



magnetic resources^{NL}

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2018

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 2018.

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 George Sakalidis
- Mr Julien Sanderson

REVIEW OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2018 was \$1,911,727 (2017: \$962,468).

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 2018.

INTRODUCTION:

Gold Projects Summaries

The Leonora–Laverton district is well endowed with large world-class gold deposits having over 34Moz (mined plus resources), second to the Kalgoorlie region in WA. The company has 198km² in the Laverton region and 180km² in the Leonora Region. Most gold targets identified are within 5 to 15km of operating gold mines. It has been a very busy period assessing numerous Projects with RAB, AC and RC drilling and shallow soil geochemical sampling and detailed ground magnetic surveys (Table 1). A number of these are now emerging as promising targets and are planned for further follow up.

Table 1. Drilling for 6 months to December 2018

Project	Type	Number	Depth (m)
HN9 (E38/3127)	RC	32	1341
HN9 (M38/1041)	RC	8	314
HN5 (E38/3127)	RC	51	2535
HN3 (E38/3127)	RC	9	856
Christmas Well (P37/8687-94)	RAB	266	3839
Mertondale (E37/1258)	RAB	65	2070
Mt Jumbo East (P38/4317-24)	RC	17	1196
Raeside (P37/8905-08)	RAB	85	627

Table 2. Surface geochemistry for 6 months to December 2018

Project	Type	Number
HN5 (E38/3127)	Soil	167
HN5 (E38/3127)	Rock chip	1
HN9 (E38/3127)	Soil	532
Homeward Bound	Rock chip	19

Table 3. Ground magnetics for 6 months to December 2018

Project	Line Length (km)	Spacing (m)
Braiser (P37/8909-12)	127	50
Kowtah (P39/5594-97)	109	50
Kowtah East (P39/5617)	33	50

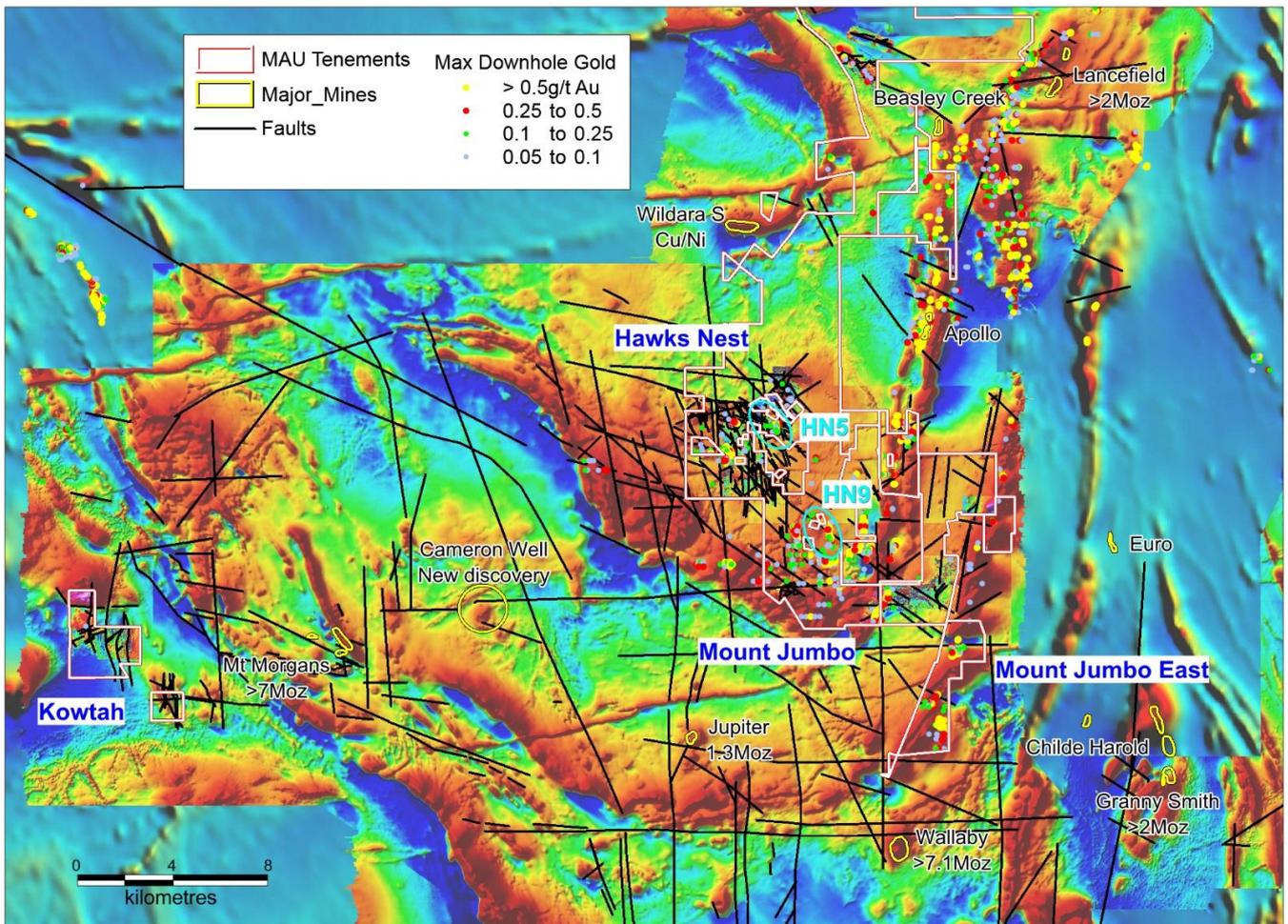


Figure 1. Laverton gold mines, faults, ground magnetics, drillhole max gold & aeromagnetics

Hawks Nest E38/3127

Magnetic has completed extensive RC drilling (198 holes for 10,318m) and RAB drilling (141 holes for 1,205m) and 3,721 soil samples on geochemical, geophysical and geological targets at its HN2-6 and HN9 targets on the Hawks Nest exploration licence (E38/3127), approximately 15km SW of Laverton (Figures 1-2 and Tables 1-3).

Hawks Nest 9 target

At HN9 a significant 2km-long 50 to 150m wide Au and multielement soil geochemical anomaly has been outlined, which is open to the north and south and is currently being further investigated over a 3.6km length. Within the 2km gold geochemical target a 1.5km mineralized zone has 71 gold intersections with more than 0.5g/t Au of which 32 have more than 1g/t Au, with all intersections being less than 40m in depth. This highly prospective gold zone is only 15km northwest of the Granny Smith Operations owned by Gold Fields Australia Pty Ltd and only 10km northeast of the Jupiter Operations owned by Dacian Gold Ltd at Laverton, WA HN9 is emerging to be our major Project and is 5km SE of HN5 and is associated with NW faults that show up on the detailed ground magnetic surveys completed and are parallel to a number of historical workings including the Emerald workings.

The target is associated with quartz veins and stockworks in both sheared porphyry and porphyry-mafic contacts with potential for bulk tonnage.

Detailed 50m spaced ground magnetics is in progress to allow better definition of the magnetic zones and their sheared contacts where most of the mineralisation is located.

A further 52-hole 2,610m programme will test shallow down-dip extensions of up to 150m from the workings and drill-mineralised shears. A current 500 soil sampling programme is almost complete and will cover a prospective 3km². Further deeper drilling is expected in this promising Project.

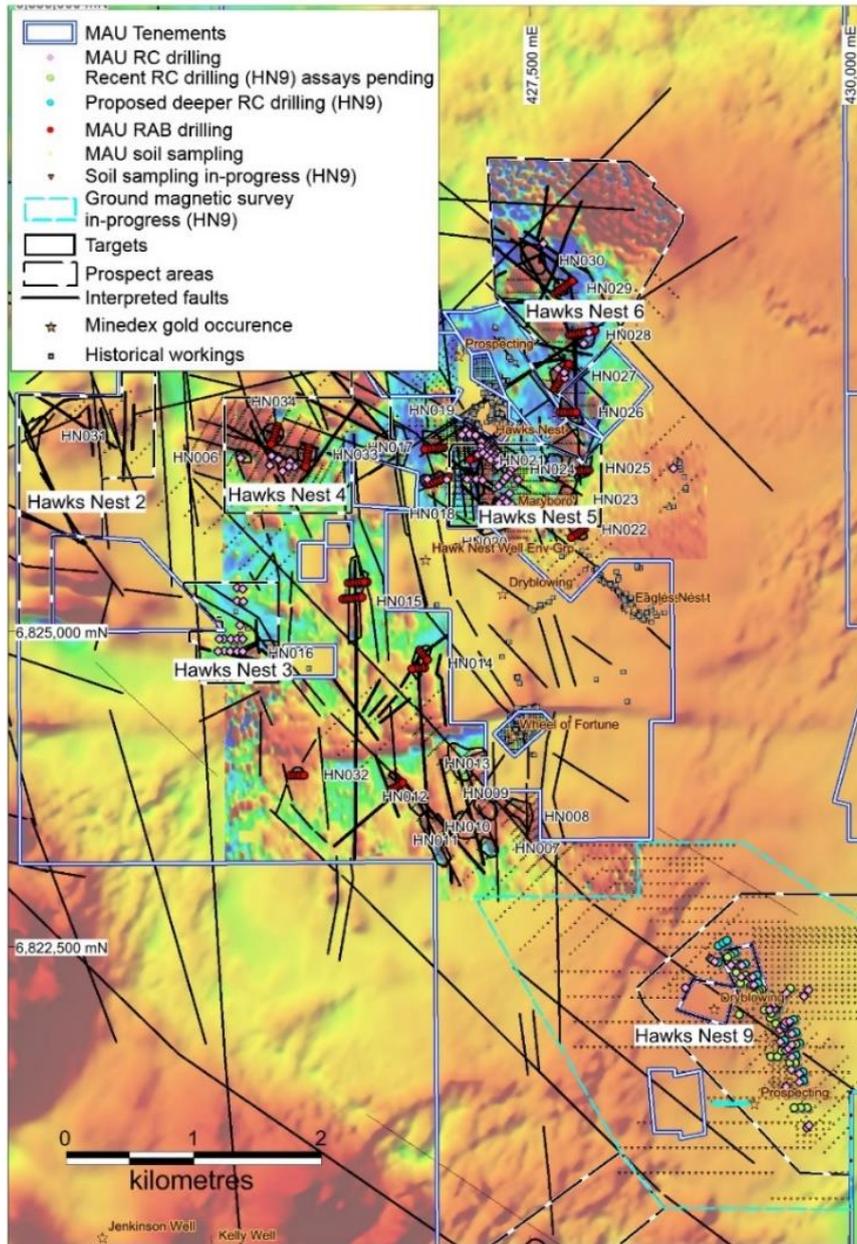


Figure 2. Hawks Nest E38/3127 Ground magnetics and Prospects HN2–6 and HN9

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, which is 750m in length. Flat south-dipping quartz veins and anomalous gold zones are present at HN5.

