



magnetic resources^{NL}

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2015

ABN 34 121 370 232



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HALF-YEAR FINANCIAL REPORT

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Your directors submit the financial report of the Company for the half-year ended 31 December 2015

DIRECTORS

The following persons were directors of Magnetic Resources NL ("**Magnetic**") during the half-year and up to the date of this report:

Mr Eric Lim

Mr Gavin Fletcher (Appointed Managing Director 20 October 2014)

Mr John Blanning (Appointed Non-executive Director 17 October 2014)

Mr George Sakalidis (Appointed Non-executive Director 29 January 2016)

Mr Julian Sanderson (Appointed Non-executive Director 29 January 2016)

REVIEW OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2015 was \$617,846 (2014: \$882,734)

The Company's activities during the six month period are summarised in this report which unless otherwise stated, should be read as if dated 31 December 2015.

INTRODUCTION:

Magnetic Resources NL (**Magnetic or the Company**) continued with its exploration effort by carrying out ground magnetic surveys over three separately owned farmland areas in the Mt Joy region for a total of 41.8 line kilometres.

The results of this additional work outlined favourable geophysical data and target mineralisation for the basis of calculating a resource of the dimensions that the Company is seeking for a start-up mine with a 10+ year mine life.

The Company fulfilled a short research drilling program designed to delineate a maiden inferred JORC resource on a prospective area, called MJ1.

The Company has advanced exploration to the point of preparing a resource estimate at MJ1, however, given the recent position of discussion with the farmers, the Company is now reviewing that estimate on the basis of access to the land, which the Company believes is a significant modifying factor as set out in clause 12 of the 2012 JORC code. Until these factors can be reviewed, the Company does not feel it can release any estimates.

The Company continues to maintain dialogue with land holders where suitable targets exist and has accrued a land holder network in project regions.

At Kauring exploration to date has identified enough tonnage parameters in the eastern BIF zone with a range of attributes for Fe quality and Fe recover* that requires further drilling to identify an Inferred JORC resource, which is being planned.

As outlined in an announcement on 30 March 2015, an agreement being reached over the MJ1 target is now retrospectively withheld.

() [Magnetic Resources Kauring Report Release 19 December 2013 update/Magnetic Resources Kauring Report Release 19 February 2014/Magnetic Resources Kauring Report Release 04 & 20 March 2014/Magnetic Resources Kauring Report Release 07 April 2014/Magnetic Resources*

Quarterly Report to 30 September 2014/Magnetic Resources Kauring Report 24 November 2014/Magnetic Resources Half Yearly Report Release 13 March 2015].

Historical Drilling at Mt Joy - Research and Development:

The historical diamond core purchased by the Company will remain as a data base to refer to from time to time and for research purposes.

Validation of the diamond core is ongoing and to date a number of drill holes have been identified which has proved to be invaluable in research and development (R&D) of the Mt Joy region and for also conducting initial engineering design test work, which remains commercially sensitive. These engineering tests provide the key parameters to design and cost a processing facility in the future. The diamond core can also be used for pit design test work as the project is further developed.

Consultation with the Landholders:

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

The reverse circulation drilling undertaken over the MJ1 target area reinforced historical drilling, which added confidence in the decision making process about the validity of the historical diamond core for future use on other drill core other than MJ1 and for R&D purposes.

