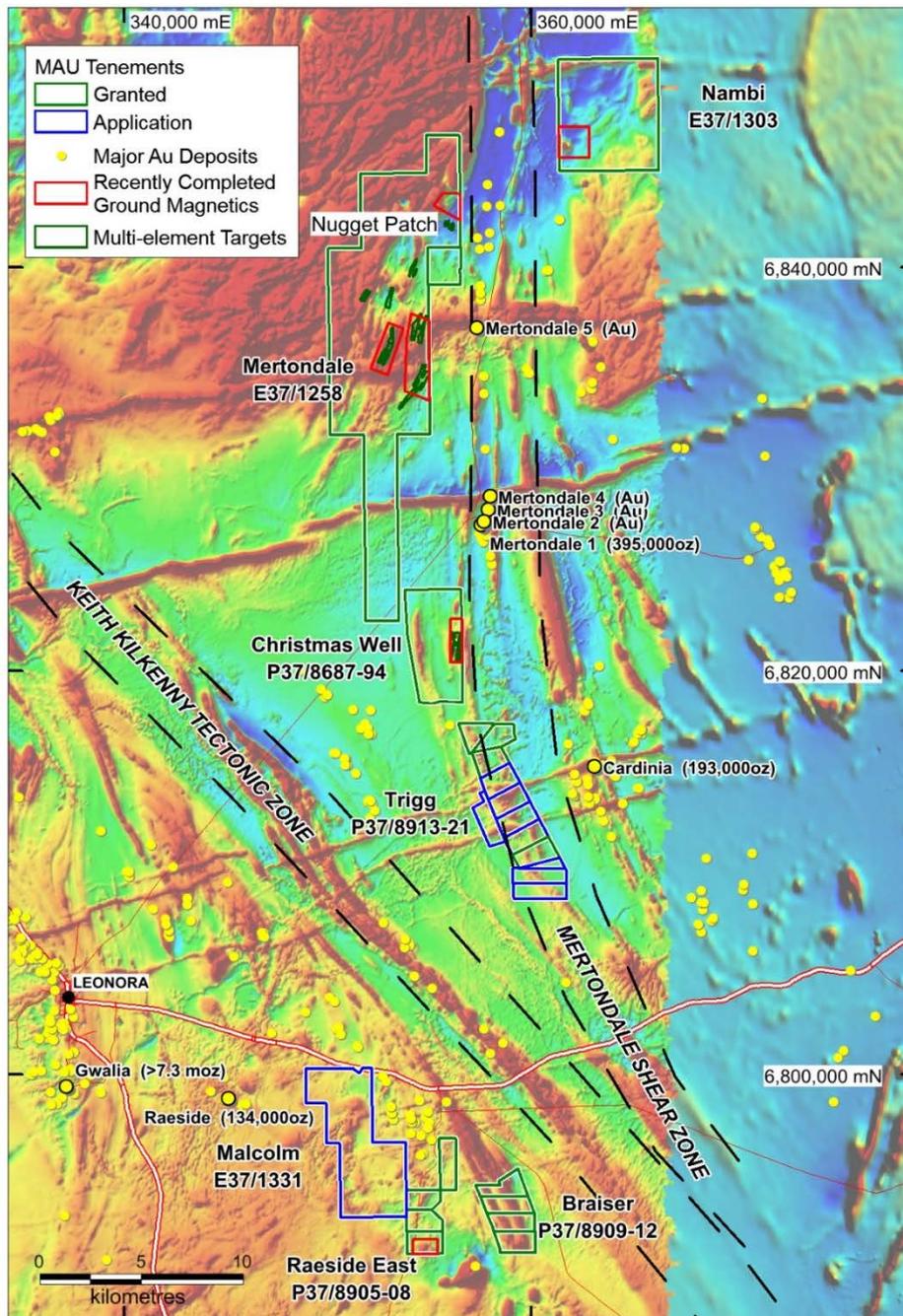


Figure 1. Mertondale, Mertondale East, Christmas Well, Trigg, Raeside, Raeside East, Braiser and Nambi Projects, showing major shear zones, targets and gold deposits and historic workings

Mertondale E37/1258

Previous historical soil geochemical work at Mertondale was too shallow to be effective as it did not penetrate through the hardpan which seems to be ubiquitous in this region. Below hardpan geochemical samples are more effective than previous soil geochemical results.

Around 8.4km of multi element geochemical targets (Figure 2) have been delineated after below hardpan shallow RAB drilling comprising 834 holes totaling 3242m was completed. A further 66 deeper RAB holes are planned totaling 3300m.

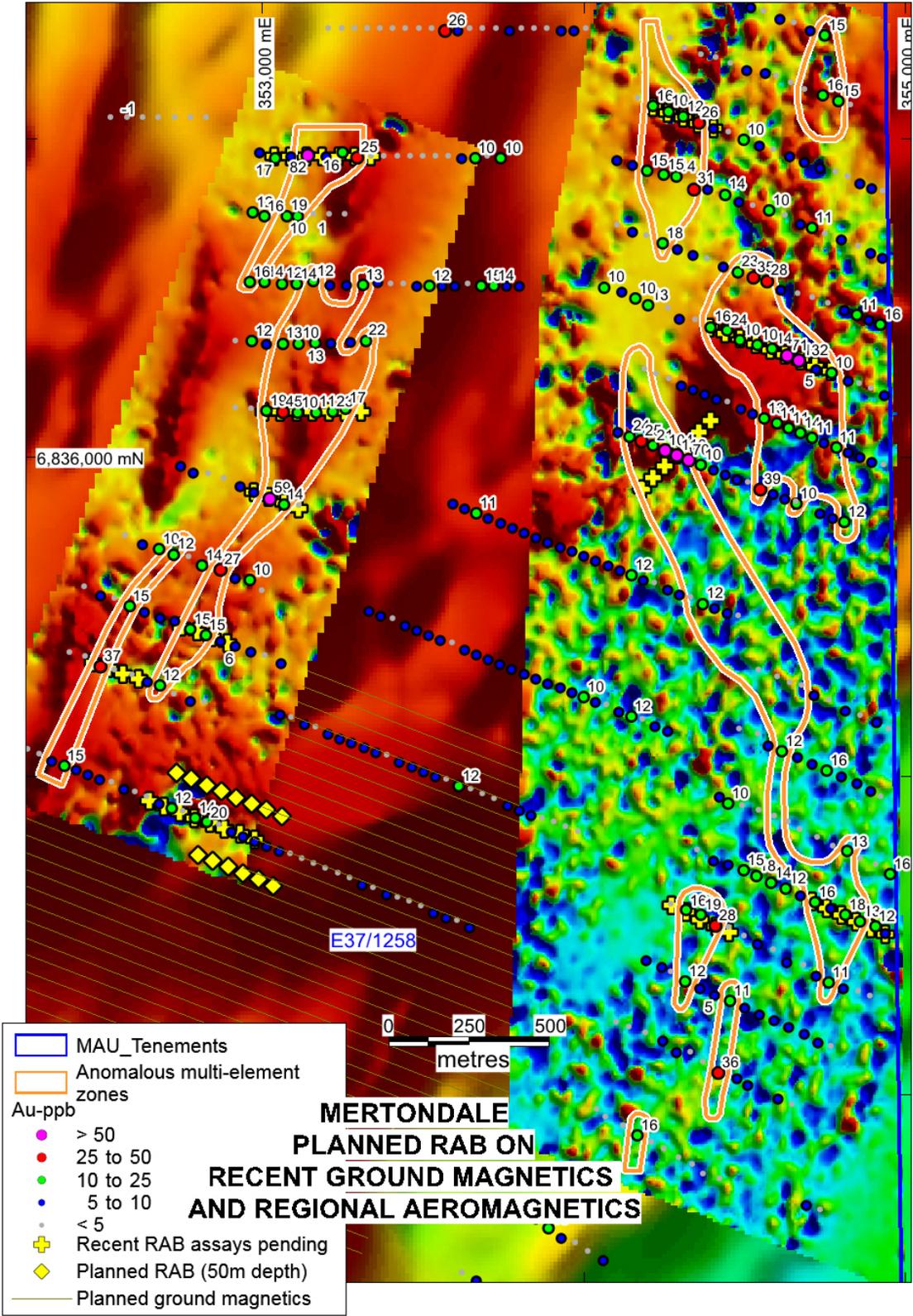


Figure 2. Mertondale multielement geochemical anomalies superimposed on ground magnetics, completed shallow RAB drillholes and planned deeper RAB drillholes

Mertondale Large Gold Nuggets

In late 2017 more than 70oz of large gold nuggets are estimated to have been recovered within the NE part of E37/1258 by prospectors including the local pastoralist. These nuggets are very large with the largest nugget estimated to contain over 20oz and being 10cm long by 5cm wide (Figures 3 and 4; MAU ASX Release 2 November 2017).

These nuggets are reported to occur at shallow depths of 0–2m within a lateritic profile and are likely to be sourced from the underlying bedrock because of the angular nature and size of the nuggets, which have been located using hand-held metal detectors. The area where the nuggets have been found as well as surrounding areas (8km²) has now been covered with a detailed soil sampling programme (599 samples), as well as 486 laterite samples, 74 RAB drill holes and 26 shallow RC holes to approximately 60m depth each.

Magnetic signed a tribute agreement with Mr Matt Taylor the Mertondale pastoralist, with a 500t sample approved to be dozed and metal detected at any one time. Magnetic will receive 15% of the gross sale value of all minerals including gold extracted, mined, produced or won from the tenement. Further dozing and detecting is expected over the existing nugget patch at Mertondale and within a new 1000m long laterite geochemical anomaly starting 300m north of the nugget patch (Figure 5). This 1000m long laterite anomaly is being mapped in detail in preparation for a AC drilling programme.



Figure 3. Mertondale gold nuggets, including one 11oz nugget



Figure 4. Large 21oz (670g) gold nugget recovered from Mertondale

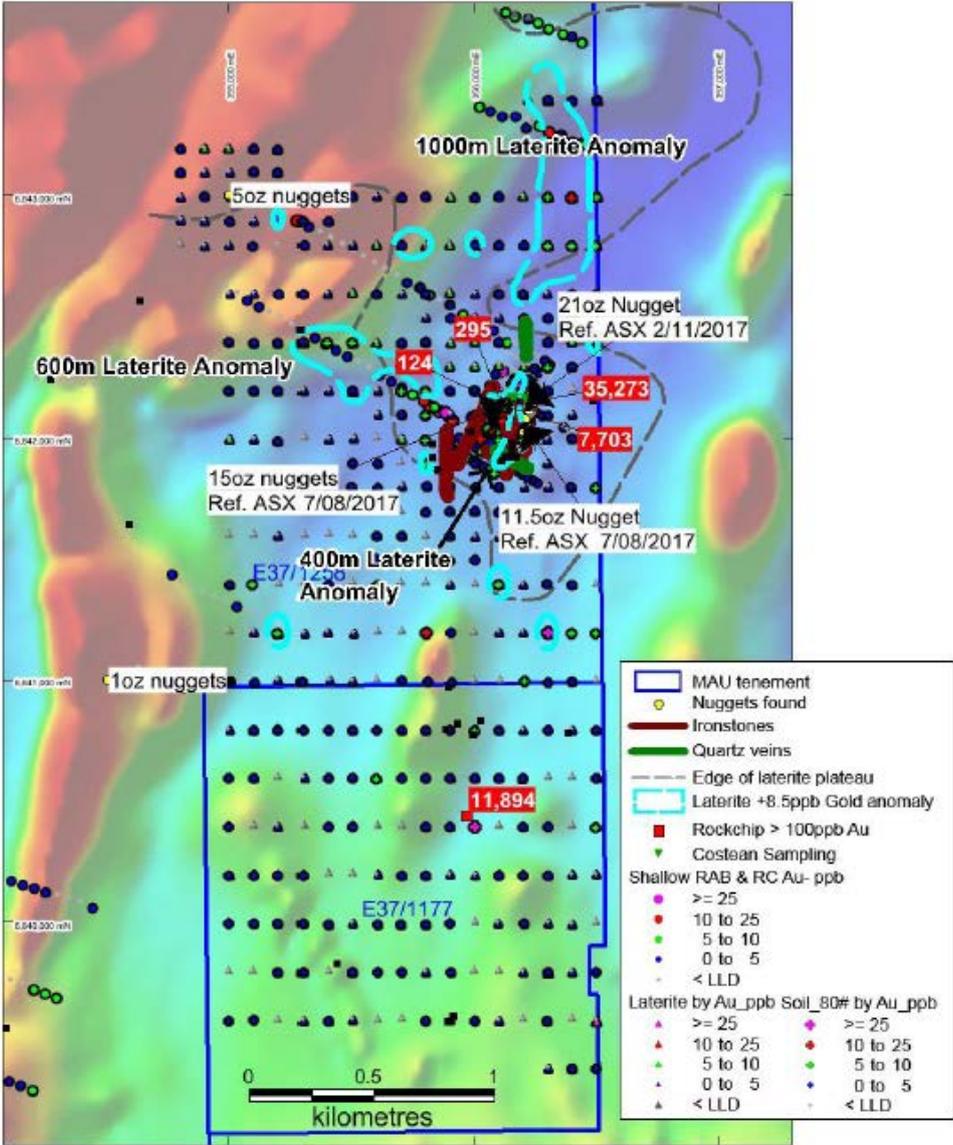


Figure 5. Mertondale Laterite gold anomalies, gold nugget trench samples and RC drilling

Christmas Well P37/8687–8694

Ground magnetic surveys carried out at the Christmas Well project (P37/8687–8694) 10km NW of Kin Mining’s Cardinia project and historical shallow RAB drilling have delineated a 1.8km significant N–S anomalous gold zone below-hardpan with values up to 194ppb and 39.7g/t (39,730ppb) centred on the historical Triumvirate workings(Figure 6).