At the Hawks Nest 5 target 51 RC holes for 2,535m have been drilled in the last 6 months till December 2018, testing the down-dip extensions of the mineralised black shale unit adjacent to and along strike from previous hole MHNRC48 which intersected 7m at 4.5g/t from 5m in MHNRC48 from 5m in a quartz-veined black shale unit intruded by porphyry.

Numerous intersections warrant further follow up including 4m at 1.0g/t from 20m in MHNRC103 and 4m @ 1.0g/t Au from 20m (EOH) in MHNRC58. At HN5 there are 43 intersections with more than 0.5g/t Au, including 22 intersections with more than 1g/t Au and 12 intersections with more than 2g/t Au.

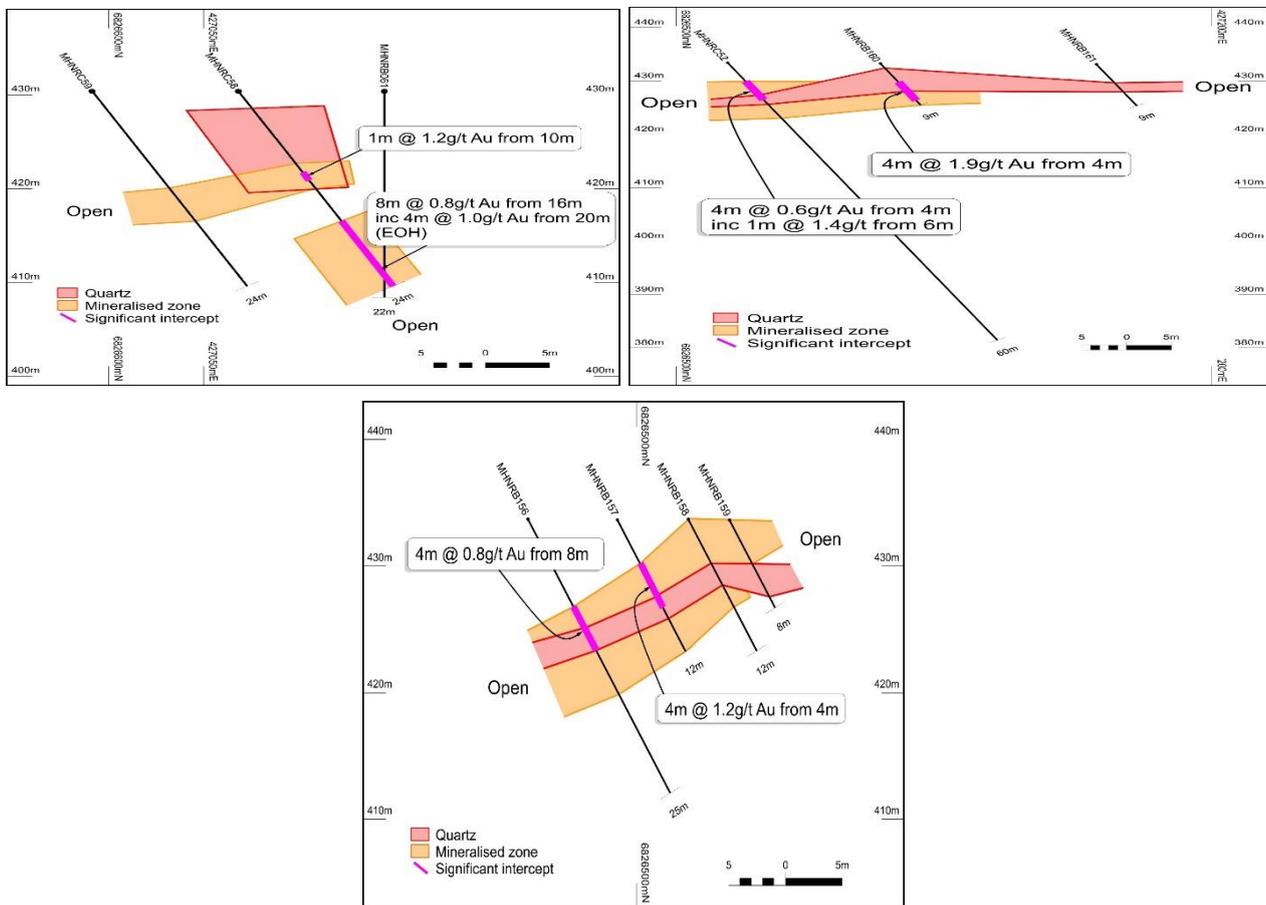


Figure 3. Hawks Nest HN5 Recent RC and previous RAB drilling showing anomalous gold intercepts

Hawks Nest 3 target

Previous 3D modelling of historical results at HN3 indicates a shallow (20–30m 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 were 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.

A 10-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 (Figure 4).

All previous drillholes in the down-dip position were too shallow to intersect the interpreted mineralised structures. A 9-hole, 856m RC drilling programme (MHN3RC01–09) completed at the HN3 area in the September quarter did not intersect significant gold mineralisation at the interpreted down-dip position of shallow mineralisation identified in historical drilling. Studies are in progress to examine possible northwest–southeast sources of the extensive supergene mineralisation in this area.

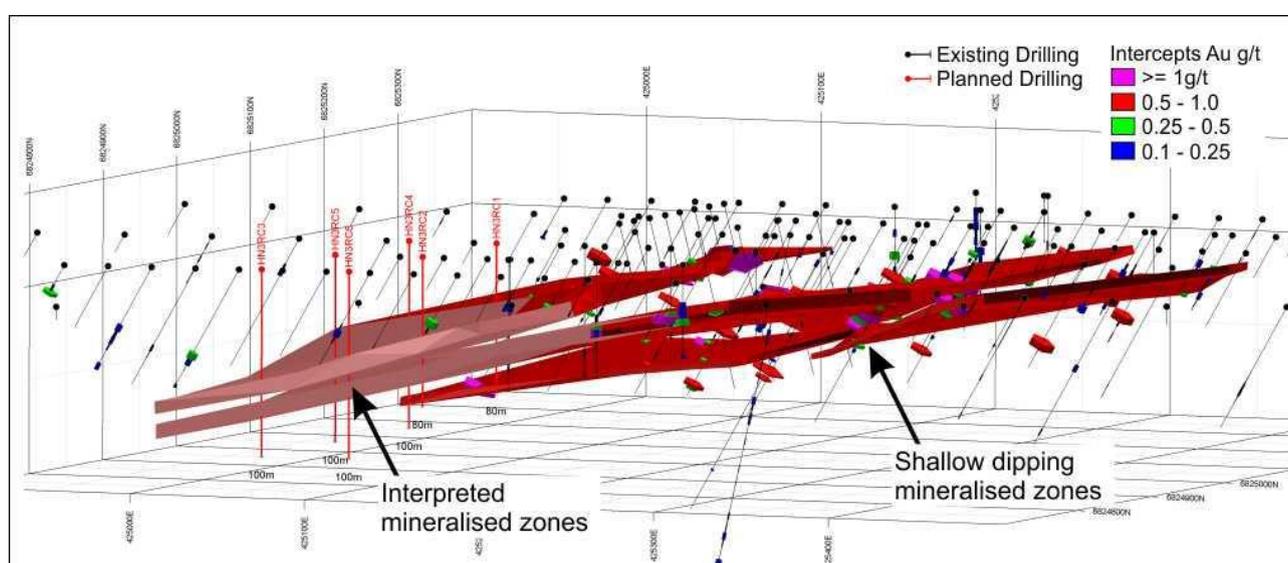


Figure 4. Hawks Nest E38/3127 HN3 Perspective plot of drilling showing shallow west-dipping multiple shear zone gold mineralization being open to the west and south where the interpreted mineralised zones are shown and planned RC holes

Mt Jumbo East (P38/4317–4324)

Mt Jumbo East comprises eight prospecting licences P38/4317–24 of 11.5km² (Figure 5) located 16km SSW of Laverton and covering an 8km strike length of prospective iron formations, ultramafics, mafics and black shales only 5km north of the 7Moz Wallaby Deposit.

