



magnetic resources<sup>NL</sup>



2011

ANNUAL REPORT



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# CORPORATE DIRECTORY

## DIRECTORS

PETER THOMAS  
Non-Executive Chairman

GEORGE SAKALIDIS  
Managing Director

ROGER THOMSON  
Executive Director

## COMPANY SECRETARY

Rudolf Tieleman

## REGISTERED OFFICE

2<sup>nd</sup> Floor  
16 Ord Street, West Perth WA 6005

Telephone (08) 9226 1777  
Facsimile (08) 9485 2840

## WEBSITE

[www.magres.com.au](http://www.magres.com.au)

## FOR SHAREHOLDER INFORMATION CONTACT

### SHARE REGISTRY

Security Transfer Registrars Pty Ltd  
770 Canning Highway, Applecross WA 6153  
Telephone (08) 9315 2333  
Facsimile (08) 9315 2233

**ABN 34 121 370 232**

## FOR INFORMATION ON THE COMPANY CONTACT

### PRINCIPAL & REGISTERED OFFICE

2<sup>nd</sup> Floor  
16 Ord Street, West Perth WA 6005

Telephone (08) 9226 1777  
Facsimile (08) 9485 2840

### BANKERS

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

### AUDITORS

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

### STOCK EXCHANGE

Australian Securities Exchange (ASX)

### COMPANY CODE

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

### ISSUED CAPITAL

67,517,636 fully paid ordinary shares.  
17,418,862 partly paid shares (\$0.20 unpaid).  
2,295,000 options to acquire fully paid shares exercisable at \$0.2709 by 23 December 2014.  
2,145,000 options to acquire fully paid shares exercisable at \$0.4607 by 21 December 2015.

# REVIEW OF OPERATIONS

## PROJECT SUMMARIES

Magnetic Resources is an iron ore focused explorer with a strategy of acquiring and testing tenements prospective for iron ore in areas of good infrastructure and in proximity to ports in the south western part of Western Australia. The Jubuk magnetite project in particular shows potential to produce a high quality, premium grade magnetite

product. Magnetic has also commenced systematic testing of direct shipping grade hematite-goethite targets in the Wubin area north of Perth. On a lower key basis Magnetic is also assessing a number of gold and uranium prospects. The locations of Magnetics' current projects are shown in Figure 1.