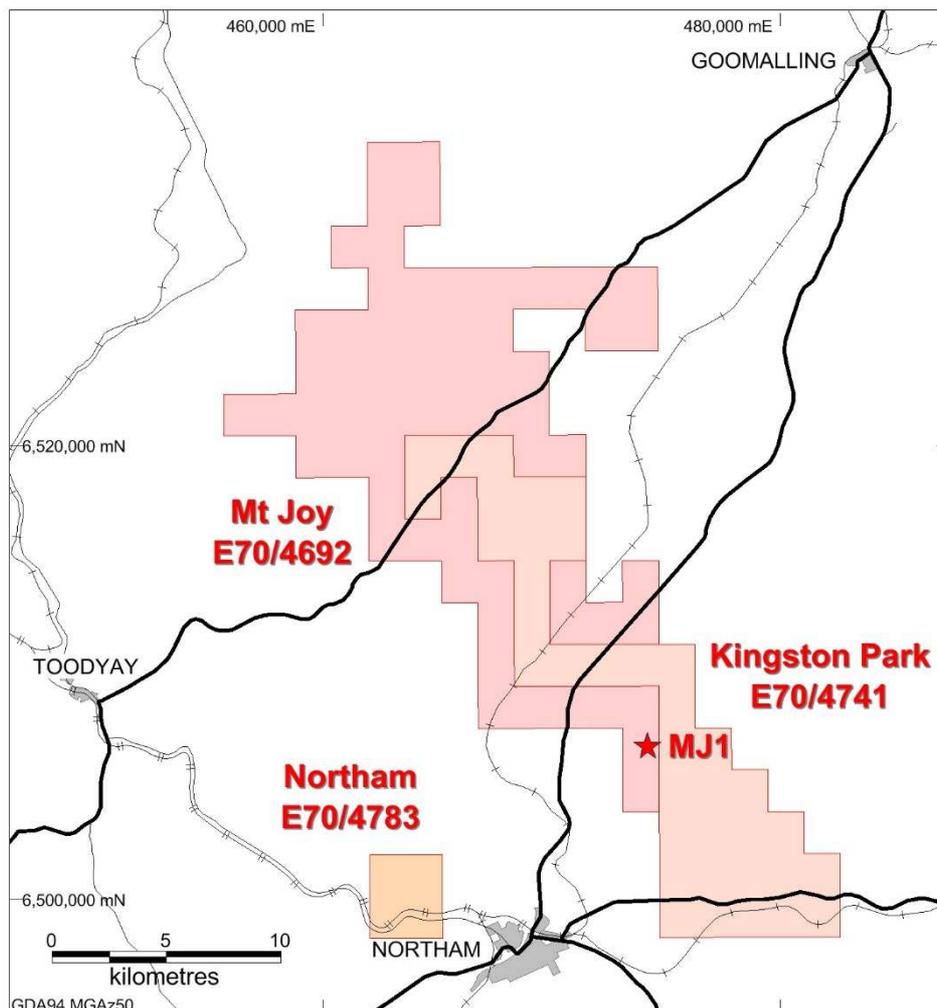


Figure 1: Northam tenement locations and Target MJ1

Tenement Applications:

The Company made an application for 107 sub blocks over three Exploration Licence areas (19,306 Ha, 10,823 Ha and 1170 Ha) with Exploration License application EL 70/4692, Exploration License application E70/4741, and Exploration License application EL 70/4783 giving the Company access to a greater area of geophysical targets previously held by competitors.

Figure 1 outlines the location and relationship of the 3 tenement applications.

Prospectivity of the Mt Joy and Kingston Park areas:

The Company has stated the potential of the area, given that the magnetic anomalies are generally more pronounced, wider and more continuous than many other areas within the same metamorphic belt of geology.

Another project, Kauring also represents a large magnetic anomaly already drill tested and occurs to the east of York.

At the Kauring project drilling has intersected numerous very thick and high yielding BIF zones, giving the Company strong belief that the Mt Joy and Kingston Park area will be complementary.

Figure 2 below outlines a number of significant anomalies totalling some 100 km of accumulated BIF strike at the Mt Joy-Kingston Park-Northam area.