At Mount Jumbo East 17 RC holes totalling 1,196m have been drilled. The maiden drill programme in the September 2018 quarter targeted shallow east-dipping banded iron-formations with anomalous historical lag (0.2–6.5g/t Au) and rock chip (1–7.2g/t Au) results (WMC). Promising results from 4m composites included:

- 4m @ 4g/t Au from 16m in hole MMJERC04 targeting an anomalous 3.6g/t Au rock chip sample and 220–320ppb Au lag geochemical samples;
- 8m @ 0.4g/t Au from 8m in hole MMJERC03 targeting 1750ppb Au and 2300ppb Au rock chips;
- 4m @ 0.12g/t Au in hole MMJERC05 from surface targeting 6500ppb Au and 480ppb Au in lag.

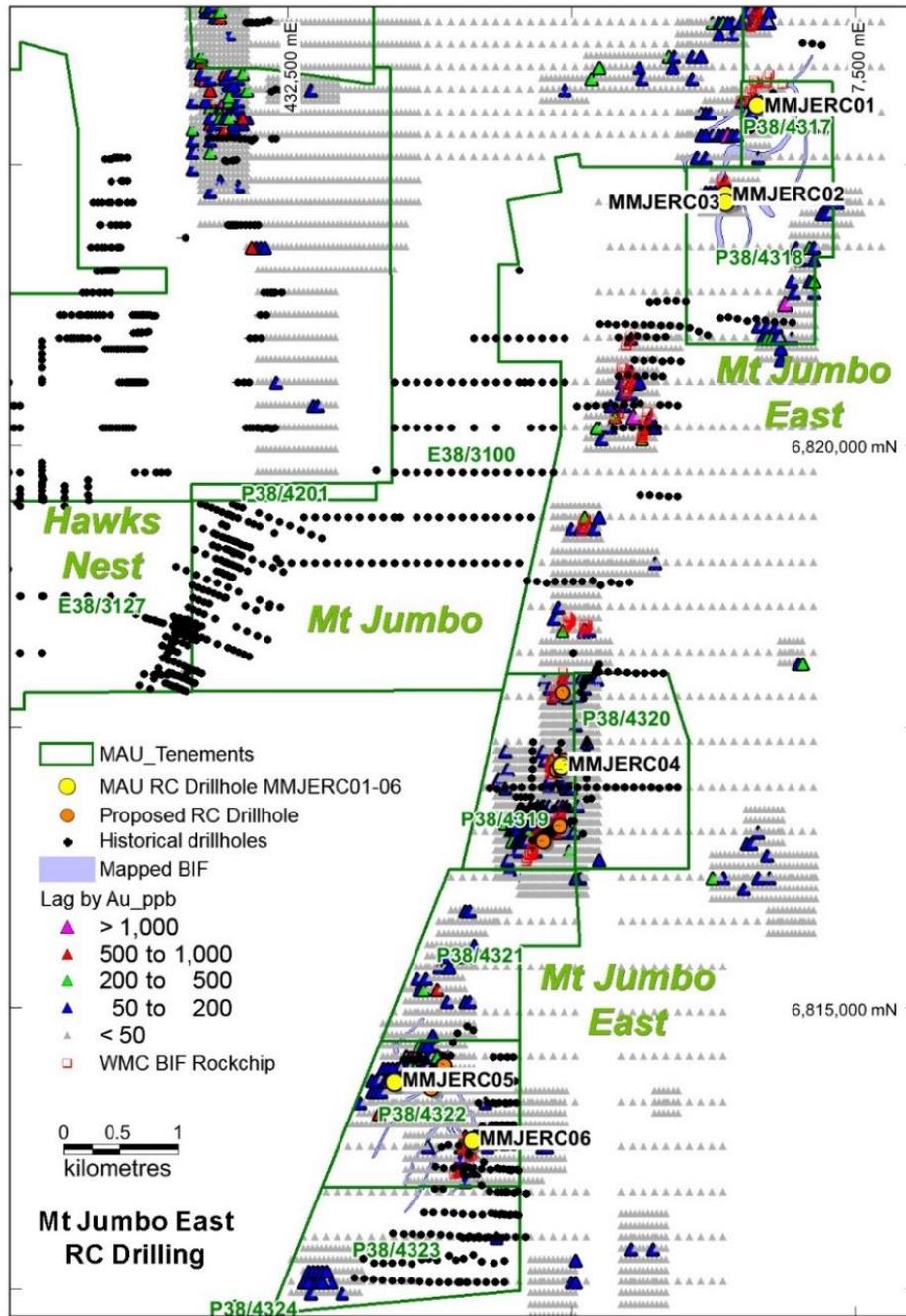


Figure 5. Mt Jumbo - Mt Jumbo East RC drilling

Further RC drilling was designed to step out and test the downdip extensions of these intersections and other areas as well. These intersections are part of The No Name prospect, which is gaining significance with a 600m zone having 15 shallow intersections greater than 1g/t Au. Significant shallow historical drill intersections at the No Name prospect include 6m @ 5.8g/t Au from 10m in drillhole MJC09 in quartz-veined and sulphidic BIF, including 3m @ 10.9g/t Au from 13m. Very anomalous surface samples from 1.8 to 3.2g/t are found at the Horseshoe Pass prospect.

Promising results include 4m at 2.2g/t from 60m in hole MMJE2RC09 and 4m at 1.8g/t from 40m in hole MMJE2RC10. Check assaying of the 56 1m samples is in progress.

Mertondale E37/1258

Magnetic Resources has 183km² of tenements in the Mertondale region (Figure 5), which has numerous dilation targets at changes in orientation of the Mertondale shear and parallel shears.

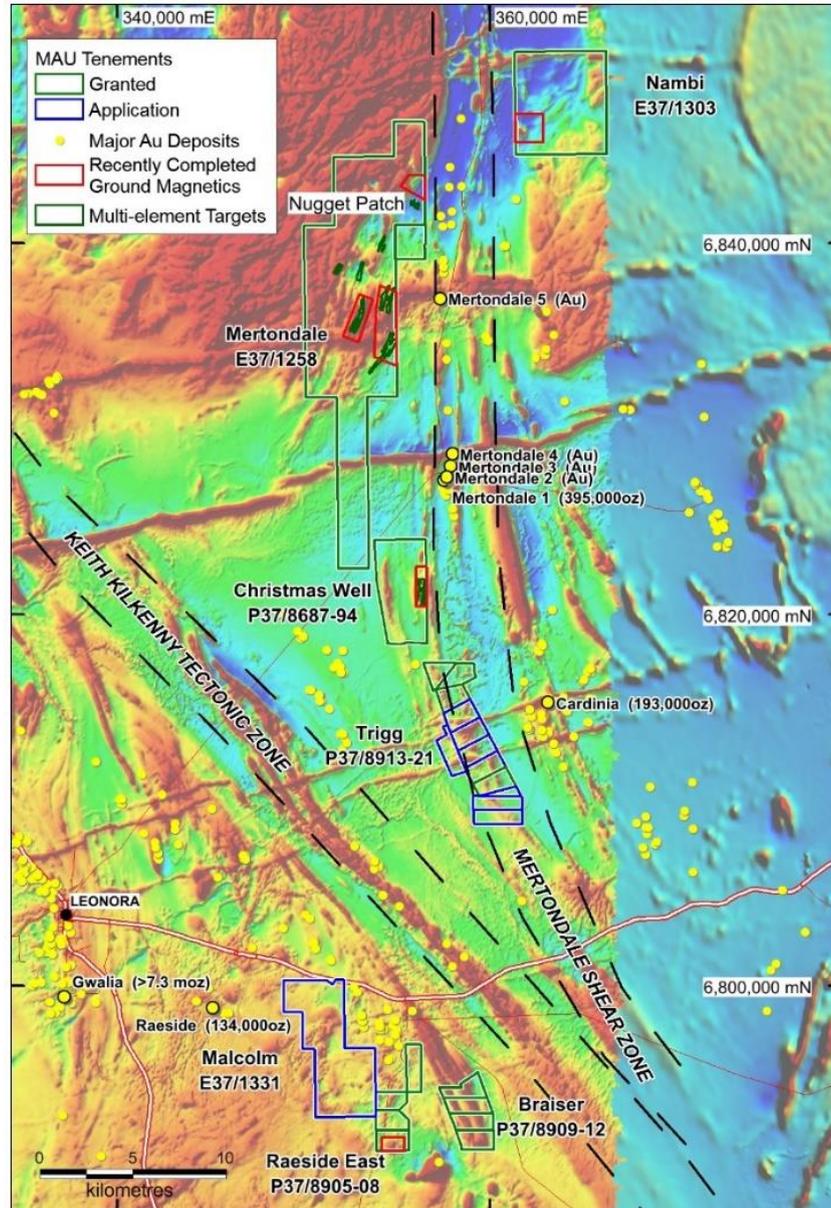


Figure 5. Mertondale, Mertondale East, Christmas Well, Trigg, Raeside, Raeside East, Braiser and Nambi Projects. Showing major shear zones, targets and Gold deposits and historic workings

About 8.4km of multi-element geochemical targets have been delineated after below hardpan shallow RAB drilling has been completed approximately 20km northwest of the Cardinia Gold Project (193,000oz) and only 5km west of the Mertondale Deposit (395,000oz). Previous soil geochemical work was too shallow to be effective. Three intrusive targets like the Wallaby deposit signature are to be tested as well.

The 8.4km of anomalous multi-element anomalies were followed up with 65 RAB holes for 2,070m during the September quarter. Assays were unencouraging and future work will focus on the Nugget Patch area to the northeast, including the 1km-long copper geochemical anomaly (Figure 6).