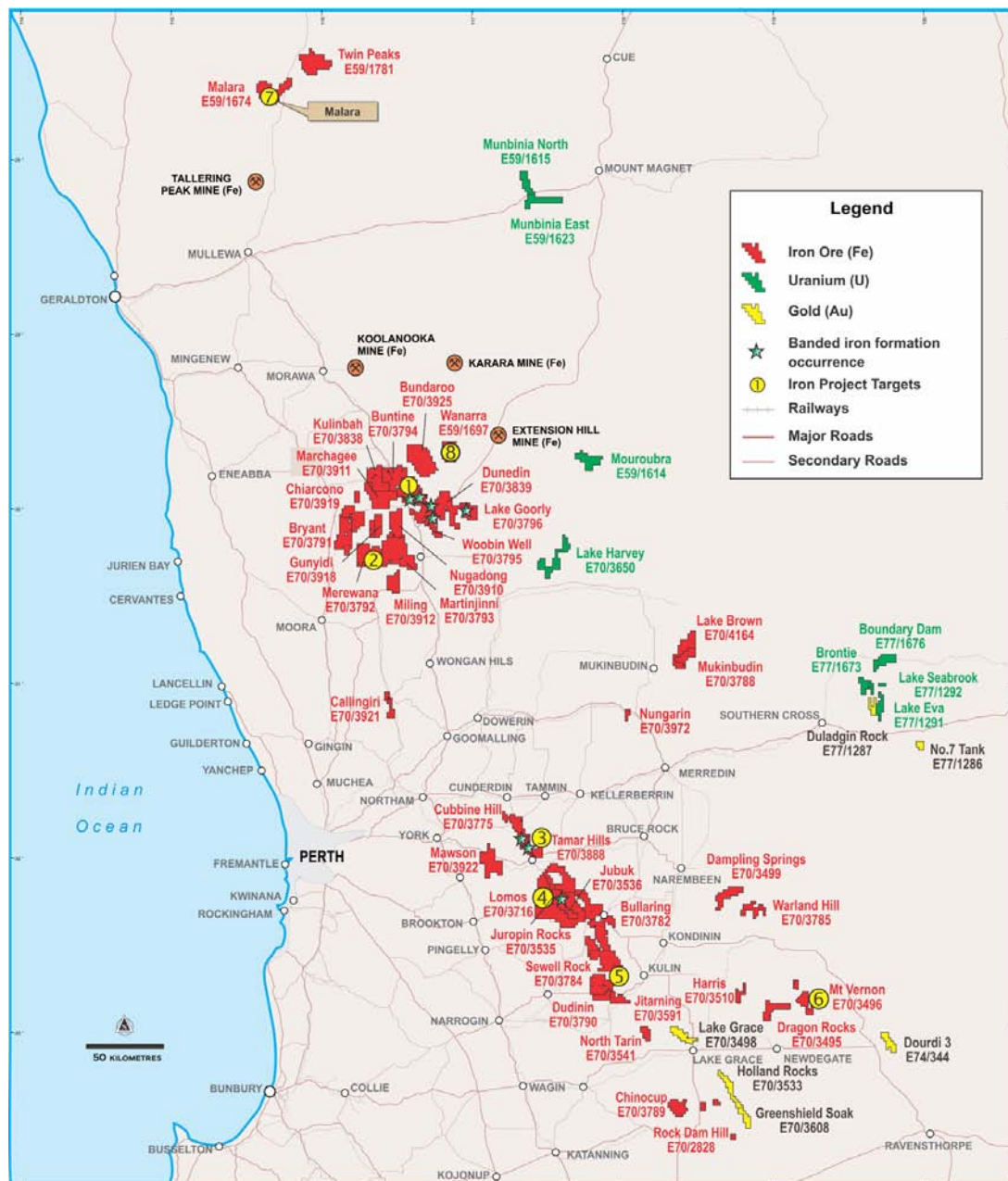


Figure 1: Location Map

# REVIEW OF OPERATIONS (cont.)

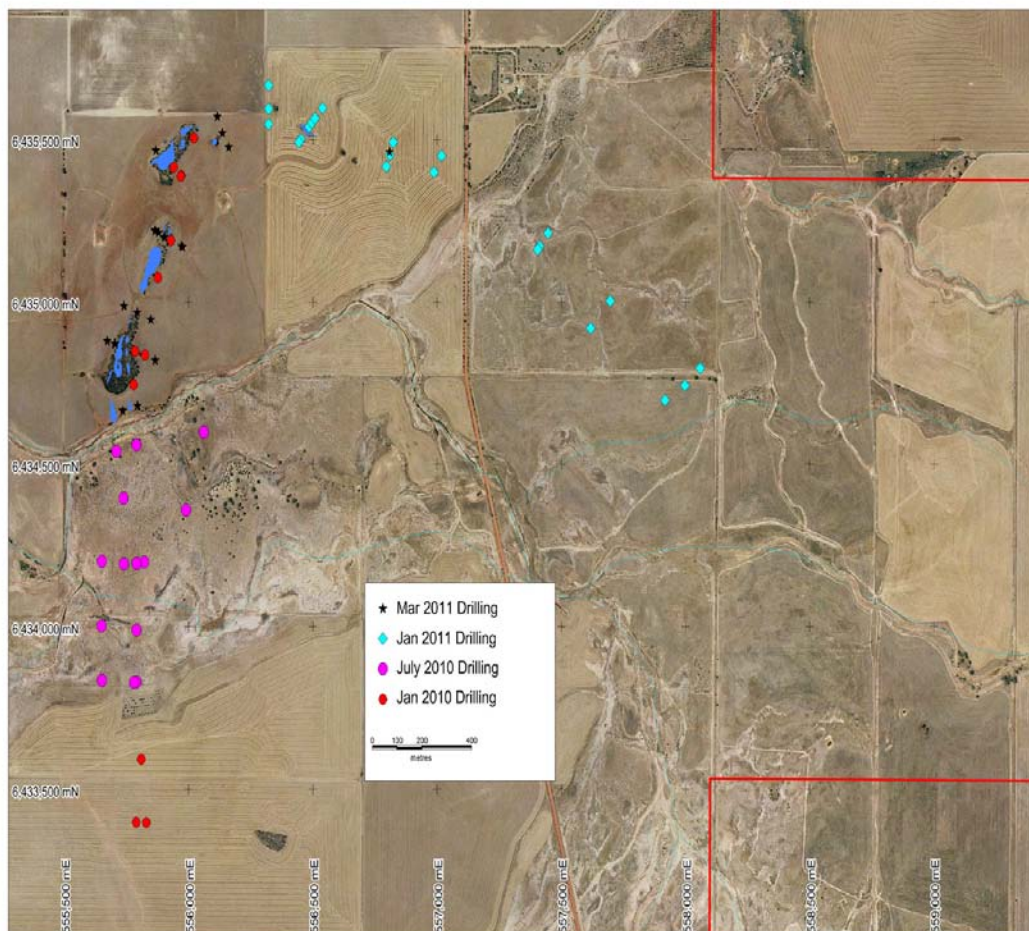


Figure 2: Jubuk Drilling Locations

## JUBUK (Magnetic 100%)

Magnetic Resources continued to advance exploration on its wholly owned Jubuk magnetite project near Corrigin, WA and on its other southwest iron ore projects. During the year Magnetic engaged consulting engineers Engenium Pty Ltd to design and supervise metallurgical test work on reverse circulation (RC) drill samples and drill core from Jubuk. The test results show that the Jubuk magnetite banded iron formation (BIF) responds well to conventional treatment and is capable of being beneficiated to produce a premium magnetite product.

Following these encouraging drilling and test work results, Magnetic completed a 42-hole RC drilling programme totalling 4,382m aimed at further defining the mineralisation and testing the strike extensions of the prospective coarse-grained magnetite BIF horizons, bringing the total drilling at Jubuk to 8,408m in 74 holes.