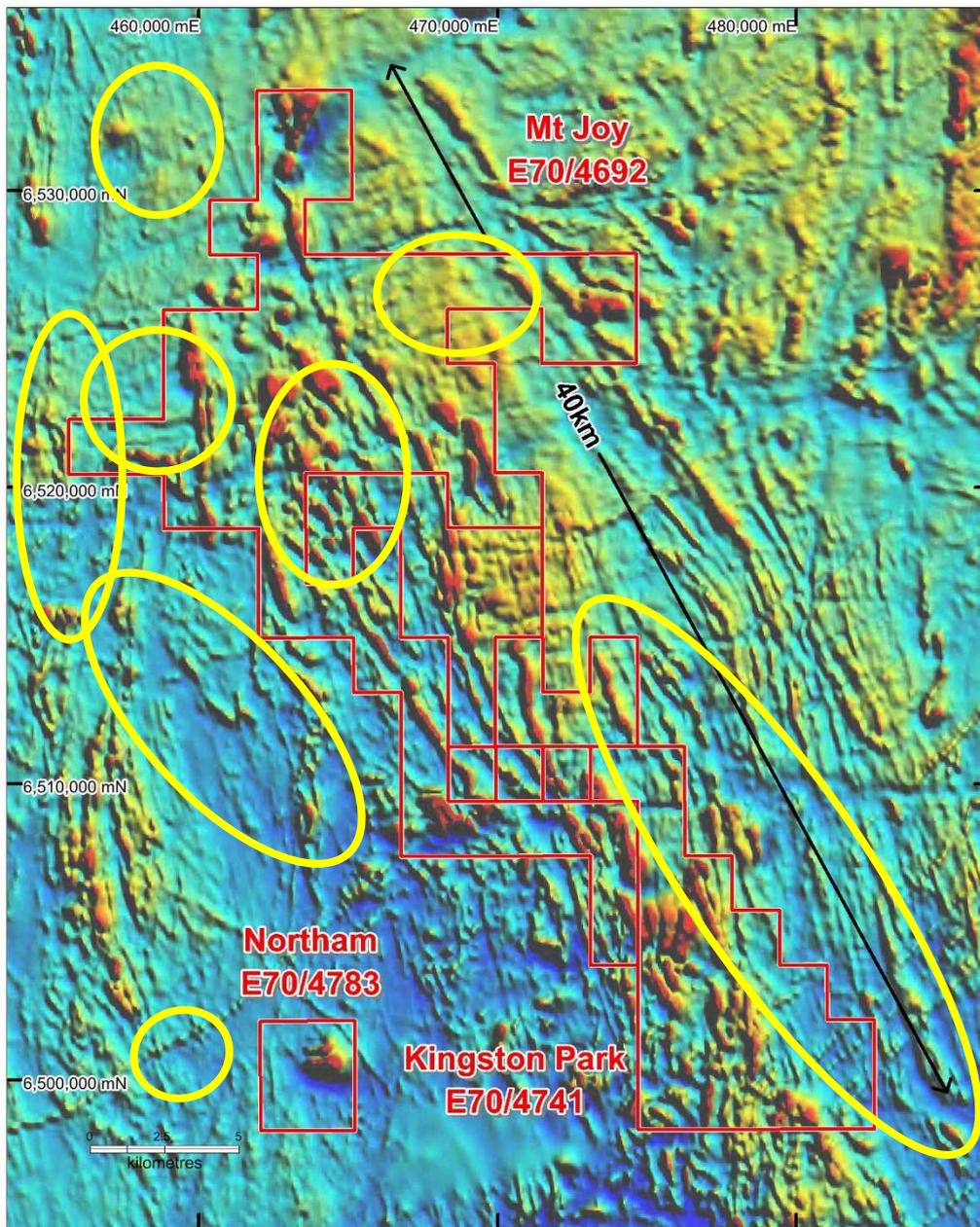


Figure 2: Northam tenements with anomalies and BIF strike delineation
SUMMARY:

The Mt Joy and Kingston Park tenements are highly prospective, very close to infrastructure and choices can be made over a wide area. Where an agreement had already been reached over target MJ1, it was determined to also work with surrounding landholders who are also showing a great deal of interest in working with the Company.

In re-assessing the Kauring Project the Company has confidence that Kauring represents an opportunity to develop a resource opportunity that will fulfil the Company's long term goal of developing a 10+ year mine life. Kauring has great metallurgical attributes with a greater weathering profile nonetheless a special characteristic at Kauring is the high recovery levels so far determined and reported to the ASX.

Work is planned to determine an Inferred JORC resource at Kauring with 6 drill holes over 3 x lines spaced 200m apart in conjunction with already available RC and Diamond core drill data. This is on hold until after the next shareholder meeting.

GENERAL:

RAGGED ROCK PROJECT: (Magnetic 100%)

Further to previous quarter outlining several ground magnetic surveys as future exploration targets, drilling will be subject to agreements with land holders.

JUBUK PROJECT: (Magnetic 100%)

Application for retention and extension status has been granted for the Jubuk coarse grained magnetite deposit near Corrigin. This will allow Magnetic to focus on evaluating its other advanced projects. The Company has been advised of a 5-year extension of exploration licence was granted in early 2015. Retention approval is reviewed annually.

KAURING PROJECT: (Magnetic 100%)

The Company advised that results of additional reverse circulation drilling in its December 2014 Quarterly Report and will further advise on any significant changes to the Exploration Target as a result of additional drilling. The idea is to drill the Eastern BIF to an Inferred JORC resource category over the next 2 quarters.

Magnetic has rationalised its tenement holdings in order to focus on the newly acquired Mt Joy tenement and Kingston Park projects. As a result of this focus, no exploration was carried out on Magnetic's other tenements during the quarter.

Latham Rock E70/4598 was surrendered in the quarter.

CORPORATE:

On 24 September 2015, the Company announced it had executed an employment contract with Mr Gavin Fletcher as Managing Director. The contract provides for an annual salary of \$250,000 together with various incentives subject to shareholder approval.

The Company's Annual General Meeting was held on 20 November 2015 with shareholders voting for the re-election of Mr Lim and the ratification of prior share issues, but voting down all other resolutions.

On 24 November 2015, the Company announced it had received a notice under Section 249D of the Corporations Act from more than 5% of shareholders, requisitioning a shareholder meeting to remove Mr Fletcher and Mr Blanning, and to appoint Mr George Sakalidis and Mr Julien Sanderson.