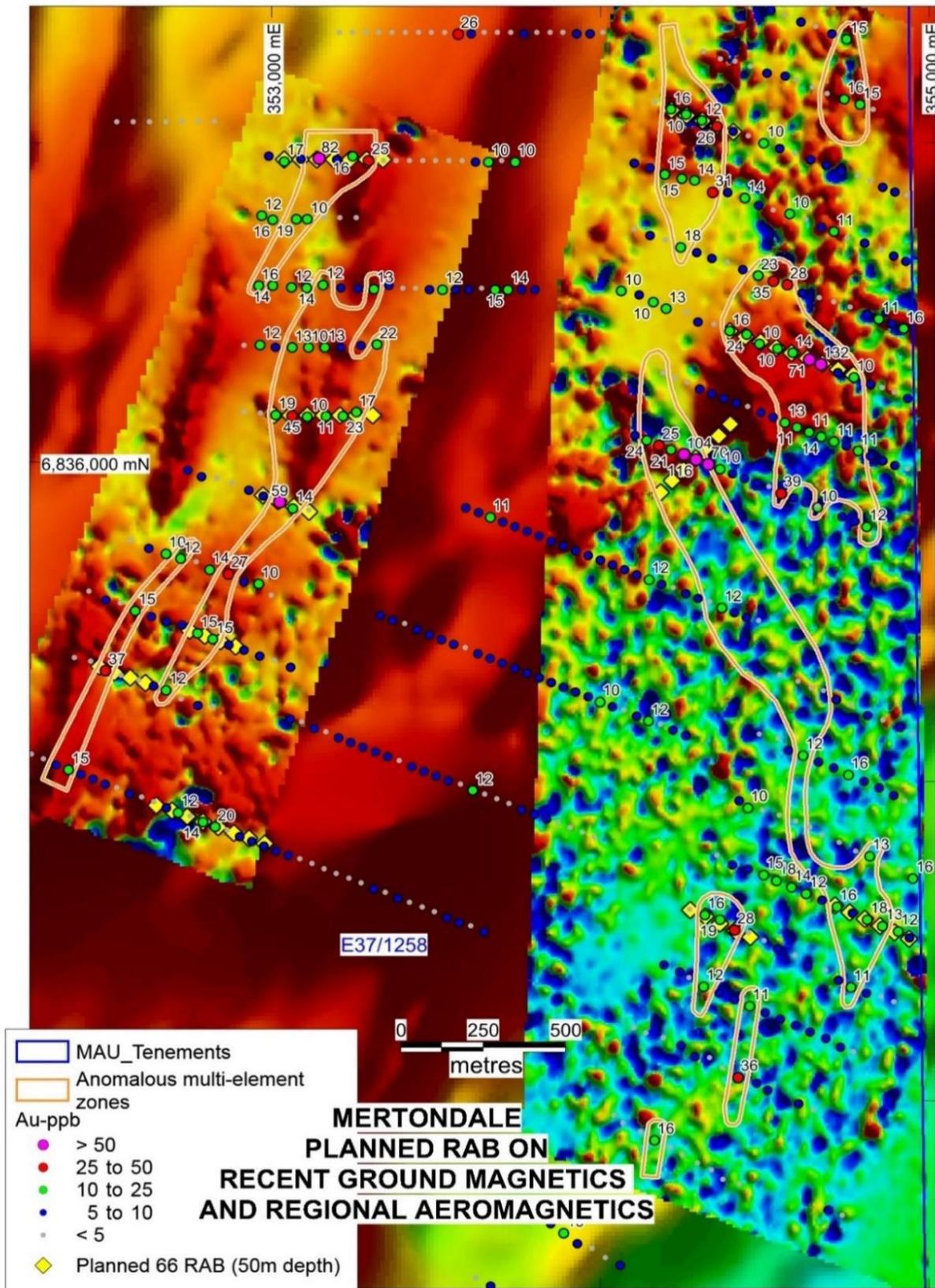


Figure 6. Multielement geochemical anomalies superimposed on ground magnetics, completed shallow RAB drillholes and planned deeper RAB drillholes

Christmas Well P37/8687–94

Shallow RAB (<4m) drilling of 266 holes for 3,839m at the Christmas Well project (P37/8687–8694) 10km NW of Kin Mining's Cardinia project, delineated a significant 1.8km-long anomalous below-hardpan multi-element geochemical target (Figure 7), with gold values up to 194ppb and 39.7g/t (39,730ppb) centred on the historical Triumvirate workings.

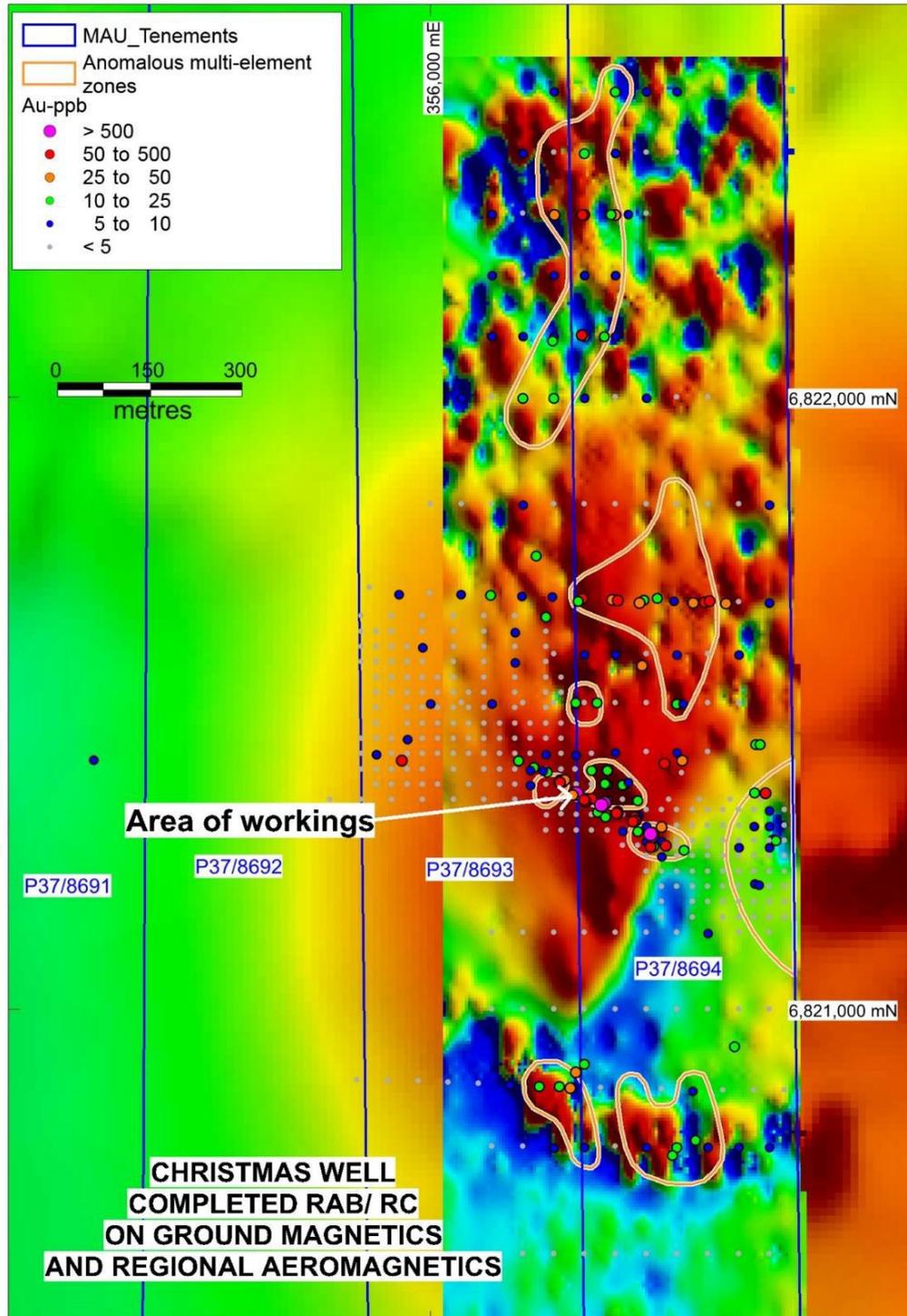


Figure 7. Christmas Well Maximum Gold projected to Surface and RAB over Detailed Ground and Aeromagnetics

The scout RAB drilling confirmed quartz vein-hosted mineralisation over a 180m strike length at Triumvirate, with a best intercept of 4m at 11.1g/t from 16m (4m composite) including 2m @ 15.1g/t Au from 17m in drillhole MCWRB38 (Figure 8). The quartz veining is interpreted to be sub-vertical, indicating true widths to be around 50–60% of intersected widths. The most eastern hole drilled, MCWRB51, intersected 8m at 1g/t Au from 8m and two extra drillholes are designed to test for further extension to the SE.

A change in orientation of the vein system is shown up at hole MCWRB51 and may represent a potential dilational position favourable for gold. The mineralisation remains open along strike to the SE and possibly to the NW.

Follow-up RC drilling (11 holes for 620m) was completed to test down-dip of the shallow RAB intercepts and to test immediate strike extensions. Further assessment of these results is expected.

The remainder of the RAB holes in this programme tested a series of gold and multi-element anomalies, and intersected a sequence of mafic, ultramafic and felsic rocks with minor sediments. No significant gold mineralisation was detected.