The drilling programme was undertaken in two stages. The first stage tested the eastern strike extensions of the BIF where the magnetic response indicated the prospective sequence extended for a further 2 kilometres to the east of the previous drilling. The second stage of the drilling focused on the previously drilled north-trending zone with the intention of improving the definition of the previous drilling; testing the western side of the magnetite BIF for a continuation of the interpreted western horizons identified to the south; and testing the southern strike extension.

Significant intersections from the recent drilling include **21m @ 30.8% Fe** from 72m in hole JRC049, **12m @ 29.5% Fe** from 76m in hole JRC035, **18m @ 29.43% Fe** from 33m in hole JRC061 and **30m @ 22.93% Fe** from 99m in hole JRC067. Drill hole locations are shown in Figure 2, with results summarised in Table 1.

# REVIEW OF OPERATIONS (cont.)

Hole Number	Coordinates		Dip	Azimuth	From m	To m	Interval m	Fe %
	E	N						
JRC032	557917	6434697	-60	230	44	52	8	20.3
JRC035	557697	6435002	-60	220	76	88	12	29.5
JRC037	557447	6435213	-60	220	45	57	12	24.1
JRC038	556484	6435539	-60	220	6	21	15	17.5
JRC039	556496	6435551	-60	220	6	9	3	20.1
JRC043	556322	6435595	-60	0	0	18	18	21.9
					87	99	12	15.3
JRC044	556322	6435547	-60	0	75	78	3	27.5
JRC045	556452	6435500	-55	40	9	15	6	17.8
					27	33	6	17.7
JRC047	556823	6435492	-60	20	9	33	24	22.0
JRC049	556796	6435416	-60	20	72	93	21	30.8
JRC052	557412	6435171	-60	50	48	60	12	27.9
JRC054	555865	6434822	-60	295	78	90	12	21.6
					114	129	15	22.6
JRC055	555793	6434969	-60	300	27	36	9	16.9
JRC056	555847	6434947	-60	300	18	45	27	18.9
	including				18	27	9	24.4
					93	102	9	24.2
JRC057	555740	6434990	-60	100	3	15	12	20.6
JRC060	555970	6435174	-60	300	69	99	30	21.7
	including				69	87	18	25.9
JRC061	555903	6435202	-90	0	21	51	30	21.6
					33	51	18	29.4
JRC064	555868	6435468	-80	135	81	90	9	20.7
JRC066	556136	6435522	-60	330	3	9	6	33.3
JRC067	555975	6435171	-80	300	99	129	30	22.9
	including				102	111	9	33.9
JRC068	555864	6435220	-90	0	54	60	6	23.6
JRC069	555701	6434873	-90	0	9	15	6	22.8
JRC070	555734	6434667	-60	270	6	15	9	27.2
					69	84	15	18.2
					111	117	6	19.9
JRC071	555794	6434682	-60	270	9	24	15	22.3
					117	126	9	19.3