On 1 December 2015, the Company announced that the 249D meeting requisition had been withdrawn and an updated notice lodged.

On 18 December 2015, the Company lodged a notice of meeting dealing with the 249D meeting requisition.

For more information on the company visit www.magres.com.au

Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled or reviewed by Mr Cyril Geach BSc (Hons-Geology) who is a member of the Australian Institute of

DIRECTORS' REPORT



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Geoscientists. Cyril Geach is an independent consultant with his own business, Cyril Geach - Geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Cyril Geach consents to the inclusion of this information in the form and context in which it appears in this report.



JORC Code, 2012 Edition – Table 1 report template	
Section 1 Sampling Techniques and Data	
(Criteria in this section apply to all succeeding sections)	<p>Magnetic Resources Kauring Report Release 19 December 2013 update with Magnetic Resources Kauring Report Release 19 February 2014 update with Magnetic Resources Kauring Report Release 04 & 20 March 2014 update with Magnetic Resources Kauring Report Release 07 April 2014 update with Magnetic Resources Quarterly Report to 30 September 2014 update with Magnetic Resources Kauring Report 24 November 2014 Magnetic Resources Half Yearly Report Release 13 March 2015 update with Magnetic Resources Mount Joy Strategic Release 30 March 2015 update with Magnetic Resources Mount Joy Proposed JORC Drilling Release Report 28 April 2015 Magnetic Resources Quarterly Report to 30 June 2015 update with Magnetic Resources Annual Report to 30 June 2015 Magnetic Resources Quarterly Report to 30 September 2015</p>
Sampling techniques	<p>Kauring Reverse Circulation Drilling collected at 1m , 2m and 4m interval and sub sample split through a cyclone rotary splitter</p>
	<p>Kauring Duplicates taken using a 75:25 riffle splitter at every 20-30m and standards introduced at every 30-40m</p>
	<p>Susceptibility readings taken at each 1m from larger sample collected using a Georadus K10 magnetic susceptibility meter x10-3SI</p>
	<p>Hand held Delta Dynamic XRF Model DP-4000-C Serial No 510246 used to test every 5-7 metres of collected sample for early recognition of Fe content. Error 5-10%Fe to assay expected.</p>
Drilling techniques	<p>Reverse Circulation Drill Rig owned by Orbit Drilling Pty Ltd, Breakthru Drilling PL using a 150mm RC hammer drill bit, pre-collar to 6m</p>
Drill sample recovery	<p>Visual observation and noted where water occurs - water was minimal and 90% of sample recovery water free</p>
	<p>Drilling companies engaged ensure the efficiency is acceptable and audit of machine efficiency through Duplicates carried out.</p>
	<p>It is assumed minimal bias to sample recovery and grade and if so expect at the 1m interface between geological horizons bias to occur backed up where susceptibility and duplicates are a measure of down-hole consistency. Duplicate results indicate in a</p>



	number of samples that future improved recovery at the rig is required, but as this is an exploratory drill program results are deemed acceptable at this initial level, but would need to improve QA/QC consistency for JORC purposes at MR level when testing the weathered horizon in particular.
Logging	Logging at 1m intervals to assess the geological interpretation.
	RC sampling at 1m interval is quantitative using Hand Held XRF and will become qualitative after assaying is carried out.
Sub-sampling techniques and sample preparation	RC sampling at 1m, 2m and 4m interval is quantitative using Hand Held XRF and became qualitative after assaying data is to be released. Composite sub sampling was on a volumetric method taking a scoop <1kg from a shaken calico sub sample of 1m collected drill material and combined repeatedly equally as a scoop sub sample with other samples for 2 or 4m combined. Portable XRF assays are recorded of the sub samples in the field to be compared v lab assay to detect any major errors. Duplicate samples are 1m samples only.
	Rotary Split at rig at 1m intervals into Calico for 0.5-2.0kg sub samples and riffle split at 75:25 for duplicates >3Kg
	Dry samples into calico bags for assay vary with size of collected sample between 0.5-2.0kg weight - expect the sample to be homogenous over the 1m collected
	Cyclone cleaned regularly at every 5-10m to prevent cross contamination or cleansed more if clayey or damp conditions prevailed however minimal <10%
	Duplicate at every 20-30m to measure continuity of the drill rig and sample recovery, particularly the BIF. Duplicate results indicate in a number of samples that future improved recovery at the rig is required, but as this is an exploratory drill program results are deemed acceptable at this initial level, but may need to improve QA/QC consistency for JORC purposes at MR level when testing the weathered horizon in particular.
	Grain size mostly fine powdery in weathered zone and fresh zone
Quality of assay data and laboratory tests	Total digest and XRF methods employed for Fe suite elements when assaying to be employed. Hand Held XRF used as quantitative tool not qualitative.
	Hand held XRF self-calibrating specific for Fe and limited to testing a portion of the calico sub sample. Susceptibility readings an average reading across a 1m sample not all the sample able to be read. Hand held XRF tested against known standards to determine any start, middle and end bias.
	Quality control methods using at least 3 x Geostats CRM standards and duplicates. Duplicates to be