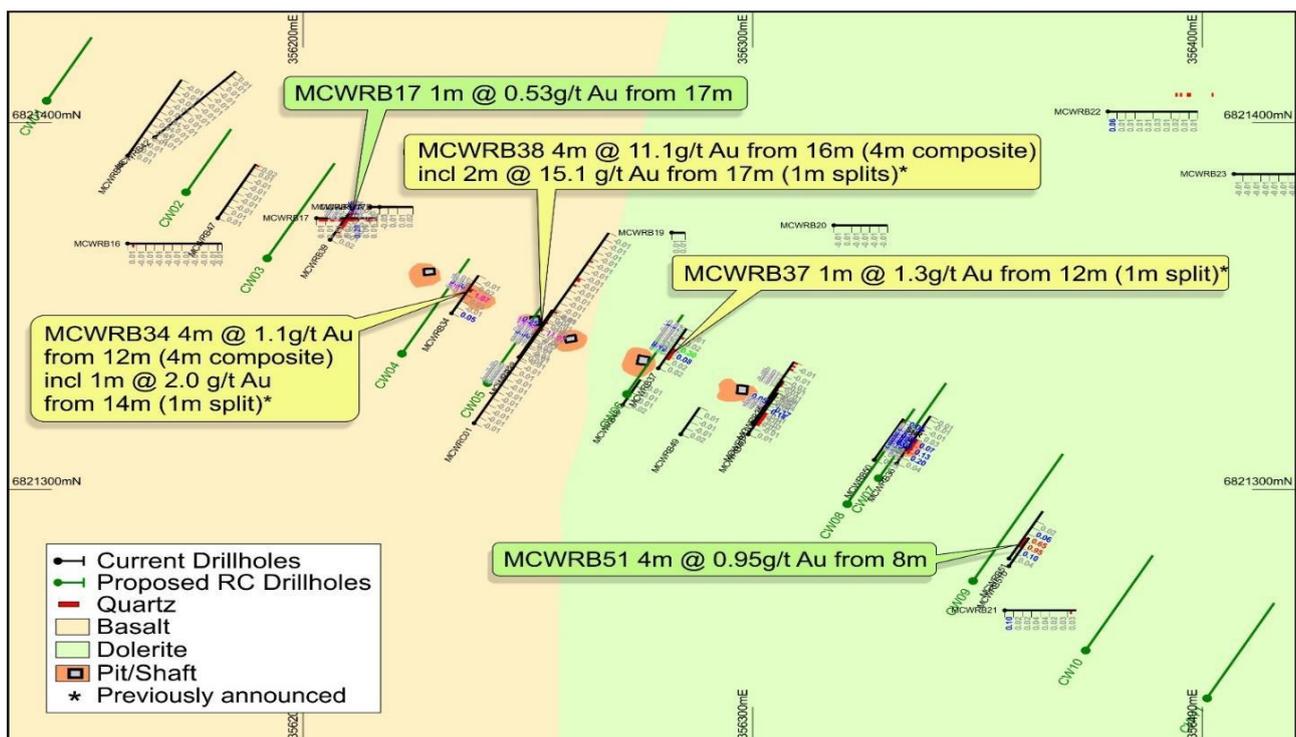


Figure 8. Christmas Well RAB drilling showing 4m composite and 1m split gold results and proposed RC drilling

Raeside East P37/8905–8908

In the September quarter RAB drilling was carried out at the Raeside East project (P37/8905–8908) after a ground magnetic survey on P37/8908. A total of 85 holes were drilled for 627m (MRDRB01–103) as shown in Figure 9. In future drilling a larger drilling rig is required to penetrate extensive near-surface clays.

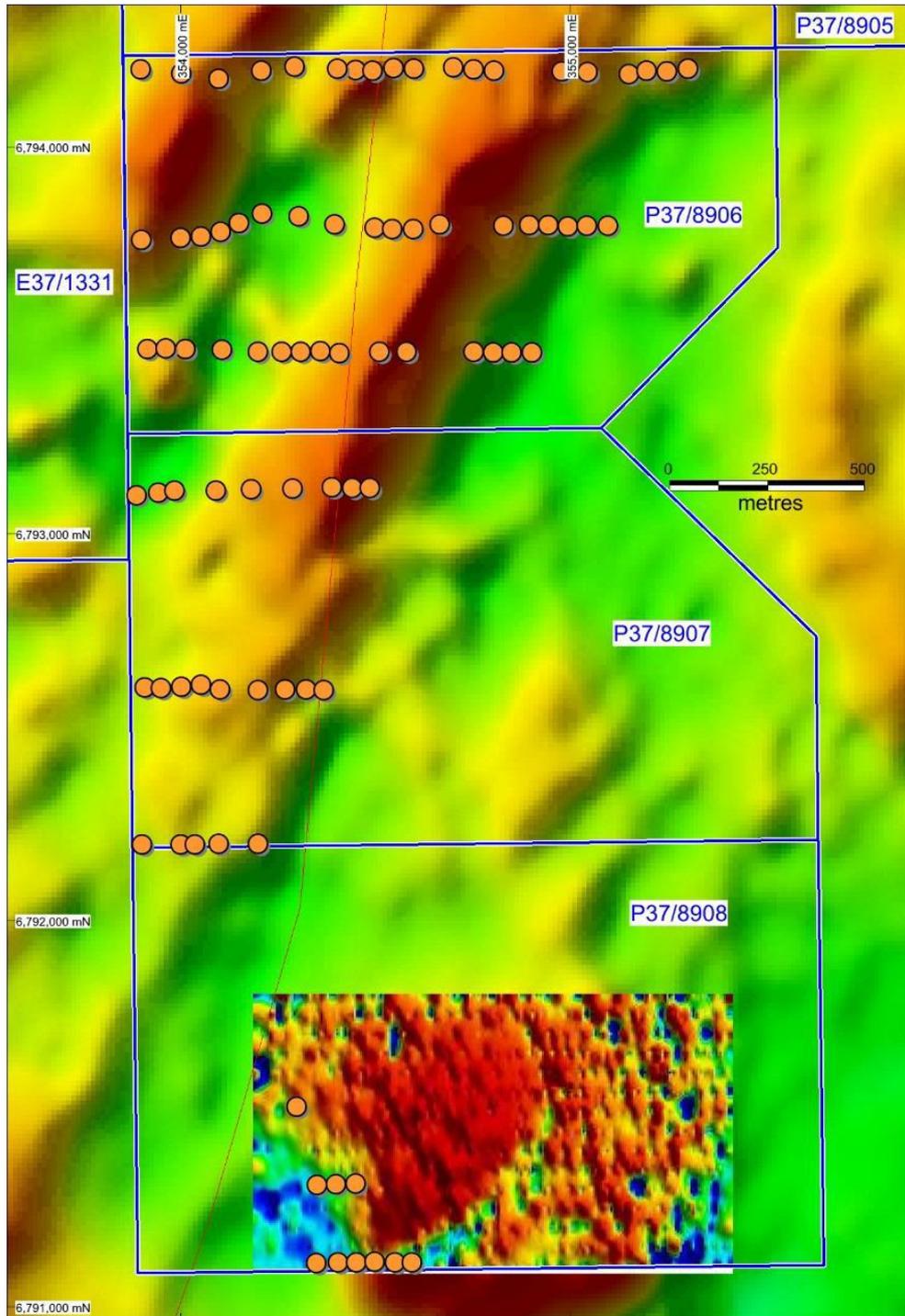


Figure 9. Raeside East P37/8905–8908 RAB drilling September 2018

Braiser P37/8909–8912

In the September quarter a ground magnetic survey comprising 127-line km at 50m spacings was conducted on the Braiser tenements (P37/8909–8912) just east of Raeside East. The image is shown in Figure 10. Shallow drilling is being planned.