3m composite samples. Fe determined by fused disc XRF

Table 1: Jubuk RC Drilling Results

# REVIEW OF OPERATIONS (cont.)

Significantly, the drilling has extended the strike length of BIF drilled on 200m line spacing to 4.1km, open in both directions along strike. The drilling has shown the target BIF to comprise multiple coarse grained magnetite-rich horizons ranging in thickness from 3m to 15m, with up to 12 magnetite-rich horizons evident. A typical cross section is shown in Figure 3. Geological interpretation indicates that the BIF is both faulted and folded, with further interpretation of the structure and continuity of the BIF in progress.

Magnetic has now completed 525 Davis Tube Recovery (DTR) determinations on RC drill samples from the earlier drilling programmes. The test results continue to show the potential for the project to produce a high-grade concentrate. Of these samples, 123 have been sourced from the weathered profile and 402 from fresh rock. Most samples represent 3m composite samples. Table 2 summarises the weighted averages of the feed and concentrate grades and apparent recovery rates.

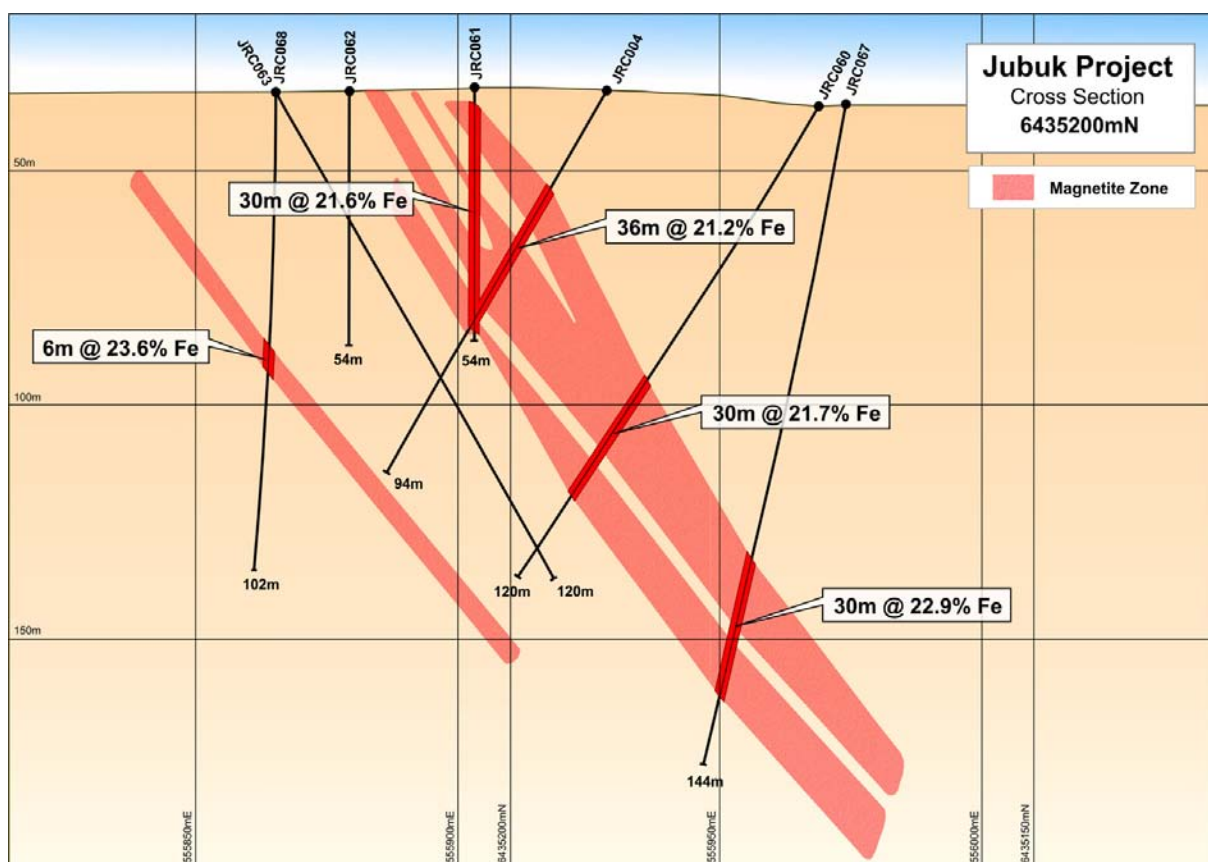


Figure 3: Jubuk Cross Section 6435200mN

	Feed Grades %				Concentrate Grades %				Mass Rec%	Wt Rec% Fe
	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P		
Weathered	24.3	51.4	9.1	0.02	68.36	1.6	1.2	0.01	18.2	52.1
Fresh	24.1	49.9	6.4	0.03	69.63	1.3	1.2	0.00	26.9	75.7

Table 2: DTR Test Work Summary

# REVIEW OF OPERATIONS (cont.)

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

During the year Magnetic completed an orientation gravity survey and commenced a detailed gravity survey of the entire 7km strike length around the Jubuk dome, together with six separate targets totalling a further 16km of strike in the vicinity of Jubuk. The gravity survey is expected to

provide greater definition of target zones and to allow prioritisation of target areas for drilling. Preliminary gravity results show numerous strong responses and indicate that the magnetite zone could extend about 600m south of the drilled area, where the magnetic data indicates a narrowing and weakening response, see Figure 4.