	tested at 2 laboratories for umpire testing in later rounds of drilling. No blanks used. Internal checks and standards satisfy control of lab methods Fire Assay Fe suite XRF / ICP /MS methods by certified laboratory Bureau Veritas.
Verification of sampling and assaying	At this juncture no independent verification of geology apart from personnel involved in recovery of samples and log chip tray observation by third parties and management.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols carried out
	Discuss any adjustment to assay data not carried out. Weighted assays for composite samples not viable in the field taken as a volumetric scoop size. Weighted in the lab.
Location of data points	No surveys or verification of drill holes apart from GPS located. Magnetic variation occurs which has potential to throw out magnetic bearing by up to 10 degrees and noted.
	GPS grid system to date
	GPS topographic control and located data from GSWA airborne survey
Data spacing and distribution	Data spacing for reporting of Exploration Results and Exploration Target not provided at this juncture leading to a MR.
	Data spacing adequate along cross section enables appropriate geological control for Mineral Resource use at present requires further drilling to ascertain a MR.
Orientation of data in relation to geological structure	n/a
	Mineralised structures and sample bias - too early to understand this affect
Sample security	Samples personally delivered to the laboratory and also stored on site for repeat sampling if necessary
Audits or reviews	Sample audits at this stage are duplicate and standards taken.
Section 2 Reporting of Exploration Results	
(Criteria listed in the preceding section also apply to this section.)	
Criteria	JORC Code explanation
Mineral tenement and land tenure status	E70/4692, E70/4741, E70/4783 applications 100% to Magnetic Resources no third party arrangement apart from standard Department of Mines and Energy requirement access agreements with farm owners on Minerals to Crown land. No Native Title or extricated land apart from the Avon Valley water catchment. Land ownership is private used as farm land. Future



	<p>end agreements will have to be entered into with farmers and discussions begun with a select few. One 5-year option agreement in November 2014 has been signed with the farm owner over the Central Target at Kauring and an option to purchase agreement entered into. Land owner agreements over Mount Joy land holdings are a pre-requisite to access and future mining opportunity before any serious exploration carried out.</p>
	<p>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area is subject to a Program of Work approval by DMP and granted for reconnaissance drill holes over Minerals to Crown land. Remnant bush may require a DEC survey in the future for flora and fauna. Minerals to Owner title may exist requiring agreements separate to DMP requirement.</p>
Exploration done by other parties	<p>No search for Fe by other parties known at Ragged Rock and Kauring. Mount Joy and Kingston Park - late 1960's drilling not on public file.</p>
Geology	<p>Outcropping Banded Iron Formation (BIF) comprising weathered BIF and fresher BIF at depth within a gneissic strati-form layered succession steeply dipping NE including orthopyroxenite – hornblende in western BIF that differs from the eastern BIF which is a quartzite BIF at Kauring. Weathered BIF is partial weathered to goethite, hematite, and martite after magnetite at Kauring. Minor sulphide noticed in volcanics and testing to see if sulphide in fresh BIF in the eastern BIF can be separated by DTR analysis at Kauring. Work is ongoing with regard to understanding the relationship of weathered (hematite and martite) alteration over magnetite BIF at Kauring.</p>
Drill hole Information	<p>Kauring data summary forms part of an ASX release dated 19 December 2013 and 19 February 2014 and ASX quarterly reports for December 2013, March 2014 and November 2014.</p>
	<p>o easting and northing of the drill hole collar provided N/A</p>
	<p>o elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar estimated not outlined N/A</p>
	<p>o dip and azimuth of the hole provided N/A</p>
	<p>o down hole length and interception depth provided N/A</p>
	<p>o hole length provided N/A</p>
	<p>azimuths are submitted with an error to 10% over the magnetic BIF until further accurate data can be submitted but not critical at such an early stage of reporting of ER or ET</p>
Data aggregation methods	<p>The use of Hand Held XRF data taken at 5-7m intervals is purely quantitative with expected errors of <1%Fe against known standards and Si / Al not</p>