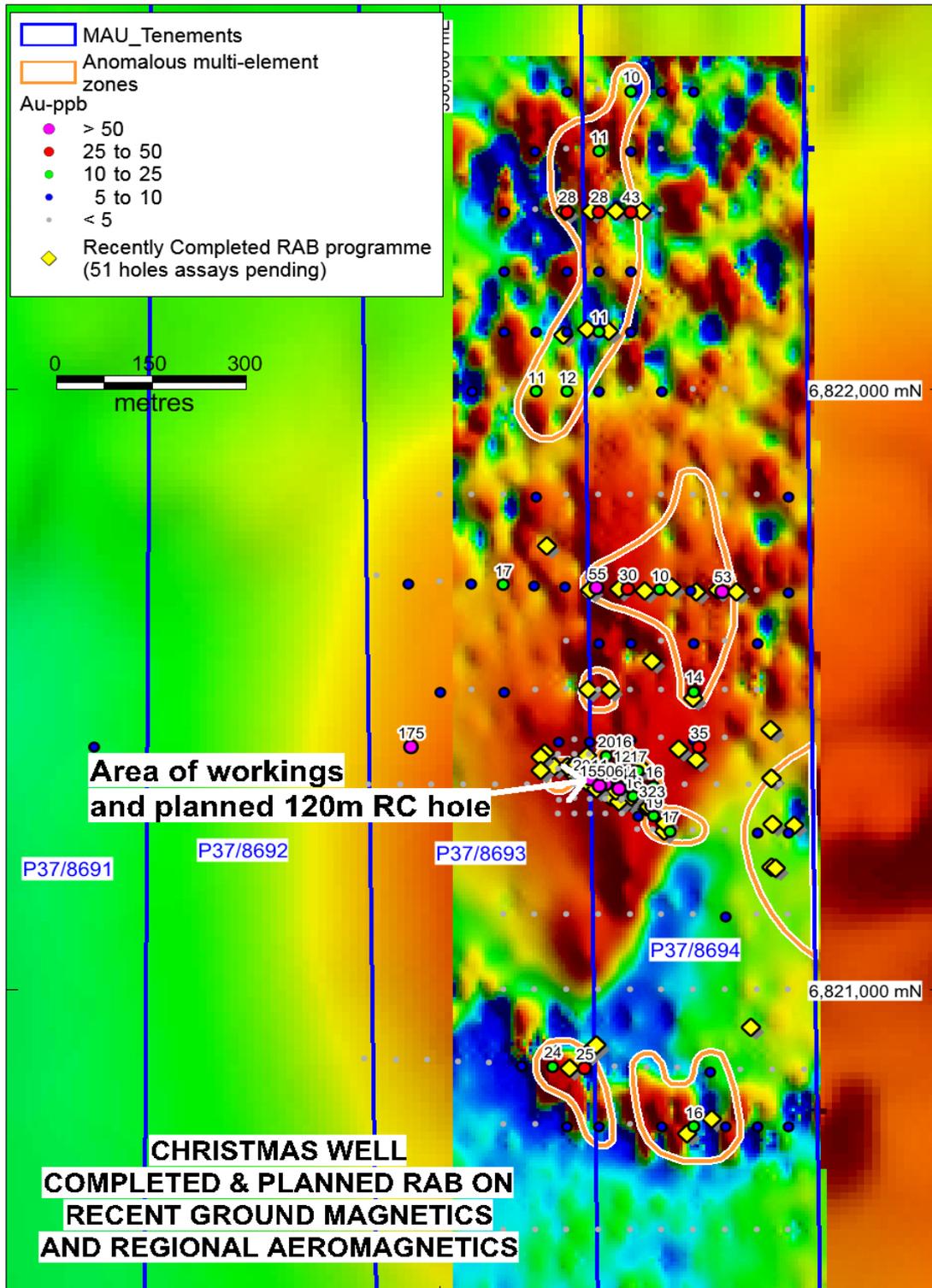


Figure 6. Christmas Well multielement anomalies superimposed on ground magnetic image, previous shallow RAB drilling and planned deeper RAB drilling

Historically, similar high grades were mined with 1500g of gold being recovered from 50t of ore extending over 110m of workings, striking SSE in a vertically dipping quartz lode hosted by meta-basalts near the contact with felsic schists. There are 5 vertical shafts with the deepest being 20m deep (GSA WAMEX report A27915).

Initial shallow first-pass drilling and assaying of only 5 RAB holes totalling 134m (Figure 7) testing below the Triumvirate historic workings, have successfully intersected 4m at 11.1g/t Au from 16m (4m composite) including 2m at 15.1 g/t Au from 17m (1m split) in hole MCWRB38. These 5 RAB holes are only a small part of a large drilling programme of 37 holes totalling approximately 1100m (Figure 7) testing the 1800m of anomalous geochemistry at Christmas Well. A sixth hole to the west of the workings, MCWRB39, has also hit a significant 14m-thick quartz vein which will be assayed shortly.

At least a further 5 shallow RAB holes are planned in this current programme, designed to map out the extensions of the Triumvirate workings and extent of the mineralised quartz veins which are up to 18m thick beneath the workings (Figure 7). The 5 holes planned will test a length of 220m and will be extended further if thick quartz veins and alteration are encountered.

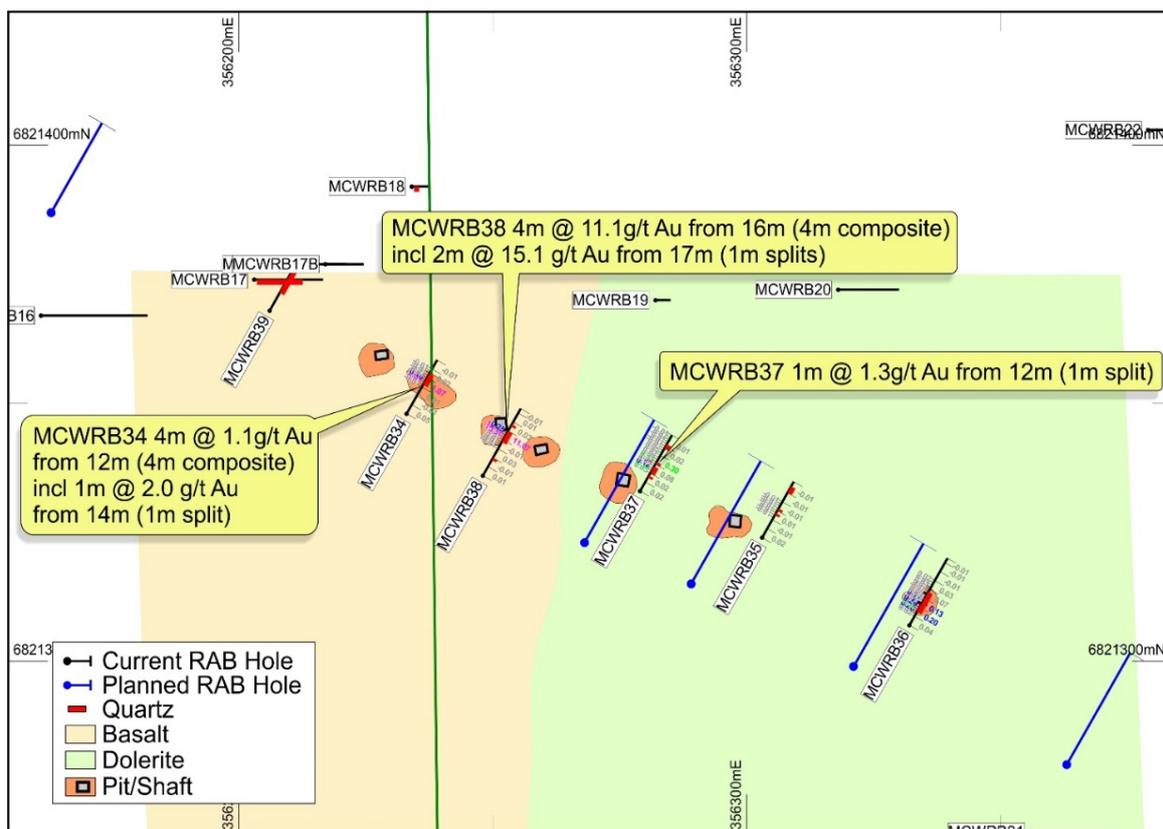


Figure 7. Christmas Well RAB drilling showing 4m Composite and 1m split gold results and proposed RAB drilling

The current shallow RAB drilling has increased the length of the quartz lode system to around 150m, yet it is open to the west and east. This augers well for testing of the remaining multielement geochemical targets at Christmas Well. A few NW-trending structures showing up on the ground magnetics will also be looked at for possible parallel repetitions of the Triumvirate quartz lodes.

These early exciting results will be followed up with more rigorous and reliable deeper RC drilling, which is currently being planned.

NambiE37/1303

Ground magnetic surveys were carried out at the Nambi project (E37/1303) as shown in Figure 8 and drilling is planned after ground magnetic modelling of this intrusive-style ground magnetic anomaly potentially similar to the Wallaby and Jupiter gold deposits.

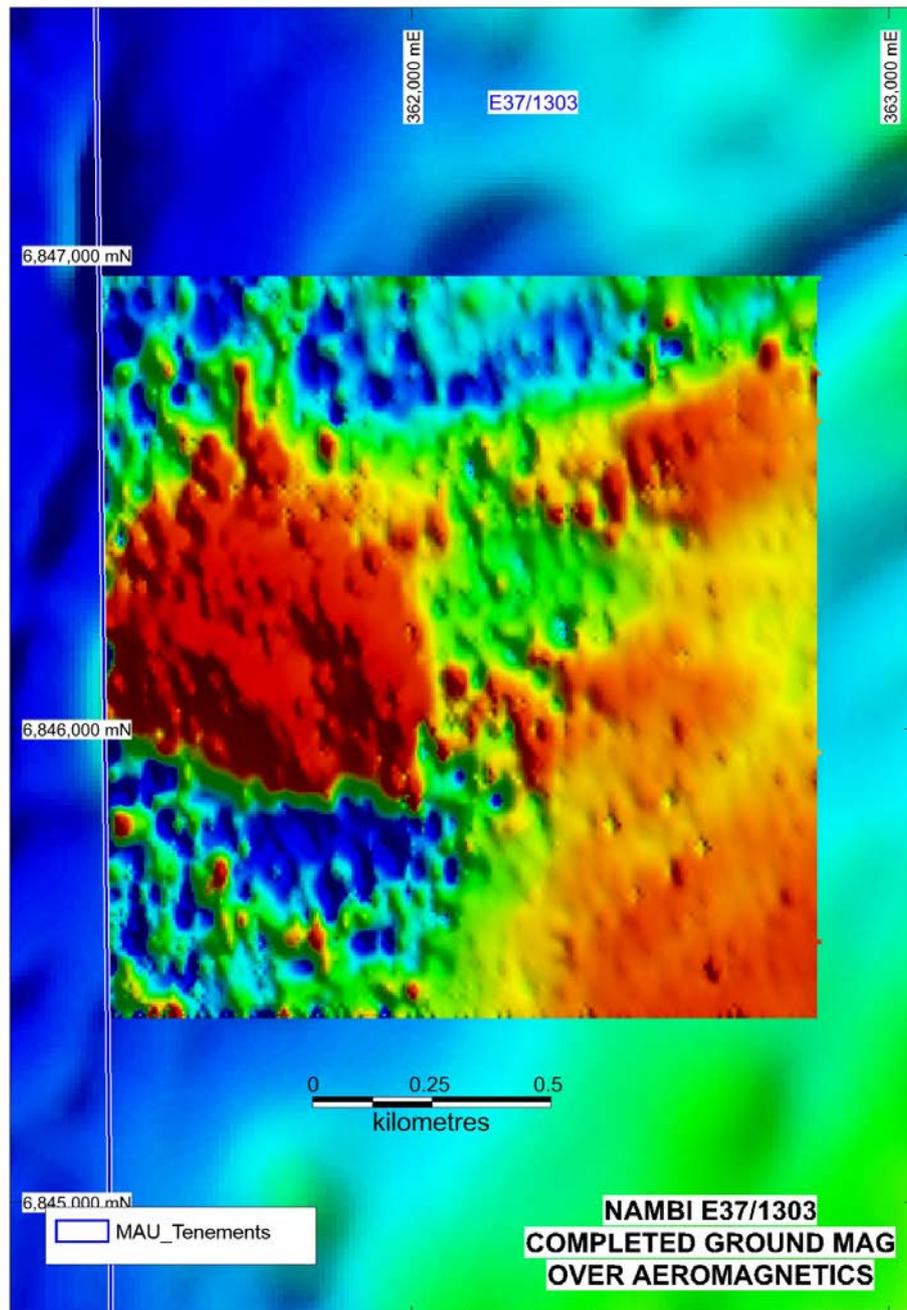


Figure 8. E37/1303Nambi ground magnetic image showing large circular intrusive feature.

Raeside East P37/8905–8908

Ground magnetic surveys were carried out at the Raeside East project (P37/8905–8908) as shown in Figure 9. Drilling is planned after modelling of the ground magnetic data that is similar to the Wallaby and Jupiter gold deposits.

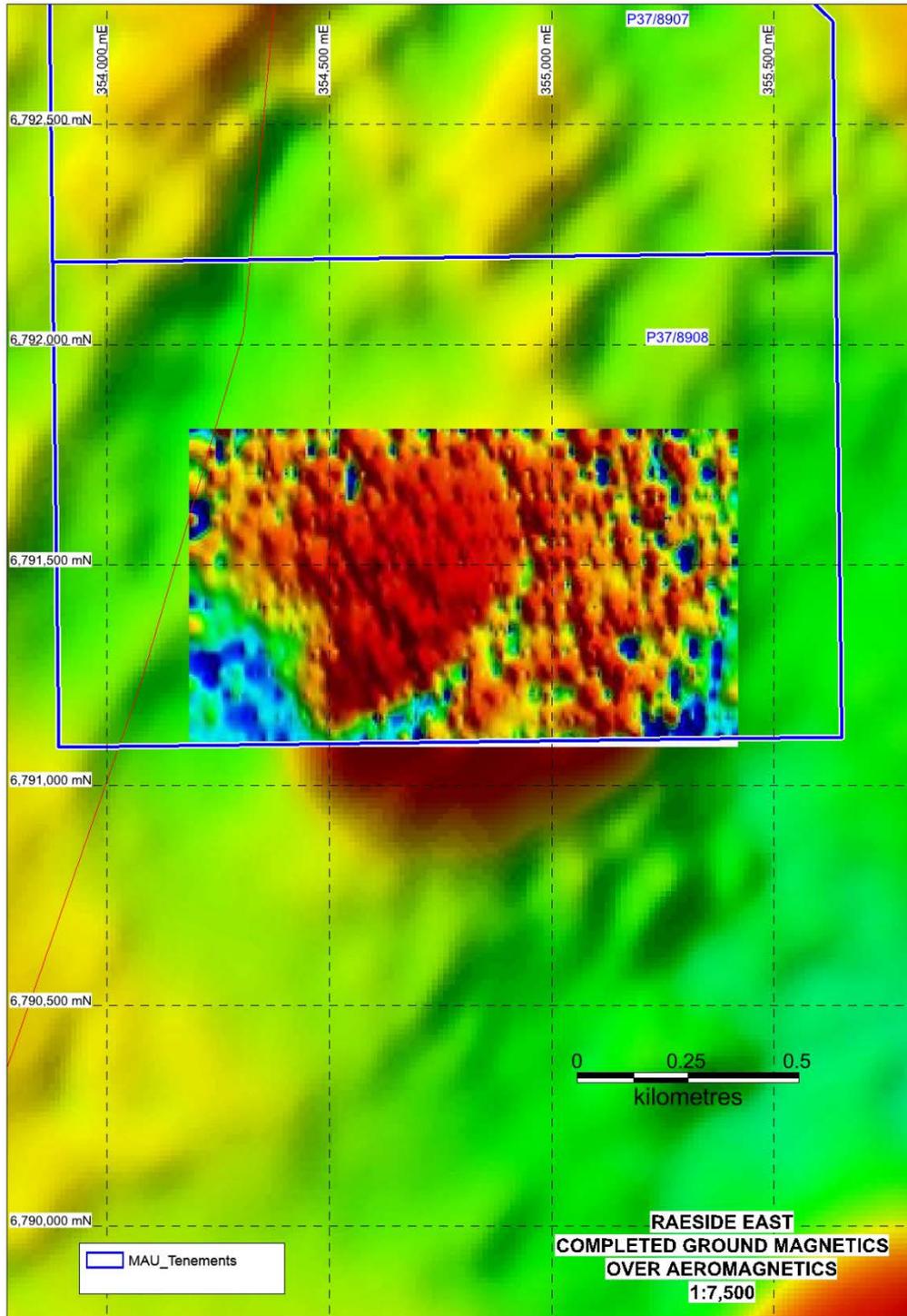


Figure 9. Raeside East ground magnetic survey showing intrusive target.