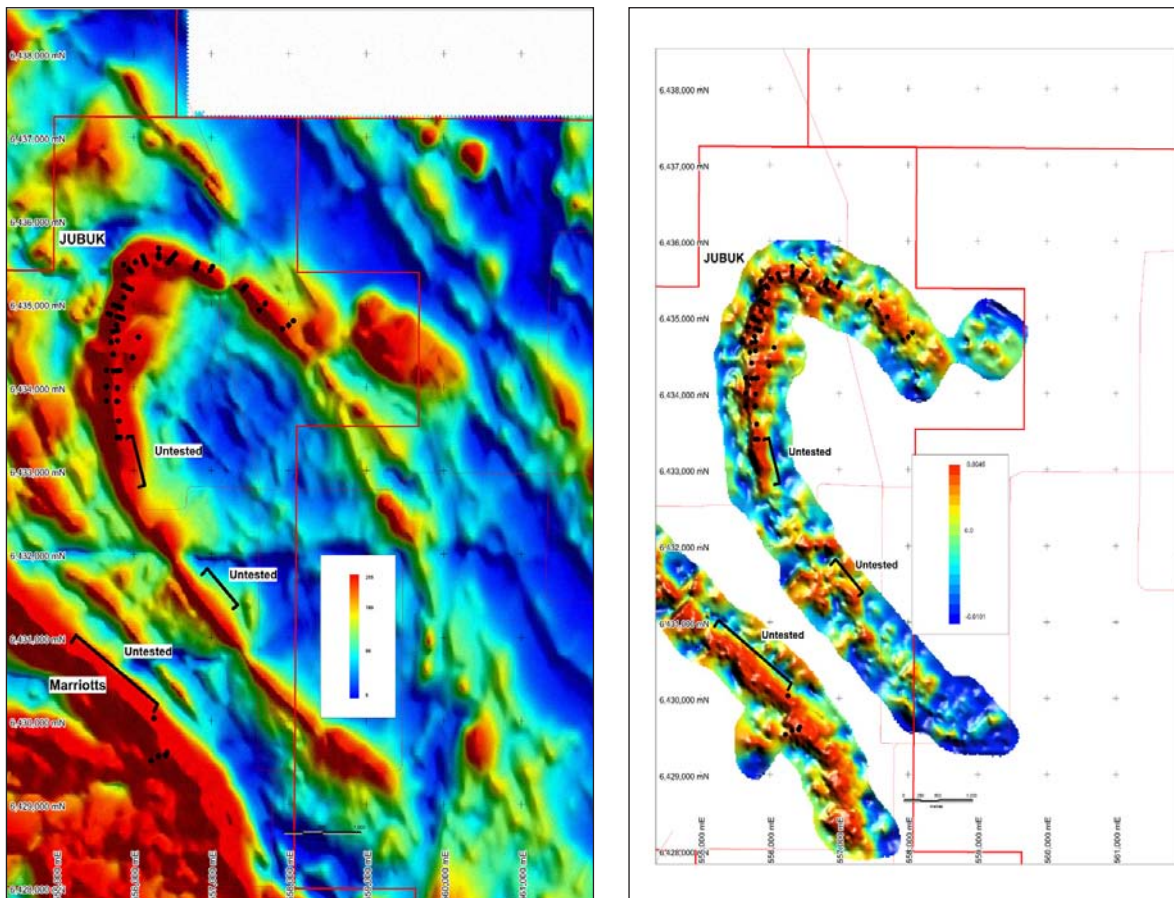


Figure 4: Jubuk Gravity Results (right) compared to Jubuk Magnetic Results (left), Showing Untested Targets.

The gravity survey is being extended to the south along both prospective horizons and will be subject to intensive processing and interpretation in conjunction with the airborne and ground magnetic data previously collected by Magnetic Resources.

The new gravity target zones add a further 2.7km to the existing 4km strike of known magnetite mineralisation and have the potential to add significant tonnages to the Jubuk mineralisation. Drilling of these priority targets will commence upon completion of the necessary permitting.

Drilling of a second prospective parallel zone, termed Marriott's, to the south of Jubuk did not intersect significant grades however it is anticipated that the gravity data will allow more effective positioning of drill holes to test this large target zone.

Davis Tube Recovery (DTR) test work on the Jubuk mineralisation continues to indicate a premium quality magnetite product of the type sought by a range of international consumers.

# REVIEW OF OPERATIONS (cont.)

## MT VERNON (Magnetic 100%)

Ten magnetic targets have been identified and modelled based on the ground magnetic survey completed over the regional aeromagnetic anomaly at Mt Vernon, see Figure 5. Ground reconnaissance shows seven of the targets are covered by aeolian sand. Seven samples, mostly of surface lateritic detritus, collected from the target sites and surrounding area have iron contents ranging from 22.8% Fe to 50.6% Fe. Possibly most significant was a sample of outcropping coarse-grained magnetite-bearing granite gneiss which contained 49.1% Fe which is not associated with a magnetic anomaly.

An RC drilling programme to test six magnetic targets was completed in February. This drilling tested the shallower targets and the coarse-grained magnetite-bearing granite gneiss. This programme has received \$100,000 of funding from the WA Government's Exploration Incentive Scheme. The drilling intersected substantial widths of low grade magnetite-bearing gneiss, including 132m @ 13.3% Fe from 18m. The complex character of the magnetics and the difficulty of modelling the magnetic responses suggests that the drilling was inconclusive in identifying the best targets. Significant results are summarised in Table 3.

Hole Number	Coordinates		Dip	Azimuth	From m	To m	Interval m	Fe %
	E	N						
MVRC09	706953	6366900	-90	0	0	33	33	15.2
MVRC10	706735	6367213	-90	0	9	27	18	14.4
MVRC11	707140	6367240	-80	215	18	150	132	13.3
Including					78	147	69	13.6
MVRC12	707295	6366824	-90	0	15	114	99	14
Including					15	48	33	16.7
MVRC13	707534	6366830	-90	0	21	45	24	14.6