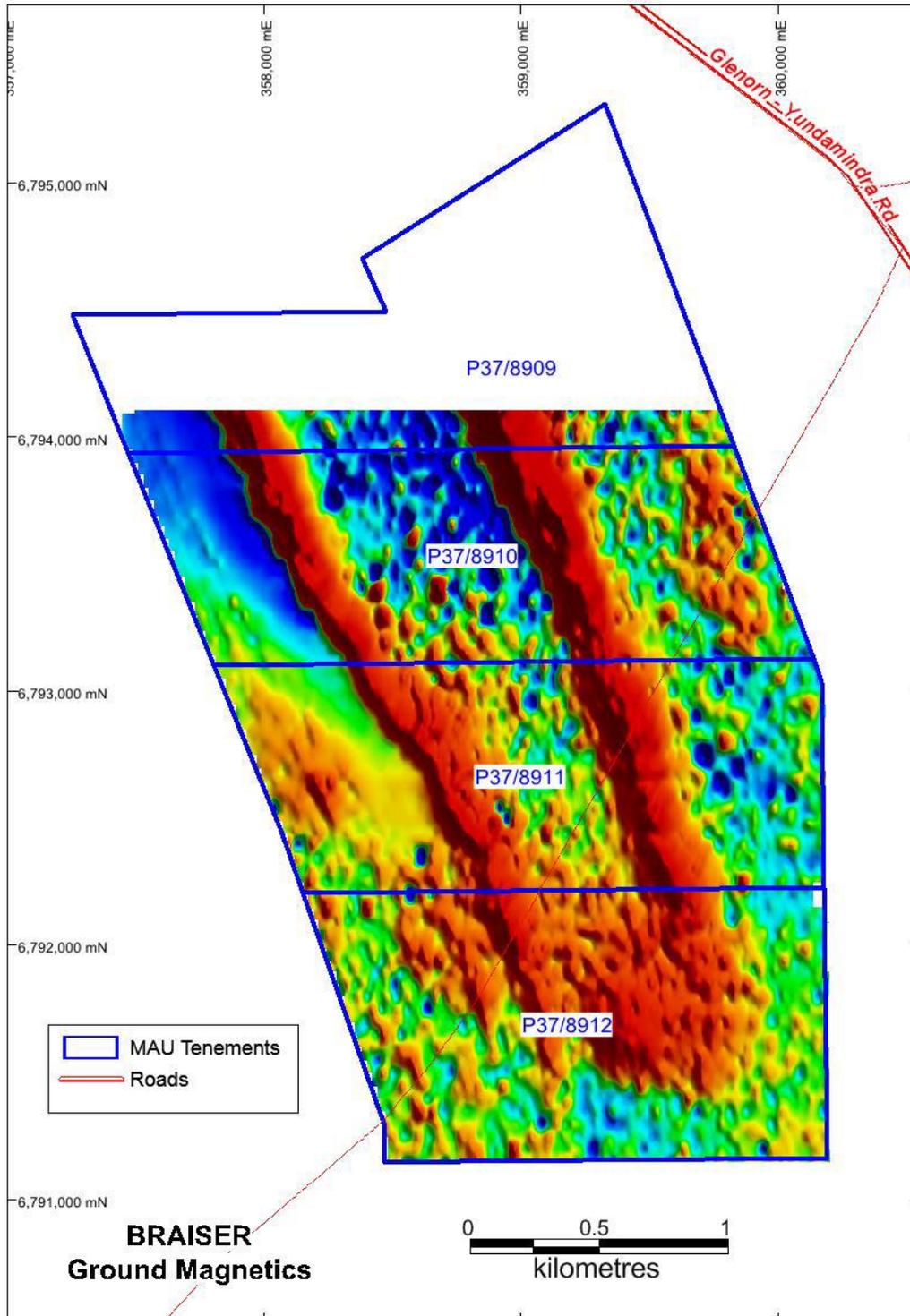


Figure 10. Braiser P37/8909–8912 ground magnetic survey September 2018

Kowtah P39/5594–5597, P39/5517

In the September quarter a ground magnetic survey comprising 74-line km at 50m spacings was conducted on the Kowtah tenements (P39/5594–5597, P39/5517) between Leonora and Laverton. The image is shown in Figure 11. Shallow drilling is being planned.

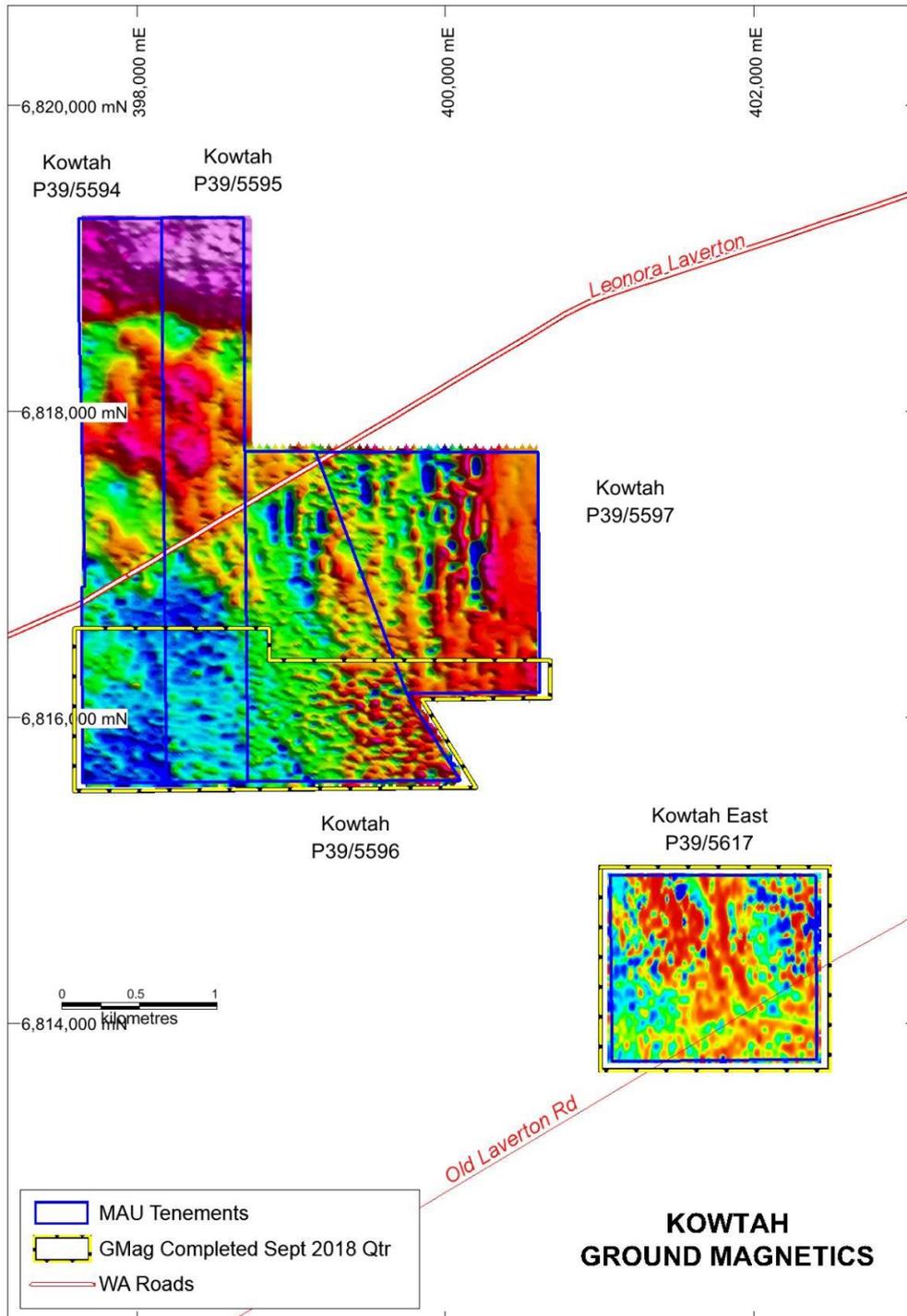


Figure 11. Kowtah P39/5594–5597 & P39/5517 ground magnetic survey September 2018

Birthday Patch Gold Tenements

The Birthday Patch prospect (Figure 12) comprising three optioned tenements E53/1978, P53/1627 and P53/1628 totalling 37km², which are 123km east of Wiluna and 225km north of Magnetic's Leonora Project. E53/1981 (100% Magnetic) totalling 138km² surrounds the optioned tenements and covers a 9km extension of the interpreted shear zone to the north and a 6km extension to the south. The prospect is situated on a branch of the Mt Fisher greenstone belt. A 759-soil sampling programme is planned in early 2019 over several dilational sites.

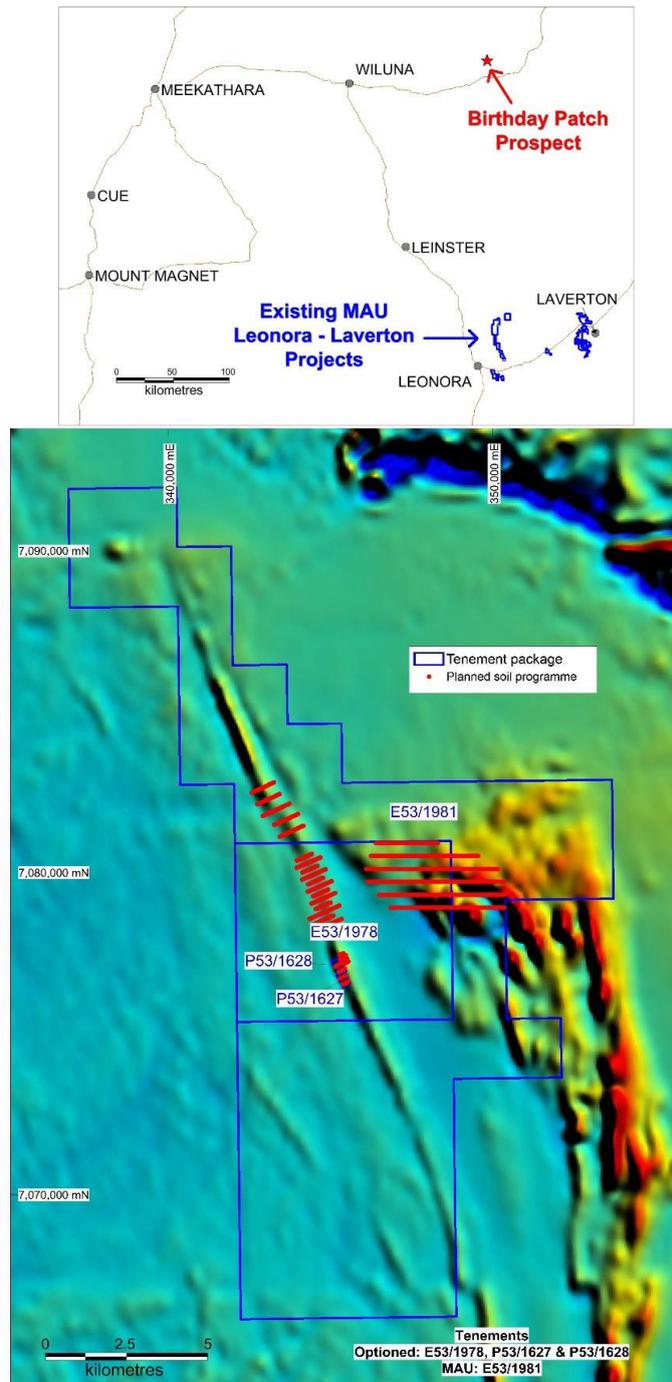


Figure 12. Birthday Patch Prospect location and 759-soil sample programme

Birthday Patch is a virgin discovery of high-grade gold as evidenced by the gold in quartz recovered to date. The absence of any historical drilling and the coincidence with our interpretation of a large shear zone make this a very attractive drilling proposal, giving Magnetic yet more upside in its search for high-grade gold resources.