Laverton Area

Magnetic Resources NL has 196km² in the Laverton region comprising E38/3127 Hawks Nest, E37/3100 & P38/4201 Mt Jumbo, E38/3205 Hawks Nest East, E38/3209 Mt Ajax and P38/4317–24 Mt Jumbo East(Figure 10). Table 2 shows the exploration.

At Kowtah (P39/5594–97, 5617) 1 rock chip was sampled and 108km of ground magnetics with RAB drilling planned for September 2018.

Table 2. Summary of work done in the Laverton Region.

Tenement	Rock chip sampling	Soil sampling	Completed Exploration	Proposed Exploration
Hawks Nest E38/3127	118	19 x -2mm soils 2399 x -80mm soils	164 RAB holes for 1814m 81 RC holes for 4959m 2 AC holes for 66m 383km ground magnetics	28 RAB holes for 1400m at Wheel of Fortune RAB/RC assays pending 187 x -80mm soils 21 RC holes for 840m 92km ground magnetics
Mt Ajax E38/3209	3			
Mt Jumbo E38/3100	7	67 lags	2 RC holes for 334m 2 DDH for 465m 143km ground magnetics	
Mt Jumbo East P38/4317–24	19	131 lags	6 RC holes for 566m	RC assays pending
			229km ground magnetics	
Kowtah P39/5594–97, 5617	1		109km ground magnetics	77km Ground magnetics RAB drilling planned

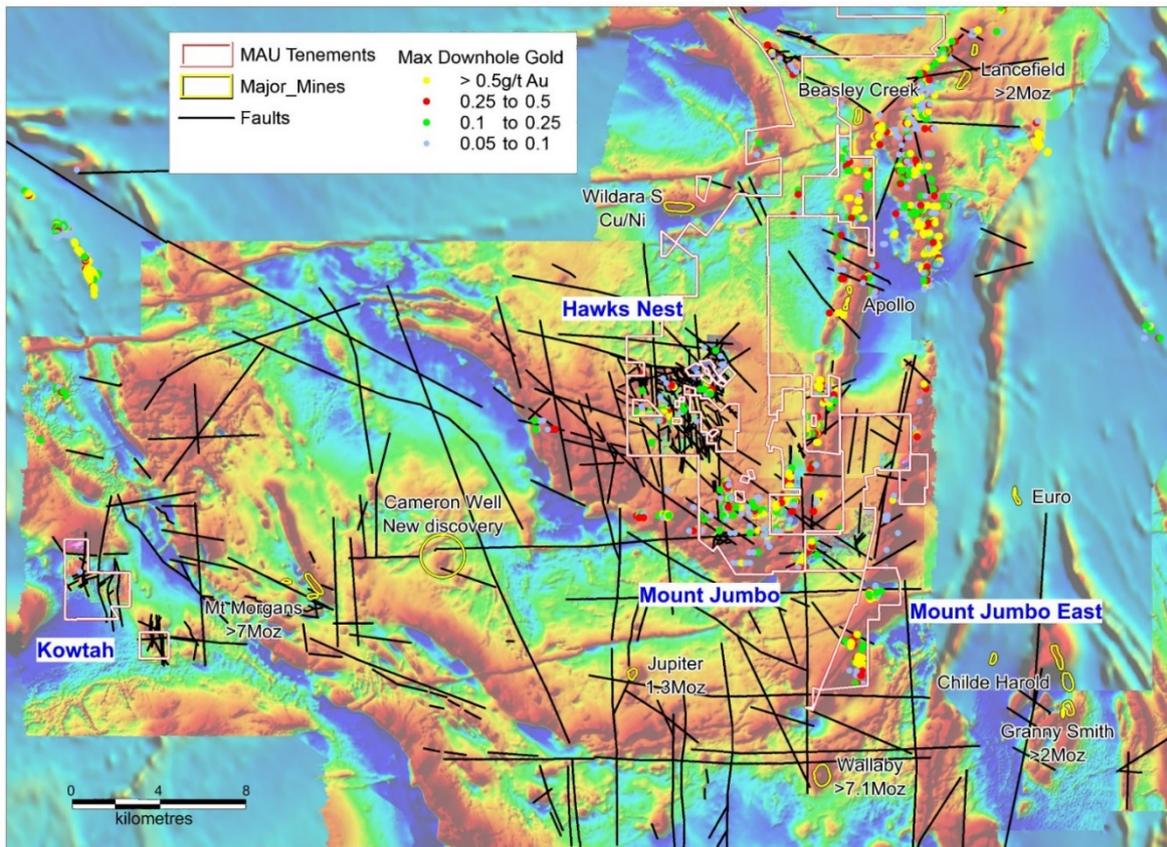


Figure 10. Hawks Nest, Hawks Nest East, Mt Ajax, Mt Jumbo, Mt Jumbo East and Kowtah projects, showing major shear zones, targets and gold deposits and historic workings

Hawks Nest E38/3127

At Hawks Nest approximately 15km SW of Laverton several targets (HN3–6) have been identified as shown in Figure 11. A programme of initial soil sampling, shallow vertical RAB drilling and RC drilling is now complete with anomalous results at the HN5, HN6 and Wheel of Fortune targets.

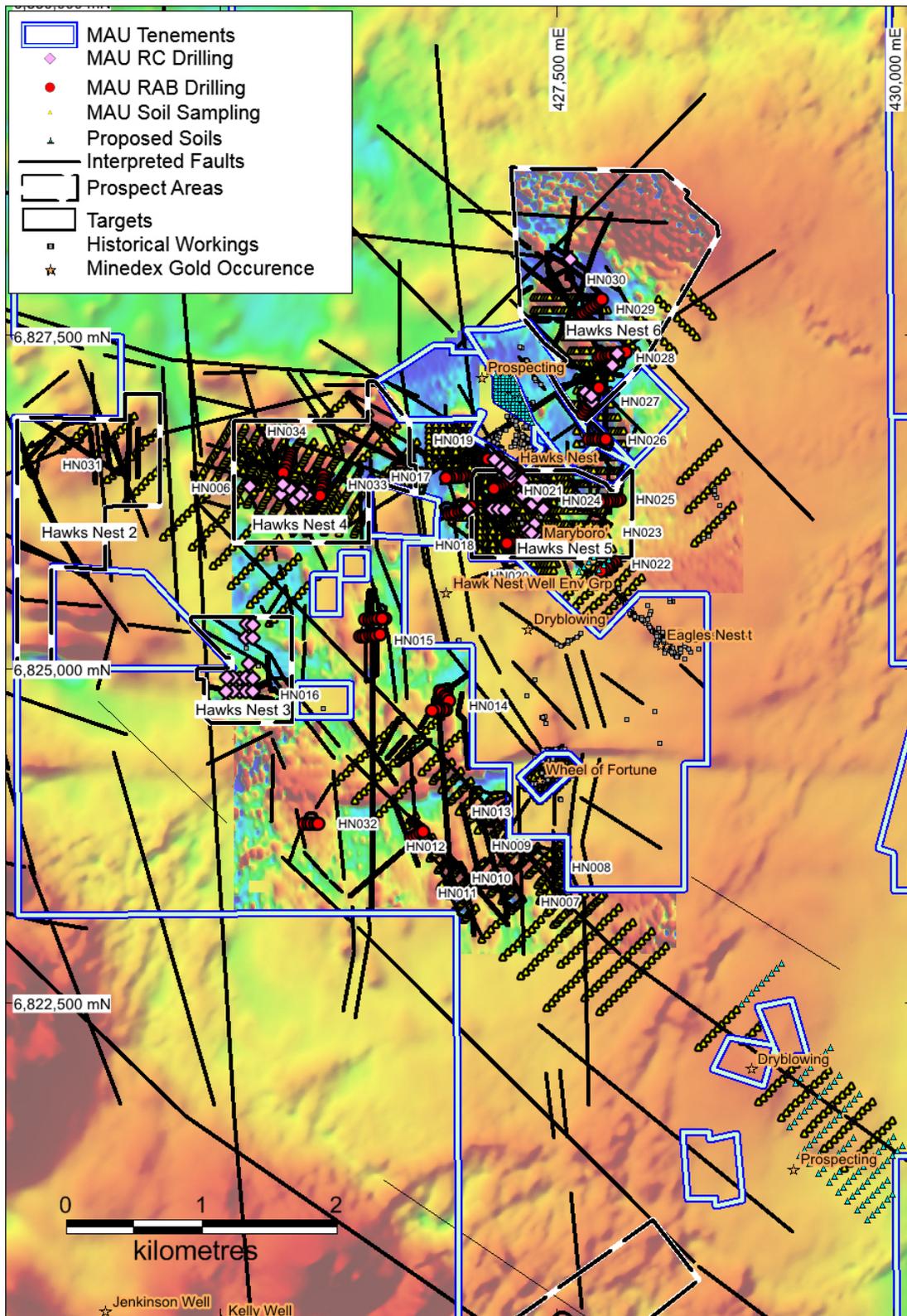


Figure 11. E38/3127 Hawks Nest ground magnetic interpretation showing major NW faults and Targets HN3–6, showing drill and soil programmes completed

Hawks Nest 5 target

This area comprises the Emerald workings, a series of NW-trending gold diggings over a 200m strike length which intersect and sinistrally displace a N–S trending magnetic anomaly flanked by a

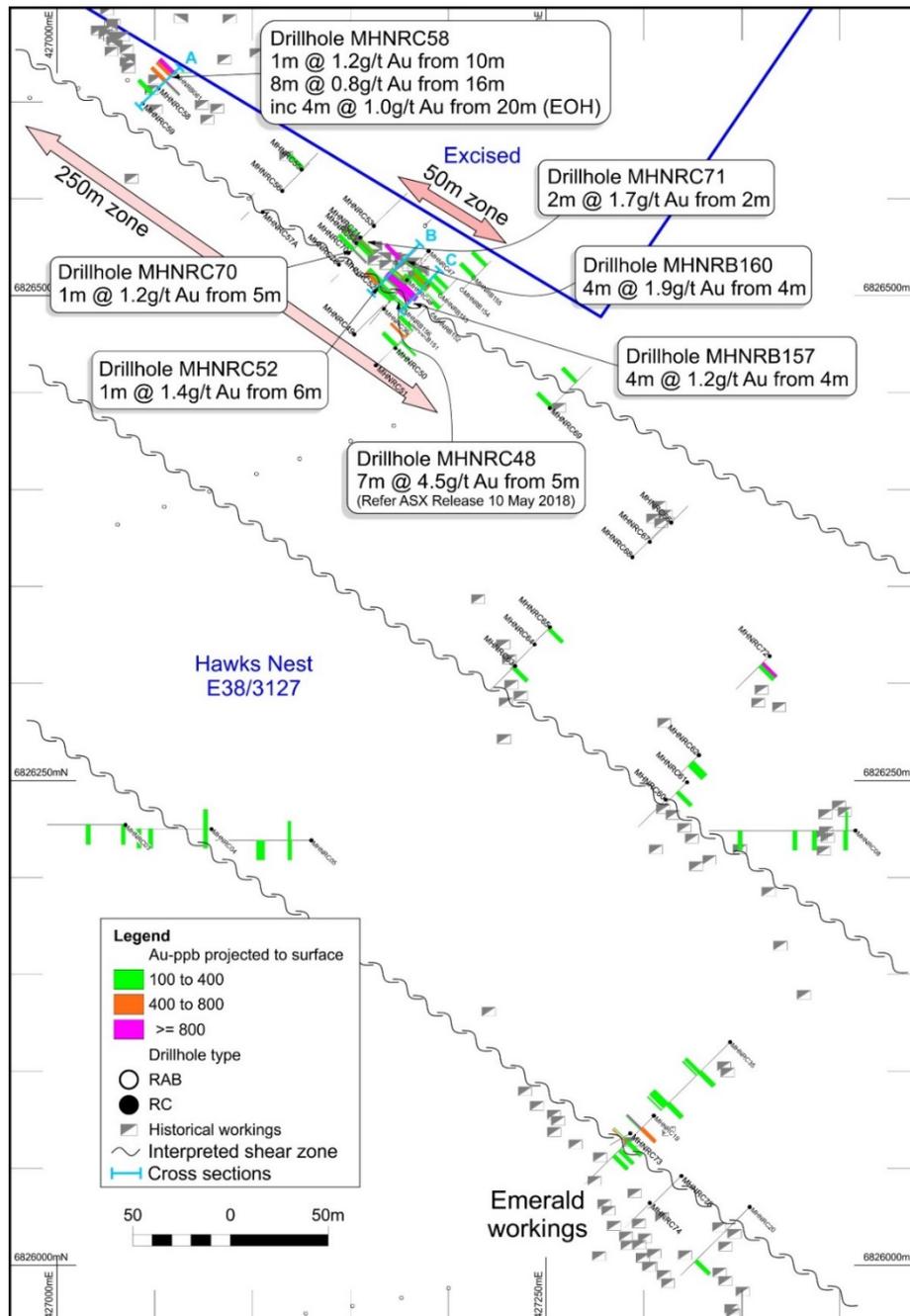


Figure 13. Recent RC drilling showing anomalous gold intercepts, 250m mineralised shear zone and historical workings

About 160m to the NW of the HN5 workings, drillholes MHNRC58 and MHNRC59 are collared at the southern end of a second NNW-trending line of extensive workings, in a shear zone in weathered sediments in contact with mixed mafic–sediment sequences.