3m composite samples. Fe determined by fused disc XRF

Table 3: Mt Vernon RC Drilling Results

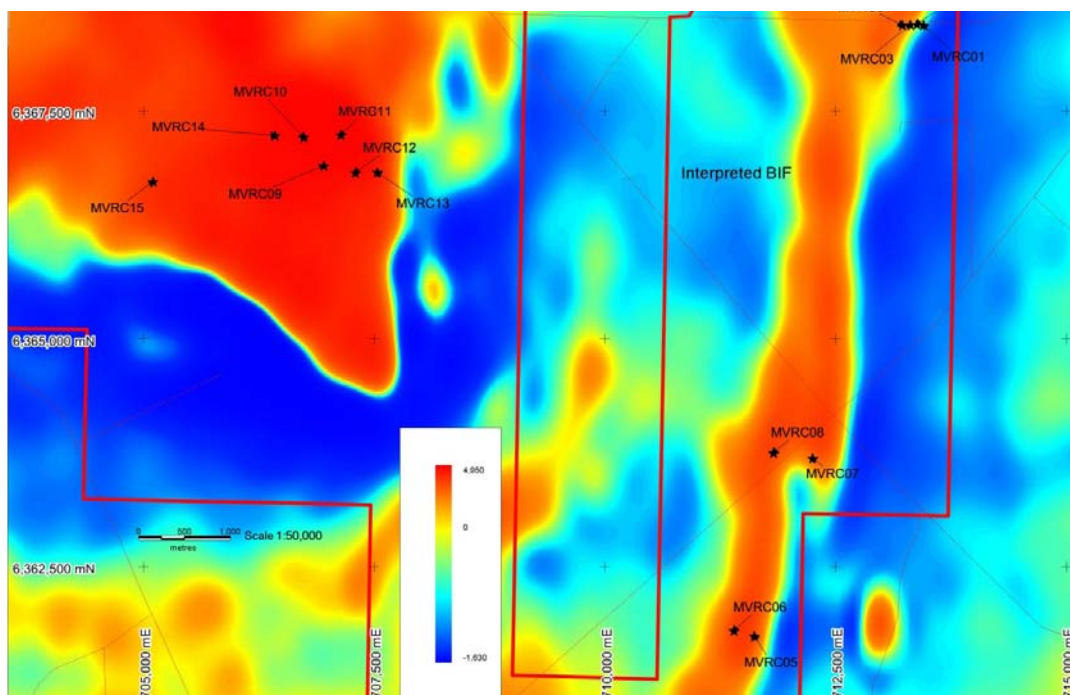


Figure 5: Mt Vernon Drilling Locations

## REVIEW OF OPERATIONS (cont.)

Nineteen samples from the drilling were submitted for Davis Tube Recovery (DTR) test work to determine the extractable magnetite contents. The samples comprised nine samples from the weathered portion of the intersection of drill hole MVRC11 (15-42m), and ten fresh rock samples from hole MVRC12 (117-150m).

The drill samples were pulverised to minus 75 microns with the results of the DTR test work shown in Table 4. The fresh rock samples, from MVRC12, recovered approximately 46%

of the contained iron creating a concentrate averaging 67.5% Fe with low SiO<sub>2</sub> and Al<sub>2</sub>O<sub>3</sub> assays of 1.6% and 0.77% respectively. Significantly, the high P content in the primary feed (average 0.88%P) was removed from the concentrate by the separation process. The sulphur content was enriched in the concentrate and will be further assessed in future test work. The iron content in the weathered profile of MVRC11 is slightly enriched and the magnetite is entirely oxidised to hematite or goethite with no recoverable magnetic portion.

Sample Description	Head Assays					Mass Rec %	Concentrate Assays					
	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %		Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	Fe Rec %
MVRC11 15-18	23.01	36.5	13.4	0.574	0.038	0.71						
MVRC11 18-21	17.52	39.5	17.5	0.946	0.026	0.29						
MVRC11 21-24	19.34	40	15.2	1.015	0.046	0.66	Not Sufficient sample recovered for further analysis					
MVRC11 24-27	22	41.2	10.5	0.434	0.027	0.45						
MVRC11 27-30	19.62	43.6	12.2	0.439	0.018	0.15						
MVRC11 30-33	17.62	43.3	12.95	0.795	0.007	0.03						
MVRC11 33-36	12.68	48.8	14.25	0.859	0.008	0.14						
MVRC11 36-39	12.76	48.2	14.3	0.84	0.028	0.93						
MVRC11 39-42	12.96	46.9	14.45	0.775	0.036	3.58						
MVRC12 117-120	13.76	44.3	13.75	0.87	0.311	10.18	68.04	1.14	0.71	0.013	0.809	50.36
MVRC12 120-123	13.29	44.4	14.05	0.874	0.314	9.43	67.87	1.59	0.74	0.019	0.703	48.15
MVRC12 123-126	12.98	44.4	13.85	0.865	0.329	8.14	68.15	2.91	0.68	0.038	0.136	42.74
MVRC12 126-129	13.58	43.8	13.9	0.91	0.322	9.76	68.84	1.87	0.75	0.025	0.139	49.49
MVRC12 129-132	13.77	44.1	13.7	0.872	0.317	9.70	67.82	1.32	0.72	0.017	0.91	47.80
MVRC12 132-135	12.47	44.9	14.4	0.908	0.329	8.24	66.16	2.32	1.04	0.027	1.07	43.74
MVRC12 138-141	14.02	44.1	13.6	0.831	0.319	9.83	66.89	1.26	0.71	0.018	1.46	46.91
MVRC12 141-144	13.68	43.8	13.85	0.938	0.358	10.47	66.82	1.3	0.8	0.015	1.325	51.14
MVRC12 144-147	15.06	42.7	13.05	0.896	0.369	9.83	66.13	0.99	0.73	0.016	1.85	43.17
MVRC12 147-150	14.96	43.4	13.2	0.813	0.331	9.87	68.46	1.25	0.81	0.012	0.607	45.15