	reported until assay data is available and further reported
	Susceptibility readings taken at each 1m RC drill sample from larger sample collected using a Georadus K10 magnetic susceptibility meter x10-3SI vary across a wide and reported only an average until assay results are posted which will project a better understanding of the Fe% and susceptibility measured at 1m intervals or as composited samples that are yet to be determined.
	The assumptions used for any reporting of metal equivalent values should be clearly stated not undertaken or represented. Not used for this purpose.
Relationship between mineralisation widths and intercept lengths	These relationships are particularly important in the reporting of Exploration Results as outlined in the numerous ASX releases to June 2015. Fresh BIF sampled at 1m, 2m intervals whilst weathered BIF sampled at 2m and 4m composite levels on composites unreleased in current drill program. Incompatible elements in head grade by XRF on fresh BIF further determined using Satmagan and then if positive - Davis Tube Recovery to see if they are removed. Results provided in 3 rd quarter of 2014-2015.
Diagrams	N/A
Balanced reporting	N/A
Other substantive exploration data	N/A
Further work	Further work will require further drilling to improve the geological model being reported broader ground magnetic survey, infill ground magnetics and drilling.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 15 for the half-year ended 31 December 2015.

This report has been signed in accordance with a resolution of directors.

For and on behalf of the Directors

Signed:



Erin Lim

Director

11 March 2016

Auditor's Independence Declaration

To those charged with the governance of Magnetic Resources NL.

As auditor for the review of Magnetic Resources NL for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Somes Cooke

SOMES COOKE

Nicholas Hollens

Nicholas Hollens
Partner

Perth

11 March 2016

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



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	Notes	Half Year Ended 31 Dec 2015 (\$)	Half Year Ended 31 Dec 2014 (\$)
Revenue:			
Corporate Fees		275	-
Interest income		5,481	15,558
Expenses:			
Depreciation expense		(5,202)	(15,803)
Exploration and tenement expenses		(179,653)	(469,603)
Share based payment expenses		-	-
Other expenses		(438,747)	(412,886)
(Loss) before income tax expense		(617,846)	(882,734)
Income tax expense		-	-
(Loss) from continuing operations		(617,846)	(882,734)
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets		16,856	25,043
Other comprehensive income for the period, net of tax		16,856	25,043
Total comprehensive income for the period attributable to members of the Company		(600,990)	(857,691)
Basic (loss) per share (cents per share)		(0.6137)	(0.9203)
Diluted (loss) per share (cents per share)		(0.6137)	(0.9203)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**



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	Notes	31 Dec 2015 (\$)	30 June 2015 (\$)
Current Assets			
Cash and cash equivalents		326,764	883,906
Trade and other receivables		2,683	10,569
Other assets		31,828	24,421
Total Current Assets		<u>361,275</u>	<u>918,896</u>
Non-Current Assets			
Property, plant and equipment		37,490	39,965
Other financial assets	3	62,703	45,847
Total Non-Current Assets		<u>100,193</u>	<u>85,812</u>
TOTAL ASSETS		<u>461,468</u>	<u>1,004,708</u>
Current Liabilities			
Trade and other payables		58,890	121,140
Total Current Liabilities		<u>58,890</u>	<u>121,140</u>
Non-current Liabilities			
Borrowings	4	120,000	-
Total non-current Liabilities		<u>120,000</u>	<u>-</u>
TOTAL LIABILITIES		<u>178,890</u>	<u>121,140</u>
NET ASSETS		<u>282,578</u>	<u>883,568</u>
Equity			
Contributed equity	5	15,651,445	15,651,445
Reserves	5	949,204	1,140,109
Accumulated losses		(16,318,071)	(15,907,986)
TOTAL EQUITY		<u>282,578</u>	<u>883,568</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



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	Contributed Equity (Net of Costs) (\$)	Reserve (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1.7.14	14,193,014	1,251,534	(14,754,204)	690,344
Comprehensive Income				
Operating loss for the period	-	-	(882,734)	(882,734)
Other comprehensive income	-	25,043	-	25,043
Total Comprehensive Income for the period	-	25,043	(882,734)	(857,691)
Transactions with owners in their capacity as owners and other transfers				
Share based payments expense	-	(111,425)	111,425	-
Shares issued during the period	1,458,431	-	-	1,458,431
Total transactions with owners and other transfers	1,458,431	(111,425)	111,425	1,458,431
Balance at 31.12.2014	15,651,445	1,165,152	(15,525,513)	1,291,084
Balance at 1.7.15	15,651,445	1,140,109	(15,907,986)	883,568
Comprehensive Income				
Operating loss for the period	-	-	(617,846)	(617,846)
Other comprehensive income	-	-	16,856	16,856
Total Comprehensive Income for the period	-	-	(600,990)	(600,890)
Transactions with owners, in their capacity as owners and other transfers				
Expiry of options	-	(190,905)	190,905	-
Total transactions with owners and other transfers	-	(190,905)	190,905	-
Balance at 31.12.2015	15,651,445	949,204	(16,318,071)	282,578