Drillhole MHNRC58 produced a wide 10m intersection of quartz (from 2 to 12m) with the 10–11m zone assaying 1m @ 1.2g/t Au. Significantly, the last 8m of this hole, from 16 to 24m ended in mineralisation averaging 0.8 g/t Au within altered amphibolite, including 4m @ 1.0 g/t Au from 20 to 24m (Figure 14). These intersections and the presence of a 50m-long WNW historic line of surface workings including deep shafts with quartz reefs indicate the potential for significant intersections along this shear parallel to the main mineralised shear at the HN5 workings.

This hole will be deepened and the 50m of workings just west of here will also be followed up in the next RC programme.

The mullock collaring the shafts and pits appear to be weathered “iron-rich” sediments including black shales which possibly reflect the NNW shear zone and gold mineralisation. Quartz “iron-rich fibres” reef style veining is present representing a host for gold mineralisation. Also, the discrete mineralised quartz reefs (seen in a shallow working) appear to crosscut the NNW shear zone (80°).

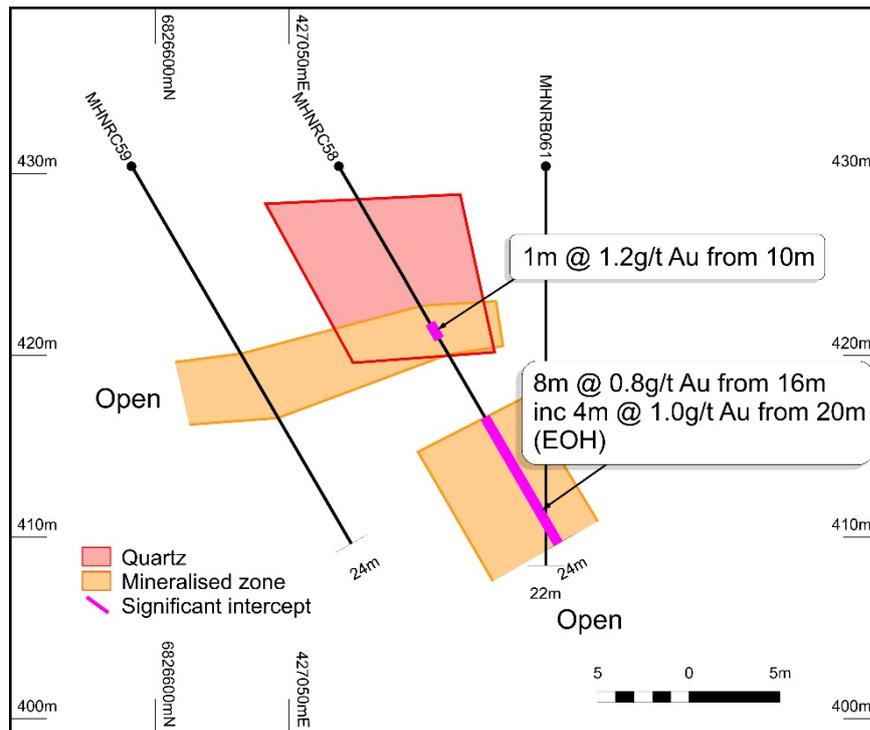


Figure 14. Section “A” from Figure 13. Recent RC drilling showing anomalous mineralised zones, gold intercepts and quartz veins

Drillholes MHNRC50, 51, 55 and geologic mapping indicate a significant mineralised shear zone and central to this extended zone of mineralisation is the HN5 historic workings where stronger mineralisation has been encountered at shallow depths in drillholes MHNRC48, 52, 54, 70 and 71 (Figures 14 and 16; MAU ASX Releases 20 March 2018, 10 May 2018, 19 June 2018).

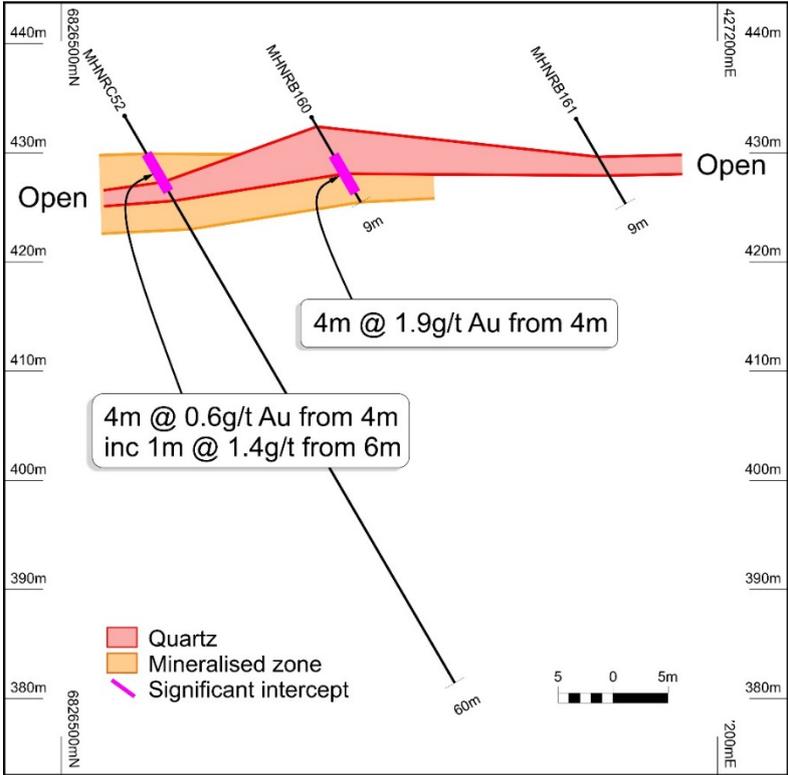


Figure 15. Section “B” from Figure 13. Recent RC and RAB drilling showing anomalous mineralised zones, gold intercepts and quartz veins

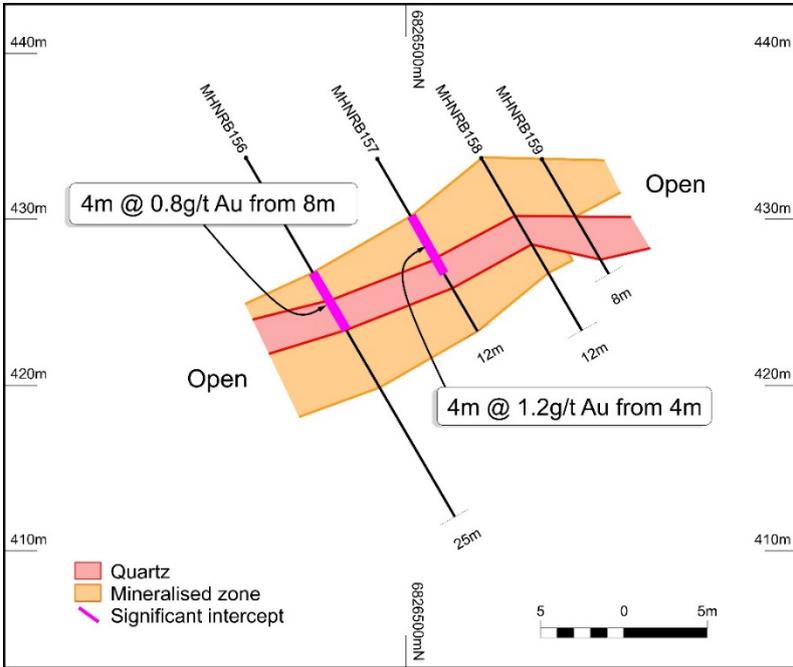


Figure 16. Section “C” from Figure 13. RAB drilling showing anomalous mineralised zones, gold intercepts and quartz veins

HN5 is within a geologic setting of N–S-trending porphyry dykes and mafic amphibolites. Shears in the amphibolites appear to be interbedded with black shales, and significant gold mineralisation is interpreted where shearing is in contact with the north-trending porphyry dykes.

It is very interesting that these quartz veins, mineralisation and sediment zones all have flattish dips, which are similar to some of the major mines in the area, including Jupiter (1.3Moz, Dacian Gold), Wallaby (7Moz, Barrick), Sunrise Dam (10Moz, Anglo-Ashanti).

A total of 134 1m sample splits have been sent to the laboratory for analysis mainly from the recent promising drilling programmes.

Drillhole MHNRC72 located approximately 260m SE of the main mineralised zone (including MHNRC48 with 7m @ 4.5g/t Au from 5m) intersected anomalous gold with 4m @ 0.8g/t Au from 8m adjacent to surface workings.

The existence of an anomalous gold-mineralised system associated with shearing from the NNW line of historic workings in the north to the Emerald workings in the south covering a strike distance of about 500m enhances the probability of locating an economic gold source at Hawks Nest.

Infill soil sampling at the HN5 target area identified a gold anomaly with values up to 751ppb (or 0.75g/t) some 200m NW from drillhole MHNRC48 (MAU ASX release 20 March 2018), which intersected 7m @ 4.5g/t from 5m (MAU ASX release 29 January 2018). Any soil geochemical values around 200ppb or greater are considered significant in outlining shallow high-grade mineralization in this local area, just as drillhole MHNRC48 was targeted on a 369ppb gold-in-soil anomaly adjacent to shallow gold diggings, which also shows evidence of shearing in a black shale.

Interpretation of detailed ground magnetic data shows the NNW gold-anomalous zone to coincide with an interpreted NW-trending shear zone. The plan was to follow up this shear extension in a NW direction with new soil samples on a 50m x40m grid. There is also some evidence that the anomalous zone extends to the SE of the intersected mineralization.

A total of 394 soil samples were collected in the June quarter as shown in Figure 12, following up extensive NW structures defined by ground magnetics in areas that soil samples are expected to work. Assays for this large soil sampling programme are awaited.

Hawks Nest 3 target

Previous 3D modelling of historical results indicates a shallow (20 to 30m depth) N to NW-trending 150m-wide mineralized shear zone dipping shallowly (10°–20°) to the west over a 150m strike length. Historical drilling to the north and south appears to have been far too shallow to intersect this interpreted mineralized position.

There are 59 intercepts with more than 0.5g/t Au and 22 intercepts with more than 1g/t Au, generally being 1 to 4m thick with the highest value of 1m @ 13g/t Au from 22m in hole HNRC007.

A10-hole RC drilling programme intersected 4m at 1.9g/t from 32m in hole MHNAC01 and 4m at 1.8g/t from 44m in hole MHNRC24.

Recent interpretation shows that there is potential for multiple mineralised flat west dipping horizons with at least two of these zones shown in Figure 17. The mineralised zones are often related to secondary ironstones interpreted to be weathered shear-hosted mineralisation. There appear to be two coherent mineralised horizons which are open down dip. As we know, stacked flat mineralised structures provide excellent large-scale drilling targets in the Laverton area. The big mines at

Laverton, including Wallaby (7Moz), Sunrise Dam(10Moz) and Jupiter (1.3Moz) all exhibit flat mineralised stacked structures.

All previous drillholes in the down-dip position are too shallow to intersect the interpreted mineralised structures. The current planned drilling is for 10 holes totalling 800m. The down-dip extension is open over 1.7km to Magnetic's western boundary and open to the south and downwards providing plenty of scope for further drilling.

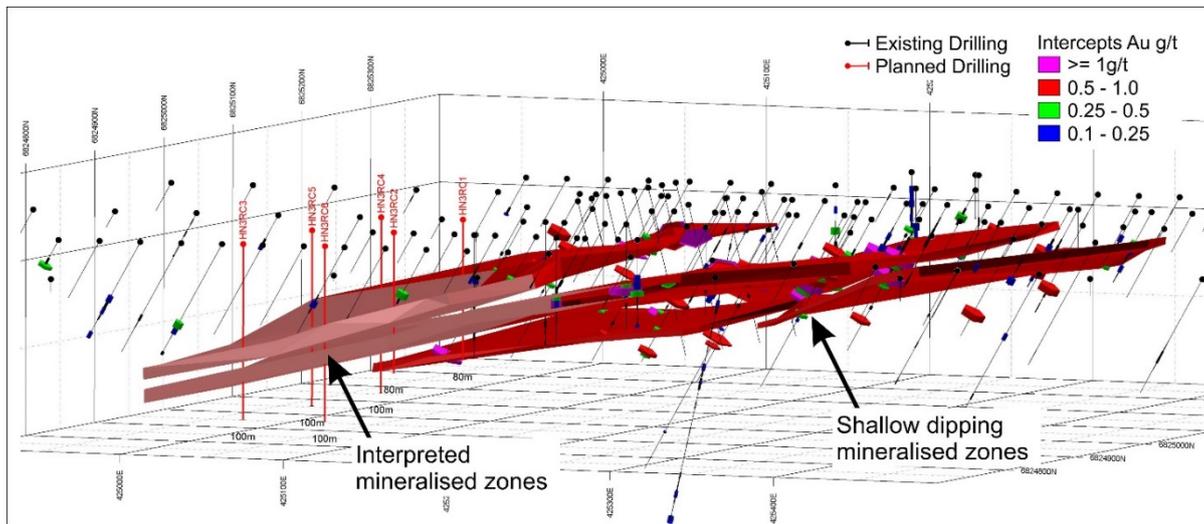


Figure 17. Hawks Nest E38/3127 HN3 Perspective plot of drilling showing shallow west-dipping multiple shear zone gold mineralization being open to the west and south where the interpreted mineralised zones are shown and 6 planned RC holes totalling 560m

Hawks Nest 4 target

Rock chip sampling at HN4 (Figure 18) has shown highly anomalous values ranging from 0.07 to 51.7g/t Au within two cherty ironstone (BIF) horizons which are 750m long, with evidence of old prospecting pits along its length.