The optioned tenements cover a 700m-long corridor within which near-surface gold nuggets have been reported by prospectors using metal detectors (Figure 12). GSWA mapping indicates that the nugget occurrences are situated on a granite-sediment contact.

Homeward Bound South P39/5455, P39/5928-5929, P39/5931-5934 & P37/9144 (Optioned)

The 14km² tenements of optioned tenements comprise eight prospecting licences covering a 5km strike length of the Federation Shear Zone situated 40km east of Leonora (Figure 13).

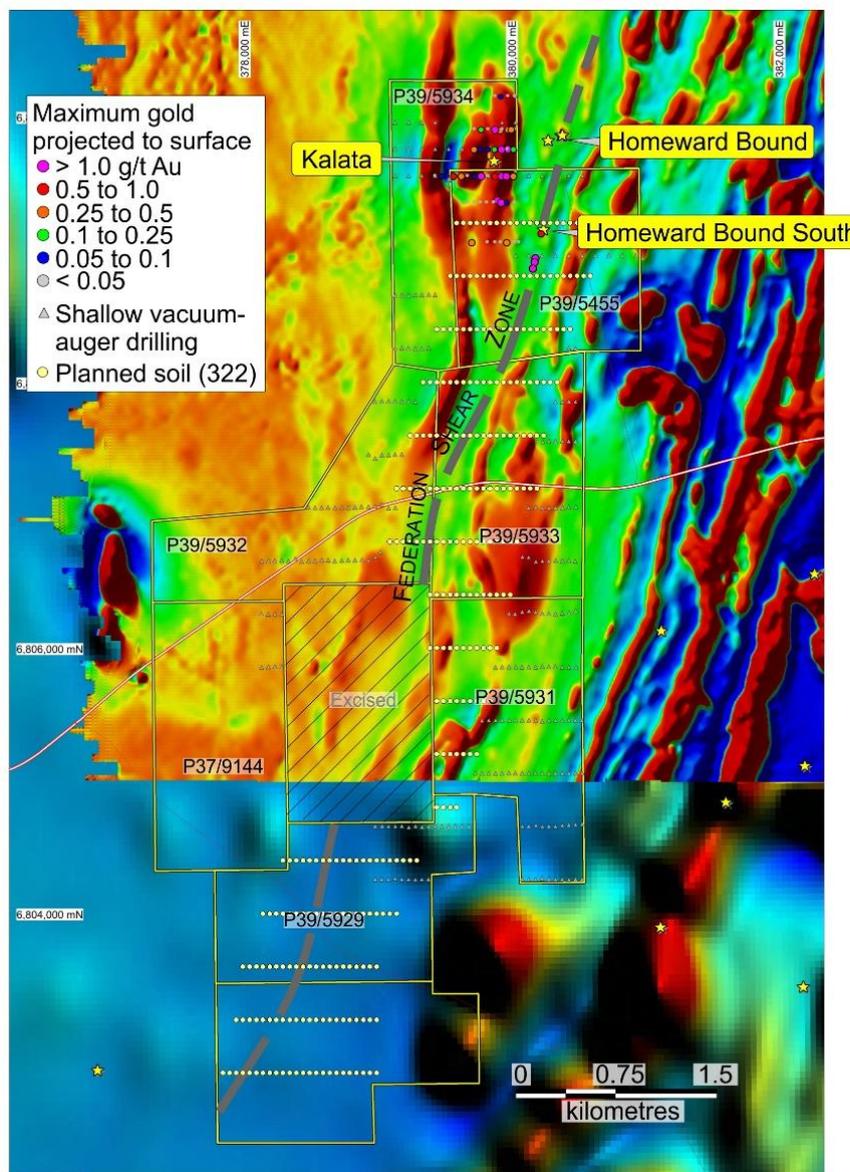


Figure 12. Homeward Bound South maximum gold projected to surface, in progress ground magnetic survey and proposed soil geochemistry over aeromagnetics

Significantly, a line of old gold diggings occurs over a 500m strike length on the optioned tenements. Six shallow, wide-spaced drillholes completed by Sons of Gwalia in 1988 intersected gold mineralization including 1m @ 1.0g/t from 18m in HBC42; 2m @ 1.5g/t from 14m in HBC43; 1m @ 1.2g/t from 8m, 1m @ 1.9g/t from 13m and 2m @ 1.4g/t from 18m in HBC44 and 1m @ 3.3g/t from 17m and 1m @ 1.3g/t from 19m in HBC45.

In addition, historical exploration has identified a target west of the Federation Shear at Kalata (Figure 13), where gold mineralization occurs over a 600m strike length in a north-trending shale unit. Reported RAB drill intercepts include 6m @ 2.6g/t Au from 32m (including 1m @ 11.4g/t Au from 32m); 3m @ 8.0g/t Au from 13m and 2m @ 2.0g/t Au from 5m, with very limited RC drilling at depth.

A 322-soil sampling programme is planned mainly testing the 5km long Federation shear and parallel structures as well as a 200-line km ground magnetic survey to cover the whole tenement to help map the shear zone and any potential parallel zones.

IRON ORE PROJECTS:

A Purchase agreement was signed during the year with Northam Iron Pty Ltd. Following a 3-month due diligence period, the Company received its first payment of \$500,000 on 28 November 2017. The agreement includes further payments totalling \$1,000,000 and a sliding scale royalty with 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.

OTHER PROJECTS

The Company is also reviewing other projects and tenements for acquisition and development.

CORPORATE:

On 30 July 2018, the Company announced it had raised approximately \$4.6m via the issue of shares at \$0.12 per share, with \$600,000 being issued to related parties, the subject of shareholder approval.

On 11 October 2018, the Company held a general meeting, where amongst other things, shareholders approved the issue of 5,574,741 shares at \$0.12 to unrelated parties, the issue of 2,986,667 Class A options to an adviser, and the issue of 3,000,000 options to related parties.

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

COMPETENT PERSON'S STATEMENT

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

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 22 for the half-year ended 31 December 2018.

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

For and on behalf of the Directors

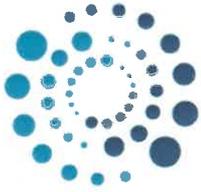
Signed:



Eric Lim

Non- Executive Chairman

14 March 2019



Greenwich & Co

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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 2018, 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.

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

Rafay Nabeel
Audit Director

14 March 2019
Perth

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**



magnetic resourcesTM

	Notes	Half Year Ended 31 Dec 2018 (\$)	Half Year Ended 31 Dec 2017 (\$)
Revenue:			
Sundry Income	3	3,272	530,435
Interest income		25,203	5,741
Expenses:			
Depreciation expense		(1,692)	(1,360)
Exploration and tenement expenses		(1,162,548)	(712,554)
Share based payments expense	6	(203,499)	(414,000)
Other expenses		(572,463)	(370,730)
(Loss) before income tax expense		(1,911,727)	(962,468)
Income tax expense		-	-
(Loss) from continuing operations		(1,911,727)	(962,468)
Other comprehensive income:			
Changes in the fair value of FVOCI financial assets	4	(121,815)	68,628
Other comprehensive income for the period, net of tax		(121,815)	68,628
Total comprehensive income for the period attributable to members of the Company		(2,033,542)	(893,840)
Basic (loss) per share (cents per share)		(1.2205)	(0.6636)
Diluted (loss) per share (cents per share)		(1.2205)	(0.6636)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**



magnetic resources^{NL}

	Notes	31 Dec 2018 (\$)	30 June 2018 (\$)
Current Assets			
Cash and cash equivalents		3,219,188	553,481
Trade and other receivables		67,265	35,699
Other assets		35,315	30,665
Total Current Assets		3,321,768	619,845
Non-Current Assets			
Property, plant and equipment		20,761	21,342
Other financial assets	4	178,505	300,320
Total Non-Current Assets		199,266	321,662
TOTAL ASSETS		3,521,034	941,507
Current Liabilities			
Trade and other payables		94,983	163,757
Total Current Liabilities		94,983	163,757
TOTAL LIABILITIES		94,983	163,757
NET ASSETS		3,426,051	777,750
Equity			
Contributed equity	5	24,086,063	19,798,557
Reserves	6	939,309	666,787
Accumulated losses		(21,599,321)	(19,687,594)
TOTAL EQUITY		3,426,051	777,750

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**



	Contributed Equity (Net of Costs) (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 2017	18,513,572	277,100	(18,091,746)	698,926
Comprehensive Income				
Operating loss for the period	-	-	(962,467)	(962,467)
Other comprehensive income	-	68,628	-	68,628
Total Comprehensive Income for the period	-	68,628	(962,467)	(893,839)
Transactions with owners, in their capacity as owners and other transfers				
Share issue	762,951	-	-	762,951
Issue of Options	-	414,000	-	414,000
Expiry of options	13,324	(277,100)	263,776	-
Total transactions with owners and other transfers	776,275	136,900	263,776	1,176,951
Balance at 31 December 2017	19,289,847	482,628	(18,790,437)	982,038
Balance at 1 July 2018	19,798,557	666,787	(19,687,594)	777,750
Comprehensive Income				
Operating loss for the period	-	-	(1,911,727)	(1,911,727)
Other comprehensive income	-	(121,815)	-	(121,815)
Total Comprehensive Income for the period	-	(121,815)	(1,911,727)	(2,033,542)
Transactions with owners, in their capacity as owners and other transfers				
Share Issue	4,478,344	-	-	4,478,344
Issue of options	(190,838)	394,337	-	203,499
Total transactions with owners and other transfers	4,287,506	394,337	-	4,681,843
Balance at 31 December 2018	24,086,063	939,309	(21,599,321)	3,426,051