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



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	Note	Half Year Ended 31 Dec 2015 (\$)	Half Year Ended 31 Dec 2014 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(528,014)	(486,747)
Interest received		5,835	15,558
Other Receipts		275	279,921
Drilling Rebate		7,531	-
Net cash (used in) operating activities		<u>(514,373)</u>	<u>(191,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(2,727)	-
Payments for exploration and evaluation		(160,042)	(452,472)
Net cash (used in) investing activities		<u>(162,769)</u>	<u>(452,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	4	-	1,441,000
Proceeds from borrowings		120,000	-
Net cash provided by financing activities		<u>120,000</u>	<u>1,441,000</u>
Net (decrease)/ increase in cash held		(557,142)	797,260
Cash and cash equivalents at the beginning of the financial period		883,906	397,452
Cash and cash equivalents at the end of the financial period		<u>326,764</u>	<u>1,194,712</u>

The accompanying notes form part of these financial statements.

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard 134: *Interim Financial Reporting*.

These financial statements were approved by the Board of Directors on the date of the Directors Declaration.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2015, together with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

These financial statements have been prepared on an accruals and historical cost basis, except where indicated, and on the going concern basis that contemplates normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

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 and receivables at the date of this report is approximately \$268,755
- (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 Company has the ability 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.

Should the above not be achieved, there would be significant uncertainty whether the Company will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability or classification of recorded assets or the amounts or reclassification of liabilities, which might be necessary should the Company be unable to continue as a going concern.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new, revised or amending Accounting Standards of Interpretations that are not yet mandatory have not been adopted early.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



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NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

Revenue and assets by geographical region

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

Major customers

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

NOTE 3 OTHER FINANCIAL ASSETS

Available for sale financial assets

Balance at beginning of period	45,847
Changes in the fair value during the period	16,856
Closing balance	<u>62,703</u>

(\$)

NOTE 4 BORROWINGS

Short term loans	120,000
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(\$)

Short term loans represent funds loaned to Magnetic which are to be converted to Convertible Notes. Convertible notes subsequently issued on 5 January 2016. The loans bear 9% Interest.

NOTE 5 EQUITY

	Number	\$
Contributed Equity - Ordinary Shares		
At the beginning of the period	97,936,814	15,651,445
Shares issued during period	-	-
Closing balance	<u>97,936,814</u>	<u>15,651,445</u>
Contributed Equity - Contributing Shares – Partly-paid		
At the beginning of the period	20,418,862	-
Contributing shares issued during period	-	-
Closing balance	<u>20,418,862</u>	<u>-</u>
Total Contributing Equity	<u>118,355,676</u>	<u>15,651,445</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



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Share Based Payments Reserve

Balance at beginning of the period	1,140,109
Expiry of options	(190,905)
Closing balance	<u>949,204</u>

Options exercisable at \$0.1499 each on or before 27 December 2016	12,757,143
Options exercisable at \$0.18 each on or before 31 December 2017	150,000
Options exercisable at \$0.17 each on or before 31 December 2017	4,000,000
Total Options	<u>16,907,143</u>

A total of 2,145,000 options exercisable at \$0.4607 each expired on 21 December 2015.

NOTE 6 TENEMENT EXPENDITURE COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held or joint ventured into. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations which may be varied or deferred on application to the Department of Mines and Petroleum are expected to be met in the normal course of business.

There is no minimum statutory expenditure requirement on the granted tenements for the next twelve months required. The Company continues to adopt a strategy of prioritising and significantly rationalising its tenement holdings. The tenements are located in Western Australia and are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. The tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted. The inability of the Company to meet rent and expenditure requirements may adversely affect the standing of its tenements.

NOTE 7 EVENTS SUBSEQUENT TO REPORTING DATE

There have been no matters or circumstances that have arisen since 31 December 2015 which have significantly affected or may significantly affect:

- (a) the Company's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the Company's state of affairs in future years.

Other than the Company raised \$300,000 in Converting Loans as announced on 5 January 2016.