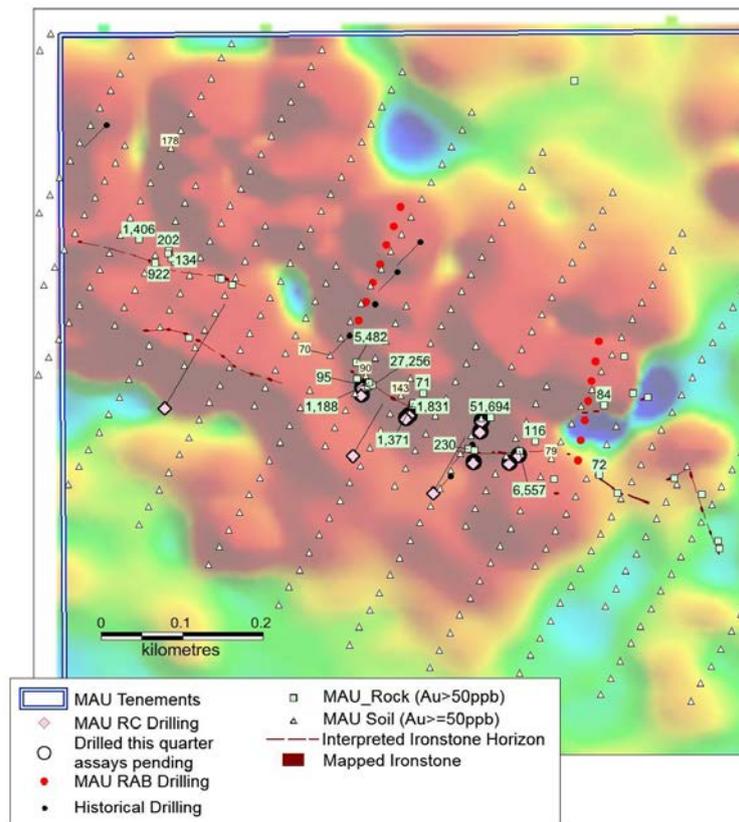


Figure 18. HN4 ground magnetics showing highly anomalous rock chip samples and RC drilling within a quartz ironstone

Eight of the 17 samples had over 1g/t Au. A shallow detailed 9-hole RC programme for 230m has been completed. Other significant intersections from the previous RC drilling and 4m composite sampling include:

- MHNRC42 4m @ 0.203g/tAu from 4–8m at HN4
- MHNRC41 4m @ 0.782g/tAu from 8–12m at HN4
- MHNRC38 4m @ 0.486g/tAu from 8–12m at HN4.

An intersection of 1m @ 4.8g/t Au from 7m in HNRC38 at HN4 which is south of the high-grade workings will also be reviewed.

Hawks Nest 6 target

At HN6 a 1.5km-long arcuate magnetic trend with some old gold diggings has anomalous gold in the range 0.06 to 0.70g/t Au recorded in amphibolite (Figure 19).

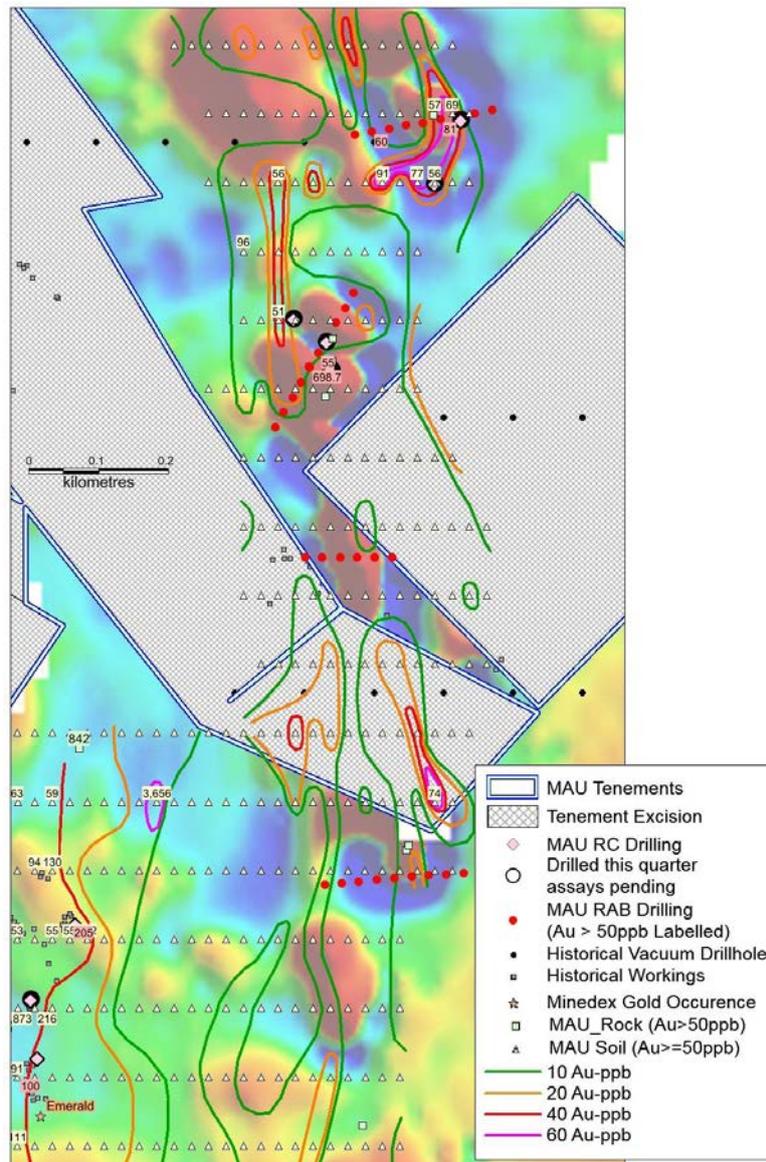


Figure 19. Hawks Nest E38/3127 HN6 ground magnetics, current RC drilling and soil sampling

A programme of soil sampling has delineated a 500m-long geochemical anomaly. Six RC holes totalling 340m tested soil anomalies between 56 and 91ppb associated with a complex strong remanent low (427940mE, 6827300mN), plus an anomalous shallow RAB intersection of 4m at 0.7g/t from surface (427777mE, 6827030mN).

Mt Jumbo East (P38/4317–24)

The Mt Jumbo East area consists of approximately 11km² of new tenements with at least 3 prospects (Figure 20) within P38/4317–24.

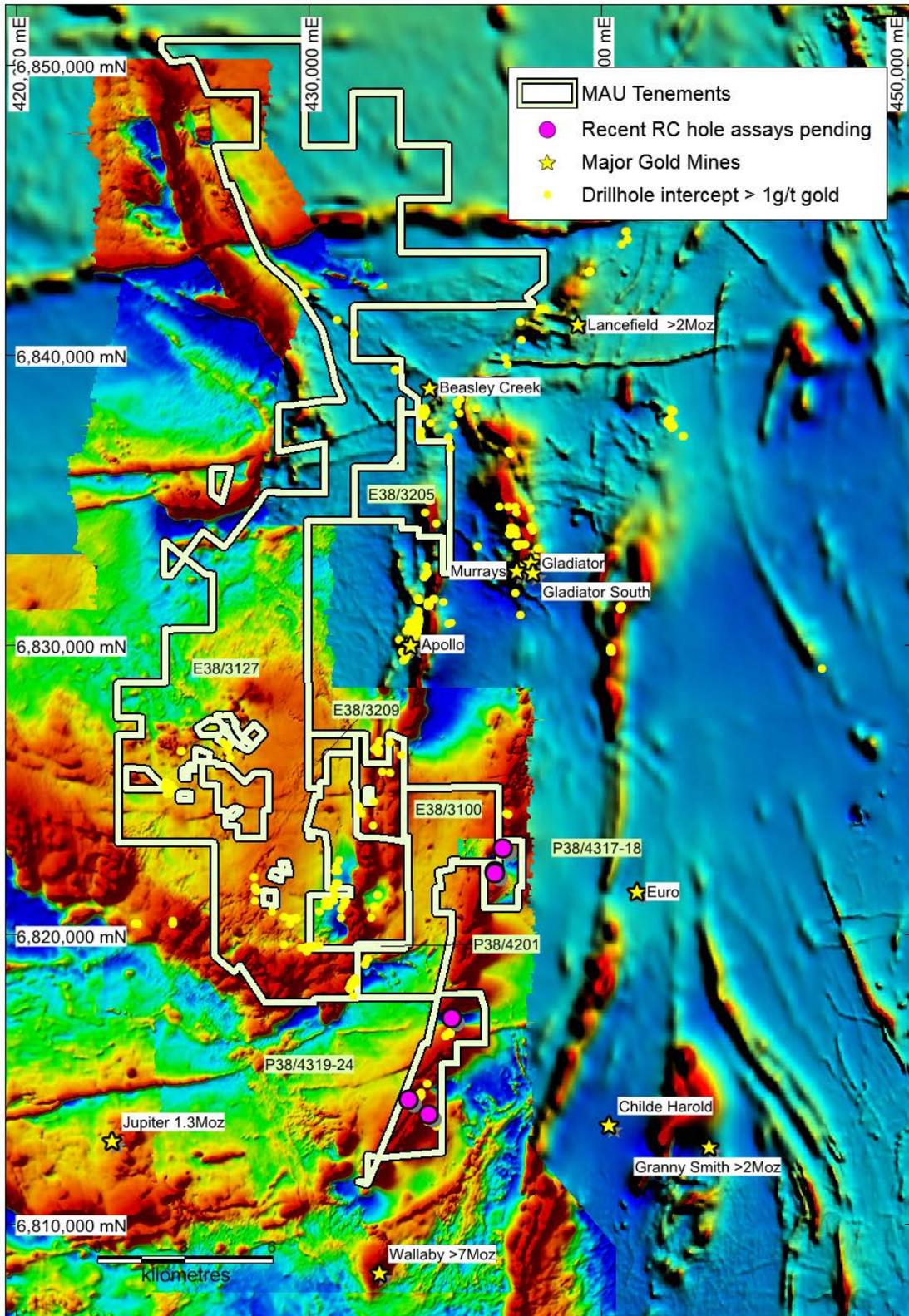


Figure 20. Mt Jumbo East (P38/4317–24) target area

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

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

Work completed includes historical geochemical and drilling compilation and detailed ground magnetics over the BIFs and intrusions. A 304-lag sampling programme was carried out over at least 6 targets. A 6-hole 500m RC drilling programme is planned to test surface lag and rock chip samples ranging from 0.7g/t to 7.2g/t within these mainly BIF-style targets.

Birthday Patch

In January 2018 Magnetic Resources entered into an option to purchase agreement with prospector Lynsay Masters on the Birthday Patch prospect comprising tenements E53/1978 (application pending), P53/1627 (granted) and P53/1628 (granted) totalling 37km², situated 123km east of Wiluna and 225km north of Magnetic's Leonora–Laverton Project (Figure 21).

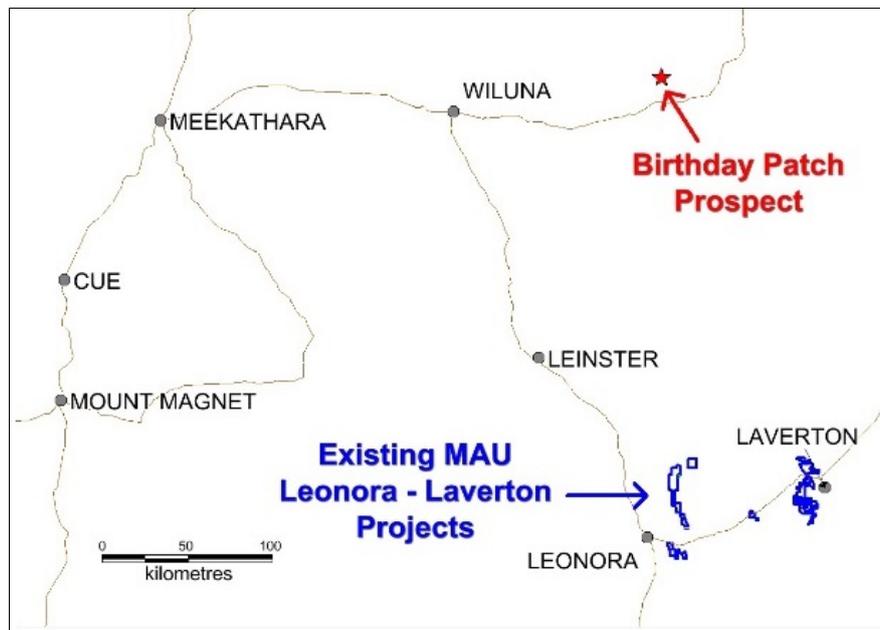


Figure 21. Birthday Patch Prospect Location

Magnetic has also applied for E53/1981 totalling 138km², which surrounds the optioned tenements and covers a 9km extension of the interpreted shear zone to the north and a 6km extension to the south (Figure 22). The prospect is situated on a branch of the Mt Fisher greenstone belt.

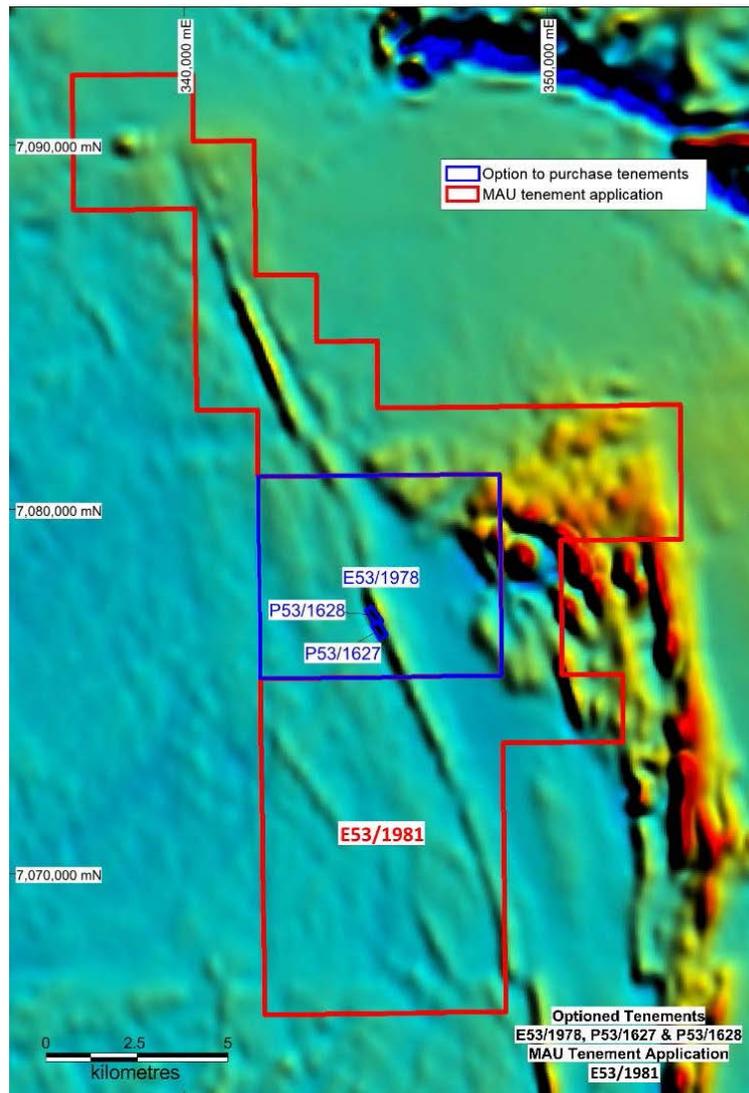


Figure 22. Birthday Patch tenements

At Birthday Patch a sampling and drilling programme has been completed with 20 soils and 5 rock chip samples collected and 28 RAB holes for 584m. More RAB and RC drilling is planned.