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**



	Note	Half Year Ended 31 Dec 2018 (\$)	Half Year Ended 31 Dec 2017 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(626,192)	(451,472)
Interest received		17,167	5,741
Other Receipts		4,561	530,435
Net cash (used in) operating activities		<u>(604,464)</u>	<u>84,704</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,111)	-
Purchase of new tenements		(85,570)	(40,000)
Payments for exploration and evaluation		(1,046,491)	(672,554)
Net cash (used in) investing activities		<u>(1,133,172)</u>	<u>(712,554)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	5	4,403,343	762,952
Net cash provided by financing activities		<u>4,403,343</u>	<u>762,952</u>
Net (decrease)/ increase in cash held		2,665,707	135,102
Cash and cash equivalents at the beginning of the financial period		553,481	722,396
Cash and cash equivalents at the end of the financial period		<u>3,219,188</u>	<u>857,498</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 2018 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 2018, 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 \$3,286,453.
- (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.

The going concern basis is dependent on the Company raising funds as required to pay its debts as and when they fall due. The directors are confident that this will be achieved.

Should this 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Adoption of AASB 9 'Financial Instruments'

The Company has adopted AASB 9 from 1 July 2018, using the full retrospective approach of adoption (with the exemption of hedge accounting) and comparatives have been restated. The investment classifications 'Available-for-sale financial assets and 'Held-to-maturity investments' are no longer used and 'Financial assets at fair value through other comprehensive income' was introduced. There was \$300,320 in the 'Available-for-sale financial assets' at 30 June 2018, which was reclassified to 'Financial assets at fair value through other comprehensive income' at 31 December 2018.

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 which are located wholly within Australia.

Major customers

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

**NOTES TO THE FINANCIAL STATEMENTS for
the half year ended 31 December 2018**



NOTE 3 SUNDRY INCOME	Half Year Ended 31 Dec 2018 (\$)	Half Year Ended 31 Dec 2017 (\$)
Sale of tenements	-	500,000
Sub contract income labour / hire	-	29,267
Other income	3,272	1,168
	<u>3,272</u>	<u>530,435</u>

NOTE 4 OTHER FINANCIAL ASSETS

	(\$)
Financial assets at fair value through other comprehensive income	
Balance at beginning of period	300,320
Changes in the fair value during the period	(121,815)
Closing balance	<u>178,505</u>

NOTE 5 EQUITY

Contributed Equity - Ordinary Shares

	Number	\$
At the beginning of the period	152,036,703	19,798,557
Shares issued during period	38,940,167	4,287,506
Closing balance	<u>190,976,870</u>	<u>24,086,063</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>211,395,732</u>	<u>24,086,063</u>
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NOTE 6 RESERVES

Share Based Payments Reserve

Balance at beginning of the period	414,000
Issue of options (i)	394,337
Closing balance	808,337
FVOCI Reserve	130,972
Total Reserves	939,309

Options exercisable at \$0.377 each on or before 31 December 2021

3,000,000

Options exercisable at \$0.218 each on or before 31 December 2021

3,000,000

Series A Options exercisable at \$0.138 expiring 11 October 2020

2,986,667

Total Options at 31 December 2018

8,986,667

(i) Fair Value of Options Granted

Fair value basis

The following table sets out the assumptions made in determining the fair value of the options granted during the period which were estimated at the date of grant using the Black-Scholes model.

Number of Options	3,000,000	2,986,667
Grant date	11 October 2018	11 October 2018
Expiry date	31 December 2021	11 October 2020
Dividend yield	0.00%	0.00%
Expected volatility	101%	101%
Risk-free interest rate	3.2%	2.0%
Option exercise price	\$0.218	\$0.138
Expected life (years)	3.22	2.00
Share price on date of issue	\$0.125	\$0.125
Fair value per option	\$0.07	\$0.06

NOTE 7 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 8 EVENTS SUBSEQUENT TO REPORTING DATE

Other than outlined below, there have been no matters or circumstances that have arisen since 31 December 2018 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.

NOTE 9 CONTINGENT LIABILITIES

Native Title

The Company's activities may be 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.

NOTE 10 CONTINGENT ASSETS

Tenement Sales Agreement

The following relates to a contingent consideration in terms of the sale of tenements agreement

- (a) If the Development Conditions are satisfied on or before the third anniversary of the Effective Date (the "Effective Date" being 14 July 2017), the Purchaser must make a payment of \$1,000,000 to an account nominated by the Vendor (Milestone Payment).
- (b) The Milestone Payment is conditional on the following conditions precedent being satisfied or waived before the third anniversary of the Effective Date:
 - (i) a minimum of a 100,000,000 tonne JORC 2012 compliant iron ore inferred resource being certified by a competent person as existing within any of the Tenements or the area of Mutual Interest (AM1), in any number of deposits in any one or more of the Tenements or the AM1 provided that in aggregate the total resources is equal to or greater than 100,000,000 tonnes of iron ore;
 - (ii) the Purchaser receiving all approvals, consents and authorities required under the Mining Act to commence mining of at least 2,000,000 tonnes per annum on any one or more of the Tenements or within the AM 1;
 - (iii) the Purchaser receiving all approvals, consents and authorities required under all Environmental Laws to commence mining and development on any one or more of the Tenements or the AM1; and
 - (iv) the Purchaser receiving all other statutory approvals, consents and authorities required to commence mining and development on any one or more of the Tenements or the AM together, the Development Conditions).
- (c) The Purchaser will give the Vendor written notice of the satisfaction of the Development Conditions within 14 days of the satisfaction of the last Development Condition (Development Notice) and make the payment into an account nominated by the Vendor within 14 days of the Development Notice.

- (d) In its absolute discretion, the Purchaser may waive the requirement for the satisfaction of the Development Conditions in writing and make the Milestone Payment at any time on or before the third anniversary of the Effective Date.

Development Delay Payments

- (a) If the Purchaser has not issued a Development Notice:

- (i) by the third anniversary of the Effective Date and provided that:

(A) the condition in clause (b) is satisfied; and

(B) the Purchaser has not exercised its rights under clause (c)

the Purchaser will pay the Vendor a payment of \$500,000 into an account nominated by the Vendor within 30 days of the third anniversary of the Effective Date **(14 July 2020)**; and

- (ii) by the sixth anniversary of the Effective Date and provided that the purchaser has not exercised its rights under clause 4(d), the Purchaser will pay the Vendor a payment of \$500,000 into an account nominated by the Vendor within 30 days of the sixth anniversary of the Effective Date **(14 July 2023)**,

(together, the Development Delay Payments). For the avoidance of doubt, if the Purchaser makes the first Development Delay Payment, the Milestone Payment will not be payable by the Purchaser.

- (b) The obligation to make the First Development Delay Payment is contingent upon a minimum amount being spent on the Tenements by the Purchaser being equal to the total of the:

(i) minimum statutory expenditure under the Mining Act;

(ii) rates and rents; and

(iii) any fees associated with the Option and any access fees payable to landowners;

calculated from the Completion Date to the third anniversary of the Completion Date.

- (c) At any time before the third anniversary of the Completion Date, the Purchaser, in its sole discretion, may hand back the Tenements by:

(i) subject to the receipt of all relevant consents and approvals under the Mining Act, including the consent of the Minister, transferring its interest in the Tenements and the AMI (or any successor tenements) to the Vendors for nil consideration; and

(ii) procuring that all security granted over the Tenements by the Purchaser is released.

- (d) At any time between the third and sixth year anniversary of the Completion Date, the Purchaser, in its sole discretion, may hand back the Tenements by:

- (i) subject to the receipt of all relevant consents and approvals under the Mining Act, including the consent of the Minister, transferring its interest in the Tenements (or any successor tenements) to the Vendors for nil consideration; and
 - (ii) procuring that all security granted over the Tenements by the Purchaser is released.
- (e) If the Purchaser exercises its right to hand back the Tenement to the Vendor:
- (i) under clause (c), the Purchaser will not be required to make the Development Delay Payments.
 - (ii) under clause (d), the Purchaser will not be required to make the Second Development Delay Payment.
- (f) If the Purchaser exercises its rights under clauses (c) or 4(d) of this Agreement, both parties agree to do all things necessary or convenient to procure that the Tenements (or any successor tenements) are transferred to the Vendor as expeditiously as possible.
- (g) In the event that the Purchaser does not pay either of the Development Delay Payments when they are due and payable, the Development Delay Payments will be a debt due and payable by the Purchaser under this Agreement.

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 2018 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', with a horizontal line drawn underneath.

Eric Lim
Non-Executive Chairman

Dated this 14 March 2019

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 ("the Company"), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and the condensed 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 the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretation) 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 company's financial position as at 31 December 2018 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:

- (i) giving a true and fair view of the Magnetic Resources NL financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the 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 half-year financial report 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 as required to pay its debts as and when they fall due.

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.

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



Rafay Nabeel
Audit Director

14 March 2019
Perth