The Converting Loans funds were held in an escrow account until 1 February 2016 or the date of the requisitioned shareholders meeting, with the Loans capable of being converting into ordinary shares at \$0.06 after this date at the discretion of the Loan holder. The Loans will automatically convert after 12 months. The Loans attract a 9% interest per annum, and may be converted upon an event of default such as insolvency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015



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At the date of the report, there was an amount of \$150,000 in escrow and \$150,000 shares had been converted at an issue price of \$0.06 into 2,500,000 fully paid ordinary shares.

On 29 January 2016, the Company held a requisitioned meeting of shareholders, with shareholders voting to remove Mr Gavin Fletcher and Mr John Blanning and to appoint Mr George Sakalidis and Mr Julien Sanderson as non-executive directors.

On 4 February 2016, the Company announced the termination of the employment contract of Managing Director, Mr Gavin Fletcher with immediate effect.

NOTE 8 CONTINGENT LIABILITIES

Native Title

The Company's activities are subject to the Native Title Act and Aboriginal heritage legislation.

The Native Title Act recognises the title rights of indigenous Australians. State and Commonwealth native title legislation regulates the recognition, application and protection of native title. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, heritage survey and protection agreements or other agreement types may need to be negotiated with affected parties.

The Native Title Act prescribes procedures applicable to the grant of tenements which may apply even in the case of, for instance, a granted exploration licence being "converted" to, say, a mining lease. Compensation may become payable in respect of any impact which the grant of any tenements or other activities have on native title. A tenement holder may be liable for the payment of compensation for the affect of mining and exploration activities on any native title rights and interests that exist in the area covered by a tenement. Compensation may be payable in forms other than money, including the transfer of property and the provision of goods and services.

It is not currently possible to assess whether compensation will be payable by the Company to native title holders in relation to any of the tenements but such compensation could be significant.

There may be sites and objects of significance to indigenous Australians located on the land relating to the Company's tenements. State and Commonwealth Aboriginal heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. The Company proposes carrying out 'clearance surveys' if it considers this to be appropriate before conducting any exploration work that would disturb the surface of the land. The Company's tenements may contain some such sites or objects of significance, which would need to be avoided or cause delays. It is possible that areas containing mineralisation or an economic resource may also contain sacred sites, in which case exploitation thereof may be entirely frustrated. Access agreements will need to be negotiated with affected parties.

Native title, Aboriginal heritage or other indigenous matters are matters of substantial risk (giving rise to the threat that certain tenements may not be granted, access to certain tenements may be denied or delayed in addition to potentially significant cost exposure in respect of things such as negotiations, surveys, incentive payments and compensation to name but a few) as the legislative frame works provide torturous and frequently uncertain routes to the endeavour by both stakeholders (that is explorers/miners and indigenous peoples) to attain certainty.

It is not possible to quantify the financial or other impact native title and Aboriginal heritage will have upon the Company as, amongst other things, the processes involved with:

- (a) identifying all and only the indigenous peoples with a relevant interest;
- (b) registering an indigenous land use agreement;
- (c) obtaining access to land without infringing the provisions of the Aboriginal Heritage Act;



are open ended, can involve substantial delay and cost and there can be no certainty as to the outcome with it being possible for projects to be entirely frustrated.

This could be the case, for instance, even in circumstances where:

- (a) a native title party consents to the grant of an exploration licence and assists the exploration endeavour thereon (and the discovery of an otherwise economic deposit);
- (b) the Company, in order to exploit that discovery, applies for a mining lease (or other required approval, consent, authority etc.) but such grant, approval, consent or authority is not forthcoming by reason of an objection by the same or another native title party.

Freehold Access

The interests of holders of freehold land encroached by tenements are given special recognition by the Mining Act (WA). As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. There can be no assurance that the Company will secure rights to access those portions of the tenements encroaching freehold land either at all or for all purposes but, importantly, the grant of freehold extinguished native title so wherever the tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters will still be a consideration.

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes:
 - (a) comply with Accounting Standard AASB 134 : *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the Company as at 31 December 2015 and its performance for the half-year ended on that date.
2. 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.

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

Signed at Perth:

A handwritten signature in black ink, appearing to read 'Eric Lim', written over a horizontal line.

Eric Lim

Dated this 11 day of March 2016

Independent Auditor's Review Report

To the members of Magnetic Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnetic Resources NL, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Magnetic Resources NL's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Magnetic Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magnetic Resources NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Magnetic Resources NL's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Emphasis of matter – inherent uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to note 1 in the financial statements which outlines the ability of the company to continue as a going concern is dependent on the ability of the company to raise additional funds by the issue of additional shares or sale of assets if a high level exploration activity has to be undertaken.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Somes Cooke

SOMES COOKE

Nicholas Hollens

NICHOLAS HOLLENS

Partner

11 March 2016

Perth