The drilling was designed to test a virgin discovery of high-grade gold in quartz, which correlates with a major shear zone in an area with no historical drilling or diggings.

The optioned tenements cover a 700m-long corridor within which near-surface gold nuggets have been reported by prospectors using metal detectors.

GSWA mapping indicates that the nugget occurrences are situated on a granite–sediment contact. A geological inspection of the area revealed evidence of sheared ultramafic rocks underlying the nugget occurrences and supported by a linear aeromagnetic anomaly in this position. Outcropping granite to the west of the nugget zone shows a very strong foliation, supporting the interpretation of a sheared contact with the ultramafics and sediments to the east.

Projects Summary: Iron ore

Magnetic Resources still maintains an interest in potentially economic iron ore deposits (Figure 23). The current focus is on the Kauring, Mount Joy and Ragged Rock Projects.

A Purchase Agreement has been signed with Northam Iron Pty Ltd, with a \$500,000 payment and staged additional payments. The Agreement includes sliding scale royalty payments starting at \$0.25/t for a sale price of \$80.00/t or less, and thereafter, for every increase in the sale price of \$10.00/t the royalty rate will increase by \$0.25/t.

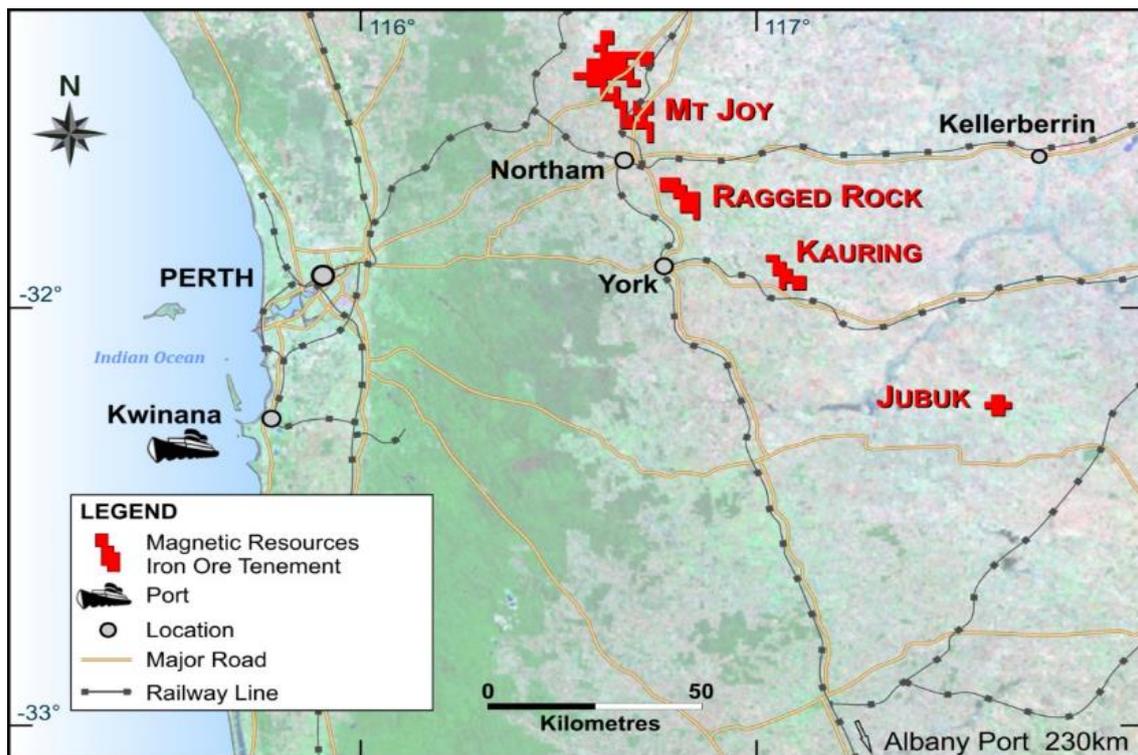


Figure 23. Magnetic Resources NL's iron ore projects

Other Commodities (Magnetic 0%):

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

Directors Report

Your directors present their report on the Company for the year ended 30 June 2018.

Directors

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

- Eric Lim
- George Sakalidis
- Julien Sanderson

Principal Activities

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

Results From Operations

During the year the Company recorded an operating loss \$1,606,807 (2017: \$1,785,844).

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

Financial Position

The Company’s cash position as at 30 June 2018 was \$553,481, a decrease from the 30 June 2017 cash balance which was \$722,396. The Company has raised additional cash post the year end, and the cash position is adequate to fund committed exploration expenditure.

Significant Changes in State of Affairs

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

Matters Subsequent to the End of the Financial Year

- On 30 July 2018, the Company announced it had received firm commitments for approximately \$4.6m via the placement of shares at \$0.12 per share.
- On 8 August 2018, the Company announced it had issued 33,365,425 shares as tranche 1 of the placement, with the balance subject to shareholder approval.

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

Likely Developments and Expected Results of Operations

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

Environmental Issues

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

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

Information on Directors and Company Secretary

Eric JH Lim

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

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

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

Mr Lim has a relevant interest in 7,932,794 ordinary fully paid shares and 750,000 options to acquire fully paid ordinary shares.

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

George Sakalidis

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

Mr Sakalidis has been involved in a numerous significant mineral discoveries, including the Three Rivers and Rose gold deposits, the Blackmans gold deposit, the Dongara Mineral Sands Deposits, the Boonanarring-Gingin-South-Hyperion Mineral Sands Deposits in Western Australia and he was involved in the tenement application over the Silver Swan nickel deposit.

He was also involved with the tenement application for the recently discovered Monty Copper mineralisation adjacent to the Degruusa Copper deposit. He is a founding Director and is Managing Director of this company, Magnetic Resources NL (since listing on August 2006, resigned October

2014, reappointed 29 January 2016), Image Resources NL (since listing on July 2002), Meteoric Resources NL (since listing on 16 July 2004). Mr Sakalidis is also a founding director of ASX listed companies Emu NL and Potash West NL.

Mr Sakalidis has a relevant interest in 4,978,537 ordinary fully paid shares, 3,135,714 contributing shares and 1,500,000 options to acquire fully paid ordinary shares.

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

- ▶ Image Resources NL – appointed 2002, continuing.
- ▶ Meteoric Resources NL – appointed February 2004, resigned 29 November 2017

Julien Sanderson

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

Mr Sanderson has a relevant interest in 100,000 ordinary fully paid shares, and 750,000 options to acquire fully paid ordinary 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 in achieving an initial listing on the ASX, as well as for a period of time, as a private client adviser at a boutique stock broking group.

Mr Donovan has a relevant interest in 283,364 ordinary fully paid shares, 60,000 contributing shares.

Audit Committee

The Company adopted a formal Audit charter last year. The following separately constituted Audit Committee meetings were held during the year:

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

Remuneration Committee

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

Meetings of Directors

During the financial year ended 30 June 2018, the following director meetings were held:

	Eligible to Attend	Attended
George Sakalidis	3	3
Eric Lim	3	3
Julien Sanderson	3	3

*Excludes meetings held by circular resolution

Remuneration Report (Audited)

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

Key Management Person	Position
Eric Lim	Non-Executive Chairman
George Sakalidis	Managing Director
Julien Sanderson	Non-Executive Director
Ben Donovan	Company Secretary

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

Key Management Personnel Remuneration (KMP) 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 2018.

Key Management Personnel Remuneration for 30 June 2018

Key Management Personnel	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Cash settled share based payments (\$)	Equity settled Share Based Payments (\$)	Total (\$)
Eric Lim	43,333	-	-	-	43,333
George Sakalidis	197,625	16,275	-	-	213,900
Julien Sanderson	40,000	3,800	-	-	43,800
Ben Donovan Company Secretary	84,192	-	-	-	84,192
Total	365,150	20,075	-	-	385,225

Key Management Personnel Remuneration for 30 June 2017

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

Securities Received that are Not Performance-Related.

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

Employment Details of Members of Key Management Personnel

Key Management Personnel	Position held as at 30 June 2018 and any changes during the year	Contract details Continuation and Termination	Proportion of 2017 / 2018 Remuneration related to performance (other than options issued)		Proportion of 2017/ 2018 Remuneration not related to performance (Fixed salary/fees)
			Non-cash salary based incentives	Shares / units	
Eric Lim	Non-Executive Director	No fixed term	-	-	100%
George Sakalidis	Managing Director – appointed to the position in April 2017	No fixed term 2 months' notice required to terminate	-	-	100%
Julien Sanderson	Non-Executive Director	No fixed term	-	-	100%
Ben Donovan	Company Secretary	No fixed term 4 months' notice required to terminate	-	-	100%

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

Options held by Key Management Personnel

All options were issued by Magnetic Resources NL and entitle the holder to one ordinary share in Magnetic Resources NL for each option exercised. There has not been any alteration 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 2018:

Name	Balance at the beginning of the year	Grant Details			Exercised during the year		Lapsed	Other changes during the year	Balance at the end of the year
		Issue Date	No.	Value \$	No.	Value \$			
Eric Lim	500,000	6/12/17	750,000	103,500	-	-	500,000	-	750,000
George Sakalidis	1,500,000	6/12/17	1,500,000	207,000	-	-	1,500,000	-	1,500,000
Julien Sanderson	-	6/12/17	750,000	103,500	-	-	-	-	750,000
Ben Donovan	-	-	-	-	-	-	-	-	-
Total	2,000,000		3,000,000	414,000	-	-	2,000,000	-	3,000,000

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 2018:

Name	Balance at the start of the year	Granted as Remuneration during the Year	Issued on exercise of Options during the Year	Other Changes during the Year	Balance at the end of the year
Eric Lim					
Ordinary shares	7,498,011	-	-	434,783	7,932,794
Contributing shares	-	-	-	-	-
George Sakalidis					
Ordinary shares	4,583,537	-	-	290,000	4,873,537
Contributing shares	3,076,113	-	-	59,601	3,135,714
Julien Sanderson					
Ordinary shares	150,000	-	-	(50,000)	100,000
Contributing shares	-	-	-	-	-
Ben Donovan					
Ordinary shares	283,364	-	-	-	283,364
Contributing shares	60,000	-	-	-	60,000
Total Ordinary shares	12,514,912	-	-	779,783	13,294,695
Total Contributing shares	3,136,113	-	-	59,601	3,195,714

Consultant Agreements

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

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

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

Guaranteed Rate Increases

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

Other Equity –related KMP Transactions

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

Other Transactions with KMP and / or their Related Parties

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

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	7,932,794	-	750,000
George Sakalidis	4,978,537	3,135,714	1,500,000
Julien Sanderson	100,000	-	750,000
Total	13,011,331	3,135,714	3,000,000

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.

END OF AUDITED SECTION

Employees

At 30 June 2018, 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 2017.

Corporate Structure

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

Access to Independent Advice

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

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

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

Indemnification And Insurance Of Directors And Officers

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the year an amount of \$18,744 (2017: \$15,670) 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:

- 3,000,000 options to acquire fully paid shares exercisable at \$0.377 on or by 31 December 2021;

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 2018, 200,000 shares were issued on the exercise of options granted.

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

Non-audit Services

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

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

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

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the directors

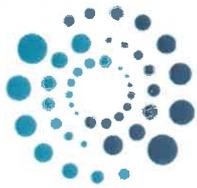
SIGNED



GEORGE SAKALIDIS
MANAGING DIRECTOR

Perth

13 September 2018



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 2018, 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

Rafay Nabeel
Audit Director

Perth

12 September 2018

Corporate Governance Statement

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

Disclosure of Corporate Governance Practices

Summary Statement

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

Website Disclosures

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

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2016/2017 financial period ("Reporting Period").

Principle 1 – Lay Solid Foundations for Management and Oversight

Recommendation 1.1: A listed entity should disclose:

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

Disclosure:

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

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

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

Recommendation 1.2: A listed entity should:

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

Disclosure:

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

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

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

Disclosure:

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

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

Disclosure:

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

Recommendation 1.5: A listed entity should:

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

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

Recommendation 4.3

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

Disclosure:

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

Principle 5 – Make Timely and Balanced Disclosure

Recommendation 5.1: Recommendation 5.1

A listed entity should:

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

Disclosure:

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

Principle 6 – Respect the Rights of Security Holders

Recommendation 6.1:

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

Disclosure:

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

Recommendation 6.2

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

Disclosure:

The company welcomes open communication with shareholders.

Recommendation 6.3

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

Disclosure:

A copy is available on the Company's website.

Recommendation 6.4

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

Disclosure:

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

Principle 7 – Recognise and Manage Risk

Recommendation 7.1:

The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director,

and disclose:

- 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Disclosure:

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

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

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

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

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

The Board has also established an audit and risk committee.

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

Recommendation 7.2:

The board or a committee of the board should:

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

Disclosure:

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

Recommendation 7.3

A listed entity should disclose:

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

Disclosure:

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

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

Recommendation 7.4

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

Disclosure:

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

Principle 8 – Remunerate Fairly and Responsibly

Recommendation 8.1

The board of a listed entity should:

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

and disclose:

- 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Disclosure:

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

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

Recommendation 8.2:

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

Disclosure:

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

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

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

Recommendation 8.3:

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

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

Disclosure:

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

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

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

Securities Trading Policy

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

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

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

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

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

Financial Statement

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 (\$)	2017 (\$)
Revenue:			
Interest income		7,789	32,745
Tenement sold		500,000	-
Tribute gold sales		6,462	-
Other revenue	3	31,676	257,644
Expenses:			
Depreciation expense	11	(2,762)	(4,020)
Exploration and tenement expenses		(1,187,906)	(958,205)
Loss on disposal of fixed asset	11	-	(9,654)
Share based payment expenses		(414,000)	-
Other expenses	3	(794,692)	(1,110,515)
(Loss) before income tax expense		<u>(1,853,433)</u>	<u>(1,792,005)</u>
Income tax expense	4	-	-
(Loss) from continuing operations		<u>(1,853,433)</u>	<u>(1,792,005)</u>
Other comprehensive income for the year, net of tax		<u>246,626</u>	<u>6,161</u>
Total comprehensive income for the year		<u>(1,606,807)</u>	<u>(1,785,844)</u>
Total comprehensive income for year attributable to members of the Company		<u>(1,606,807)</u>	<u>(1,785,844)</u>
Basic (loss) per share (cents per share)	7	(1.09)	(1.29)
Diluted (loss) per share (cents per share)	7	(1.09)	(1.29)

Statement of Financial Position

As at 30 June 2018

	Notes	2018 (\$)	2017 (\$)
Current Assets			
Cash and cash equivalents	8	553,481	722,396
Trade and other receivables	9	35,699	54,089
Other assets	10	30,665	30,392
Total Current Assets		<u>619,845</u>	<u>806,877</u>
Non-Current Assets			
Property, plant and equipment	11	21,342	22,448
Other financial assets	12	300,320	53,694
Total Non-Current Assets		<u>321,662</u>	<u>76,142</u>
TOTAL ASSETS		<u>941,507</u>	<u>883,019</u>
Current Liabilities			
Trade and other payables	13	163,757	184,093
Total Current Liabilities		<u>163,757</u>	<u>184,093</u>
TOTAL LIABILITIES		<u>163,757</u>	<u>184,093</u>
NET ASSETS		<u>777,750</u>	<u>698,926</u>
Equity			
Contributed equity	14	19,798,557	18,513,572
Reserves	14	414,000	277,100
Accumulated (losses)		(19,687,594)	(18,097,907)
Other comprehensive income		252,787	6,161
TOTAL EQUITY		<u>777,750</u>	<u>698,926</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year ended 30 June 2018

Note	Contributed Equity (Net of Costs) (\$)	Share Based Payments Reserve (\$)	Other Comprehensive Income (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 2016	16,559,745	949,204	-	(16,978,006)	530,943
Comprehensive income					
Operating (loss) for the year	-	-	-	(1,792,005)	(1,792,005)
Other comprehensive income for the year	-	-	6,161	-	6,161
Total comprehensive income for the year	-	-	6,161	(1,792,005)	(1,785,844)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year	14 2,043,744	-	-	-	2,043,744
Capital raising costs	14 (89,917)	-	-	-	(89,917)
Options expired during the year	14 -	(672,104)	-	672,104	-
Total transactions with owners and other transfers	1,953,827	(672,104)	-	672,104	1,953,827
Balance at 30 June 2017	18,513,572	277,100	6,161	(18,097,907)	698,926
Balance at 1 July 2017	18,513,572	277,100	6,161	(18,097,907)	698,926
Comprehensive income					
Operating (loss) for the year	-	-	-	(1,853,433)	(1,853,433)
Other comprehensive income for the year	-	-	246,626	-	246,626
Total comprehensive income for the year	-	-	246,626	(1,853,433)	(1,606,807)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year	14 1,348,300	-	-	-	1,348,300
Options exercised during the year	13,354	(13,354)	-	-	-
Capital raising costs	14 (76,669)	-	-	-	(76,669)
Options expired during the year	14 -	(263,746)	-	263,746	-
Share based payment	14 -	414,000	-	-	414,000
Total transactions with owners and other transfers	1,284,985	136,900	-	263,746	1,685,631
Balance at 30 June 2018	19,798,557	414,000	252,787	(19,687,594)	777,750

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year ended 30 June 2018

	Notes	2018 (\$)	2017 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(478,250)	(1,057,138)
Interest received		7,522	32,013
Sundry Income		50,492	101,392
R&D Claim		-	158,652
Net cash (used in) operating activities	15	(420,236)	(765,081)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,656)	(1,855)
Payments for exploration and evaluation		(1,548,654)	(905,988)
Purchase of new tenements		(45,000)	(37,087)
Sale of tenement		500,000	-
Net cash (used in) investing activities		(1,095,310)	(944,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	14	1,348,300	2,043,744
Proceeds from share applications	13	75,000	-
Capital raising costs	14	(76,669)	(89,917)
Net cash provided by financing activities		1,346,631	1,953,827
Net (decrease)/increase in cash held		(168,915)	243,816
Cash and cash equivalents at the beginning of the financial year		722,396	478,580
Cash and cash equivalents at the end of the financial year	8	553,481	722,396

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2018

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 13 September 2018.

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 \$0.55 million. On 30 July 2018, the Company announced it had received firm commitments for approximately \$4.6m via the placement of shares at \$0.12 per share.
- b) current cash resources are considered adequate to fund the entity's immediate operating and exploration activities however given the state of the equity markets, the rate of expenditure on exploration as a whole has been reduced; and
- c) the need to raise additional funds by the issue of additional shares or the sale of assets if a high level of exploration activity is to be undertaken.

Accounting Policies

(a) Revenue

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

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

(b) Employee Benefits

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

(c) Exploration and Evaluation Expenditure

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

(d) Acquisition of Assets

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

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

(e) Goods and Services Tax (GST)

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

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

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

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

(f) Income Tax

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

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

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

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

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

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

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

(g) Cash and Cash Equivalents

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

(h) Impairment of Assets

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

(i) Earnings per Share

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

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

(j) Property, plant and equipment

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

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

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

Depreciation

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

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

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

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

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

(k) Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

less principal repayments;

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

less any reduction for impairment.

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

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Financial liabilities

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

Fair Value

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

Impairment

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

Financial Guarantees

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

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

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

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

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged,

cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Provisions

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

(m) Leases

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

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

(n) Contributed Equity

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

(o) Comparative Figures

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

(p) Segment Reporting

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

(q) Critical Accounting Estimates, Assumptions, and Judgements

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

Taxation

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

Environmental Issues

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

Impairment

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

(r) New Accounting Standards

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

(i) Australian Accounting and Auditing Standards applicable to the company for the first time for the financial year ended 30 June 2018 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	2018 (\$)	2017 (\$)
Other Income			
	Research and development tax incentive (net of costs)	-	148,075
	Sundry Income	2,407	55,541
	Subcontractor / Labour Hire Income	29,269	54,028
		<u>31,676</u>	<u>257,644</u>
Other Expenses			
	Occupancy costs	(40,435)	(55,227)
	Filing and ASX fees	(45,209)	(29,842)
	Corporate and management expenses	(372,600)	(562,635)
	Legal Fees	(28,004)	(142,750)
	Other expenses from continuing operations	(308,444)	(320,061)
		<u>(794,692)</u>	<u>(1,110,515)</u>
		2018 (\$)	2017 (\$)
NOTE 4 INCOME TAX EXPENSE			
The components of tax expense comprise:			
	Current tax	-	-
	Deferred tax asset/liability	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
	Total comprehensive income for the year before income tax	<u>1,606,807</u>	<u>1,785,844</u>
	Prima facie tax benefit attributable to loss from continuing operations before income tax at 27.5%	441,872	491,107
	Tax effect of assessable and non-assessable items		
	• Unrealised gain on available for sale financial assets	67,822	1,694
	• R & D tax incentive	-	43,629
	• Options expired during the current year	-	184,829
	• Share-based payments	(113,850)	-
	• Other	641	(36,689)
	Deferred tax benefit on tax losses not brought to account	(396,485)	(684,570)
	Income tax attributable to operating loss	<u>-</u>	<u>-</u>

Unrecognised temporary differences

Net deferred tax assets (calculated at 27.5%) have not been recognised in respect of the following items:

Accrued expenses	(73)	(1,118)
Available-for-sale financial assets loss	(67,822)	(1,694)

Financial Statements

Unrecognised deferred tax assets relating to the above temporary differences	<u>(67,895)</u>	<u>(2,812)</u>
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Unrecognised deferred tax assets

The Company has accumulated tax losses of \$18,088,629 (2017: \$16,646,863)

The potential deferred tax asset of these losses \$4,974,373 (2017: \$4,577,887) will only be recognised if:

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

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION	2018 (\$)	2017 (\$)
Short-term employee benefits	365,150	373,452
Post-employment benefits	<u>20,075</u>	<u>22,825</u>
	<u>385,225</u>	<u>396,277</u>

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

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

NOTE 6 AUDITORS REMUNERATION	2018 (\$)	2017 (\$)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	20,254	29,611
Other	-	-
	<u>20,254</u>	<u>29,611</u>

NOTE 7 EARNINGS PER SHARE	2018 (\$)	2017 (\$)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(1,606,807)	(1,785,844)
Earnings used in calculating basic and diluted earnings per share	<u>(1,606,807)</u>	<u>(1,785,844)</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>147,009,982</u>	<u>138,531,890</u>

The Company had 20,418,862 partly-paid contributing shares and 3,000,000 (2017: 4,150,000) 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	2018 (\$)	2017 (\$)
Cash at bank	541,893	110,808
Deposits at call	<u>11,588</u>	<u>611,588</u>
	<u>553,481</u>	<u>722,396</u>

NOTE 9 TRADE AND OTHER RECEIVABLES	2018 (\$)	2017 (\$)
Trade receivables	1,022	13,222
Other receivables	1,266	1,732
GST refundable	<u>33,411</u>	<u>39,135</u>
	<u>35,699</u>	<u>54,089</u>

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NOTE 10	OTHER ASSETS	2018 (\$)	2017 (\$)
	Prepayments	30,665	30,392

NOTE 11	PROPERTY, PLANT, EQUIPMENT	2018 (\$)	2017 (\$)
	Plant and equipment	126,402	124,746
	Less: Accumulated depreciation	(105,060)	(102,298)
		<u>21,342</u>	<u>22,448</u>

	Motor vehicles	68,800	68,800
	Less: Accumulated depreciation	(68,800)	(68,800)
		<u>-</u>	<u>-</u>
		<u>21,342</u>	<u>22,448</u>

Reconciliation of the carrying amounts of plant, equipment and motor vehicles from the beginning to the end of the financial year.

	Plant, equipment and motor vehicles		
	Carrying amount at beginning of year	22,448	34,267
	Additions	1,656	1,855
	Disposals	-	(9,654)
	Depreciation expense	(2,762)	(4,020)
	Total plant, equipment and motor vehicles at end of year	<u>21,342</u>	<u>22,448</u>

NOTE 12	OTHER FINANCIAL ASSETS	2018 (\$)	2017 (\$)
	Non-Current		
	Available-for-sale financial assets – shares in listed corporations	300,320	53,694

Investments in related parties

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

	Image Resources NL	37,871	31,559
	Meteoritic Resources NL	5,400	7,200
		<u>43,271</u>	<u>38,759</u>

NOTE 13	TRADE AND OTHER PAYABLES	2018 (\$)	2017 (\$)
	Trade creditors and accruals	73,825	170,674
	PAYG Withholding & Superannuation Payable	14,932	13,419
	Share applications	75,000	-
		<u>163,757</u>	<u>184,093</u>

NOTE 14	EQUITY	2018		2017	
		No.	\$	No.	\$
	Contributed Equity – Ordinary Shares				
	At the beginning of year	141,538,659	18,513,572	115,336,812	16,559,745
	Shares issued during the year at \$0.078 each	-	-	26,201,847	2,043,744
	Shares issued during the year at \$0.115 each	6,583,044	757,050	-	-
	Shares issued during the year at \$0.17 each	200,000	34,000	-	-
	Shares issued during the year at \$0.15 each	3,715,000	557,250	-	-
	Transfer from share based payments reserve for 200,000 share options exercised during the year	-	13,354	-	-

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Broker / Sundry Share issuance costs	-	(76,669)	-	(89,917)
Closing balance:	<u>152,036,703</u>	<u>19,798,557</u>	<u>141,538,659</u>	<u>18,513,572</u>

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:	<u>20,418,862</u>	<u>-</u>	<u>20,418,862</u>	<u>-</u>

Reserves

Share based benefits reserve (i)		<u>414,000</u>		<u>277,100</u>
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(i) Black Scholes model has been used to value these options. The inputs to the Black Scholes valuation included; risk free interest rate of 2.3% and volatility of 102%.

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

Options

Options to acquire fully paid shares exercisable at \$0.17 on or by 31 December 2017	-	4,000,000
Options to acquire fully paid shares exercisable at \$0.18 on or by 31 December 2017	-	150,000
Options to acquire fully paid shares exercisable at \$0.377 on or by 31 December 2021	3,000,000	-
Total Options	<u>3,000,000</u>	<u>4,150,000</u>

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

	Number of Options	\$
At 1 July 2016	16,907,143	949,204
Options expired during the year	(12,757,143)	(672,104)
At 30 June 2017	<u>4,150,000</u>	<u>277,100</u>
At 1 July 2017	4,150,000	277,100
Options exercised during the year	(200,000)	(13,354)
Options expired during the year	(3,950,000)	(263,746)
Options issued during the year	3,000,000	414,000
At 30 June 2018	<u>3,000,000</u>	<u>414,000</u>

Terms and condition of contributed equity

Ordinary Fully Paid Shares

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

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

Contributing Shares

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

On a show of hands, every holder of contributing shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion

Financial Statements

which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights.

NOTE 15	CASH FLOW INFORMATION	2018	2017
		(\$)	(\$)
	Reconciliation of operating loss after income tax with funds used in operating activities		
	Operating (loss) after income tax	(1,606,807)	(1,785,844)
	Depreciation and amortisation	2,762	4,020
	Sale of tenement	(500,000)	-
	Exploration expenditure	1,562,134	958,204
	Appreciation of available-for-sale financial assets	(246,626)	(6,161)
	Loss on sale of fixed assets	-	9,654
	Share based payment	414,000	-
	Interest accrual	(267)	-
	Changes in operating assets and liabilities:		
	Decrease (increase) in trade and other receivables relating to operating activities	12,933	(22,842)
	Increase in prepayments	(273)	(4,822)
	Decrease in trade and other payables relating to operating activities	(58,092)	82,710
	Cash flow from operations	(420,236)	(765,081)

Non-cash financing activities are listed at Note 20.

NOTE 16 TENEMENT EXPENDITURE COMMITMENTS

Pursuant to relevant legislation in Western Australia, mineral tenements are held subject to the condition that rate and rentals are paid and prescribed expenditure conditions are met. Application for exemption from all or some of the prescribed expenditure conditions may be made but no assurance is given that any such application will be granted. If the prescribed expenditure conditions are not met with respect to a tenement, that tenement is liable to forfeiture. The prescribed expenditure condition in respect of the granted tenements for the next twelve months amounts to \$398,080 (2017: \$499,320). The prescribed expenditure condition in respect of the pending tenements for the next twelve months amounts to \$141,440. Not included in the above figures are Magnetic Iron Ore Tenement commitment conditions of \$176,000 which are met by Northam Iron Pty Ltd as per agreement dated 13 November 2017.

NOTE 17 TENEMENT ACCESS

Native Title and Freehold

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

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

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

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

NOTE 18 CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

2018	2017
(\$)	(\$)

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- Not later than 12 months	23,762	24,587
- Between 12 months and five years	<u>33,517</u>	<u>18,803</u>
	<u>57,279</u>	<u>43,390</u>

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

NOTE 19 EVENTS SUBSEQUENT TO REPORTING DATE

- On 30 July 2018, the Company announced it had received firm commitments for approximately \$4.6m via the placement of shares at \$0.12 per share.
- On 8 August 2018, the Company announced it had issued 33,365,425 shares as tranche 1 of the placement, with the balance subject to shareholder approval.

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

NOTE 20 EQUITY-SETTLED SHARE BASED PAYMENTS

During the year there were share based payments amounting to \$414,000 (2017: nil)

NOTE 21 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

Particulars of contractual arrangements and financial benefits provided to the key management personnel are detailed in the directors' report. There are no amounts owing to directors and/or director-related parties (including GST) at 30 June 2018 or 2017.

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

	2018 (\$)	2017 (\$)
Leeman Pty Ltd, a George Sakalidis related party, hire of specialised equipment	(5,775)	(16,275)
Image Resources NL, vehicle hire	<u>(3,730)</u>	<u>-</u>
	<u>(9,505)</u>	<u>(16,275)</u>

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

NOTE 22 CONTINGENT LIABILITIES

Native Title

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

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

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

NOTE 23 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Risk Management Policies

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

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

Specific Financial Risk Exposure and Management

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

Interest Rate Risk

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

Liquidity Risk

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

Capital Risk

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

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

The working capital position of the Company at 30 June 2018 and 30 June 2017 was as follows:

	2018 (\$)	2017 (\$)
Cash and cash equivalents	553,481	722,396
Trade and other receivables	35,699	54,089
Trade and other payables	(88,757)	(184,093)
Working capital position	500,423	592,392

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:

	2018 (\$)	2017 (\$)
AAA rated	-	-
AA rated	-	-
A rated	553,481	722,396

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

	2018 (\$)	2017 (\$)
Trade and other receivables		
Trade and other receivables	2,288	14,222
GST and tax refundable	33,411	39,135
	35,699	53,357

(b) Financial Instruments

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

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Financial Instrument composition and maturity analysis

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

2018	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets	0.048%			
Cash and cash equivalents		553,481	-	553,481
Other receivables		-	35,699	35,699
Available-for sale financial assets		-	300,320	300,320
Total Financial Assets		553,481	336,019	889,500
Financial Liabilities				
Trade and other payables (excluding GST refund)		-	(88,757)	(88,757)
Net Financial Assets		553,481	(247,262)	(800,743)

	2018 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(88,757)
	(88,757)

2017	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets	1.91%			
Cash and cash equivalents		722,396	-	722,396
Other receivables		-	54,089	54,089
Available-for sale financial assets		-	53,694	53,694
Total Financial Assets		722,396	107,783	830,179
Financial Liabilities				
Trade and other payables (excluding GST refund)		-	(184,093)	(184,093)
Net Financial Assets		722,396	(76,310)	646,086

	2017 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(184,093)
	(184,093)

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).

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2018	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	300,320	-	-	300,320
	<u>300,320</u>	<u>-</u>	<u>-</u>	<u>300,320</u>
2017	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	53,694	-	-	53,694
	<u>53,694</u>	<u>-</u>	<u>-</u>	<u>53,694</u>

(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:

	2018 (\$)	2017 (\$)
Change in loss – increase/(decrease):		
Increase in interest rate by 0.1%	(554)	(1,380.5)
Decrease in interest rate by 0.1%	267	1,380.5
Change in equity – increase/(decrease):		
Increase in interest rate by 0.1%	(554)	1,380.5
Decrease in interest rate by 0.1%	267	(1,380.5)

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 Australian Accounting Standards and the Corporations Act 2001;
 - b) give a true and fair view of the financial position as at 30 June 2018 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 2018 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 Australian Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view;
- 3) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- 4) the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

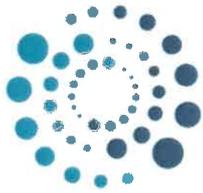


SIGNED: GEORGE SAKALIDIS

MANAGING DIRECTOR

PERTH

Dated 13 September 2018



Independent Audit Report to the members of Magnetic Resources NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magnetic Resources NL (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Expenditure

Refer to Total Expenditure (\$2,399,360), accounting policy Note 1(c), and Note 3 (other expenses)

Key Audit Matter

Expenditure is a substantial figure in the financial statements of the Company, representing the majority of shareholder funds spent during the financial year.

Given this represents a significant volume of transactions, we considered it necessary to assess whether the Company's expenses had been accurately recorded, whether the services provided had been delivered in the appropriate period, and whether all expenses related to activities undertaken by Magnetic Resources NL.

How our audit addressed the matter

Our audit work included, but was not restricted to, the following:

- We completed a walkthrough test of the Company's expenses system and assessed related controls.
- We selected a systematic sample of expenses using the dollar unit sampling method, and vouched each item selected to invoices and other supporting documentation.
- We tested a random sample of cash payments throughout the year to supporting documentation, to ensure no expenses had been paid but not recognised.
- We reviewed post year end payments and invoices to ensure that all goods and services provided during the financial year were recognised in expenses for the same period.
- For exploration expenses, we assessed which tenements the spending related to, to ensure funds were expended in relation to the Company's ongoing projects.

Other Information

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

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 35 of the directors' report for the year ended 30 June 2018. The directors of the Magnetic Resources NL are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Magnetic Resources NL for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd



Rafay Nabeel
Audit Director

12 September 2018

Other Information

Location	Tenement	Nature of Interest	Project	Equity (%) held at end of Quarter
WA	E70/3536	Granted	JUBUK	Royalty Retained
WA	E70/4243	Granted	RAGGED ROCK	Royalty Retained
WA	E70/4508	Granted	KAURING	Royalty Retained
WA	E70/4528	Granted	KAURING	Royalty Retained
WA	E70/4692	Granted	MT JOY	Royalty Retained
WA	E38/3100	Granted	MT JUMBO	100%
WA	P39/5594	Granted	KOWTAH	100%
WA	P39/5595	Granted	KOWTAH	100%
WA	P39/5596	Granted	KOWTAH	100%
WA	P39/5597	Granted	KOWTAH	100%
WA	P38/4201	Granted	MT JUMBO	100%
WA	E37/1258	Granted	MERTONDALE	100%
WA	P37/8687	Granted	CHRISTMAS WELL	100%
WA	P37/8688	Granted	CHRISTMAS WELL	100%
WA	P37/8689	Granted	CHRISTMAS WELL	100%
WA	P37/8690	Granted	CHRISTMAS WELL	100%
WA	P37/8691	Granted	CHRISTMAS WELL	100%
WA	P37/8692	Granted	CHRISTMAS WELL	100%
WA	P37/8693	Granted	CHRISTMAS WELL	100%
WA	P37/8694	Granted	CHRISTMAS WELL	100%
WA	P39/5617	Granted	KOWTAH EAST	100%
WA	E38/3127	Granted	HAWKS NEST	100%
WA	P38/4317	Granted	MT JUMBO EAST	100%
WA	P38/4318	Granted	MT JUMBO EAST	100%
WA	P38/4319	Granted	MT JUMBO EAST	100%
WA	P38/4320	Granted	MT JUMBO EAST	100%
WA	P38/4321	Granted	MT JUMBO EAST	100%
WA	P38/4322	Granted	MT JUMBO EAST	100%
WA	P38/4323	Granted	MT JUMBO EAST	100%
WA	P38/4324	Granted	MT JUMBO EAST	100%
WA	E38/3205	Granted	HAWKS NEST EAST	100%
WA	E38/3209	Granted	MT AJAX	100%
WA	E37/1303	Granted	NAMBI	100%
WA	P37/8905	Granted	RAESIDE EAST	100%
WA	P37/8906	Granted	RAESIDE EAST	100%
WA	P37/8907	Granted	RAESIDE EAST	100%
WA	P37/8908	Granted	RAESIDE EAST	100%
WA	P37/8909	Granted	BRAISER	100%
WA	P37/8910	Granted	BRAISER	100%
WA	P37/8911	Granted	BRAISER	100%
WA	P37/8912	Granted	BRAISER	100%
WA	P37/8913	Granted	TRIGG	100%

WA	P37/8914	Granted	TRIGG	100%
WA	P37/8915	Granted	TRIGG	100%
WA	P37/8916	Application	TRIGG	100% Pending Grant
WA	P37/8917	Application	TRIGG	100% Pending Grant
WA	P37/8918	Application	TRIGG	100% Pending Grant
WA	P37/8919	Application	TRIGG	100% Pending Grant
WA	P37/8920	Application	TRIGG	100% Pending Grant
WA	P37/8921	Granted	TRIGG	100%
WA	P37/9044	Application	CARDINIA	100% Pending Grant
WA	P37/9045	Application	CARDINIA	100% Pending Grant
WA	P37/9046	Application	CARDINIA	100% Pending Grant
WA	E37/1331	Application	MALCOLM	100% Pending Grant
WA	E37/1177	Granted	MERTONDALE	100%
WA	E53/1981	Application	YELMA	100% Pending Grant

The following information was applicable as at 5 September 2018

Share and Partly Paid Share holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares
1 to 1,000	586	1,078
1,001 to 5,000	200	513
5,001 to 10,000	96	76
10,001 to 100,000	263	77
100,001 and over	132	19
Total	1277	1,763

The number of shareholdings with less than marketable parcels is 710 shareholders holding 374,265 fully paid ordinary shares and 1,694 shareholders holding 2,512,783 partly paid contributing shares. There are no listed options.

Substantial shareholders as at 5 September 2018:

Shareholder Name	Number of Shares	% of Issued Share Capital
OAN CHIM SENG	24,091,925	12.99%
CHAN HIAN SIANG	19,564,538	10.55%
LIM CHOON KONG	10,374,443	5.60%
Total	54,030,906	29.14%

Twenty largest shareholders – Quoted fully paid ordinary shares:

Rank	Holder Name	Designation	Securities	%
1	OAN CHIM SENG		24,091,925	12.99%
2	CHAN HIAN SIANG		19,564,538	10.55%
3	LIM CHOON KONG		10,374,443	5.60%
4	AVA CARTEL SDN BHD		7,590,302	4.09%
5	WOON CHUNG NENG		7,000,000	3.78%
6	BNP PARIBAS NOMS PL	DRP	5,980,761	3.23%
7	LIANG AARON SIM KWANG		4,642,338	2.50%
8	TARGET RANGE PL		4,455,000	2.40%

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9	HAANK JAN GERHARD + CHEN LI CHIAO		4,366,667	2.36%
10	GFI INV PL	WARD S/F A/C	4,245,000	2.29%
11	ERIC LIM JIN HUEI		4,148,011	2.24%
12	ORBIT DRILLING PL		3,674,399	1.98%
13	LOO CHIN HUAT		3,008,884	1.62%
14	REKA CEMERLANG SDN BHD		3,000,000	1.62%
15	SCIE SAM		2,990,946	1.61%
16	REKA CEMERLANG SDN BHD		2,750,000	1.48%
17	BNP PARIBAS NOM PL	IB AU NOMS RETAILC	2,506,259	1.35%
18	EMNJ PL		2,460,000	1.33%
19	ALCOCK SUPER FUND PL	ALCOCK S/F A/C	2,355,000	1.27%
20	LEEMAN PL		1,988,089	1.07%
	TOTAL		121,192,562	65.36%

Twenty largest shareholders – Quoted partly-paid contributing shares:

Rank	Holder Name	Designation	Securities	%
1	GFI INV PL	WARD S/F A/C	3,923,158	19.21%
2	BARON IAN RONALD		2,051,999	10.05%
3	SAKALIDIS GEORGE + JACQUELINE	SAKALIDIS S/F A/C	2,040,333	9.99%
4	THOMSON ROGER	THOMSON S/F A/C	2,000,000	9.79%
5	SAKALIDIS GEORGE		1,017,715	4.98%
6	EMNJ PL		899,135	4.40%
7	BRISPOT NOM PL	HOUSE HEAD NOM NO	725,930	3.56%
8	TIELEMAN BRENTON GRAHAM		500,000	2.45%
9	DANCE BARRINGTON + JEAN PATRICIA DANCE	DANCE S/F A/C	450,000	2.20%
10	DANCE BARRINGTON		412,438	2.02%
11	MEGGSIES PL		259,497	1.27%
12	GILPIN PARK PL		247,222	1.21%
13	CHRISTENSEN GAYNOR		228,567	1.12%
14	AUTO MGNT PL		218,654	1.07%
15	PETER WILLIAM + MAUREEN JUNE TAYLOR	GOOD OIL S/F A/C	194,500	0.95%
16	KAVANAGH ROBERT FRANCIS		180,000	0.88%
17	VETTER ANTHONY JOHN		150,000	0.73%
18	HOLLAND CLINTON THOMAS		120,000	0.59%
19	JON SNOW INV PL		120,000	0.59%
20	HARDING BRUCE WAYNE + MARGARETHA MARIA COLETA		100,000	0.49%
	TOTAL		15,839,148	77.6

Twenty largest option holders – All options are unquoted:

Option to acquire Fully Paid Ordinary Shares, expiry 31.12.2021

NAME	Expiry price	Number
MR GEORGE SAKALIDIS	\$0.377	1,500,000

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MR ERIC JIN HUEI LIM	\$0.377	750,000
MR JULIEN SANDERSON	\$0.377	750,000

There are a total of 185,402,128 fully paid ordinary shares, 20,418,862 partly-paid contributing shares and 3,000,000 options on issue. Both the fully paid ordinary shares and partly-paid contributing shares are listed on Australian Securities Exchange Limited.

Buy-Back Plans

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

Voting Rights

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