3m composite samples. Fe determined by fused disc XRF

*Table 4: Mt Vernon Davis Tube Recovery Results*

# REVIEW OF OPERATIONS (cont.)

A detailed gravity survey was completed over the area (Figure 6) to define areas of greater density and hence magnetite content. This data will be integrated with new detailed ground magnetic data. A detailed interpretation

of both sets of data will be completed to identify further drilling targets to investigate the bulk tonnage potential of this complex of coincident magnetic and gravity anomalies.

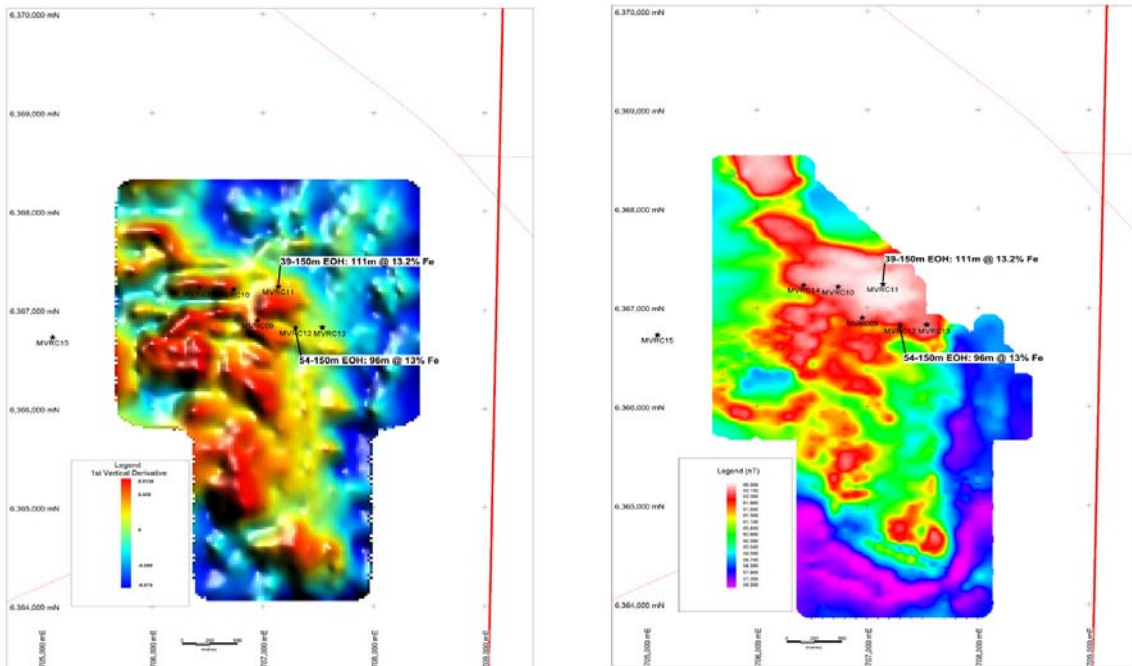


Figure 6: Mt Vernon Gravity (left), and Ground Magnetic Data (right) with Drillhole Locations

# REVIEW OF OPERATIONS (cont.)

## ROCK DAM HILL (Magnetic 100%)

A 5-hole RC drilling programme tested a significant magnetic anomaly and a combined copper and magnetic anomaly target, 40km south of Lake Grace. Both targets are obscured by sand cover. The main magnetic anomaly (Figure 7) has been modelled indicating a significant magnetic character, interpreted to be caused by magnetite.

Drilling in the primary target did not intersect significant iron contents or magnetic material and failed to explain the magnetic anomaly. This is thought to be due to remnant magnetic effects displacing the source of the anomaly. A detailed gravity survey has been conducted to refine the target area as shown in Figure 7. The magnetic and gravity data is being re-assessed to either explain the anomaly or define further drilling targets.

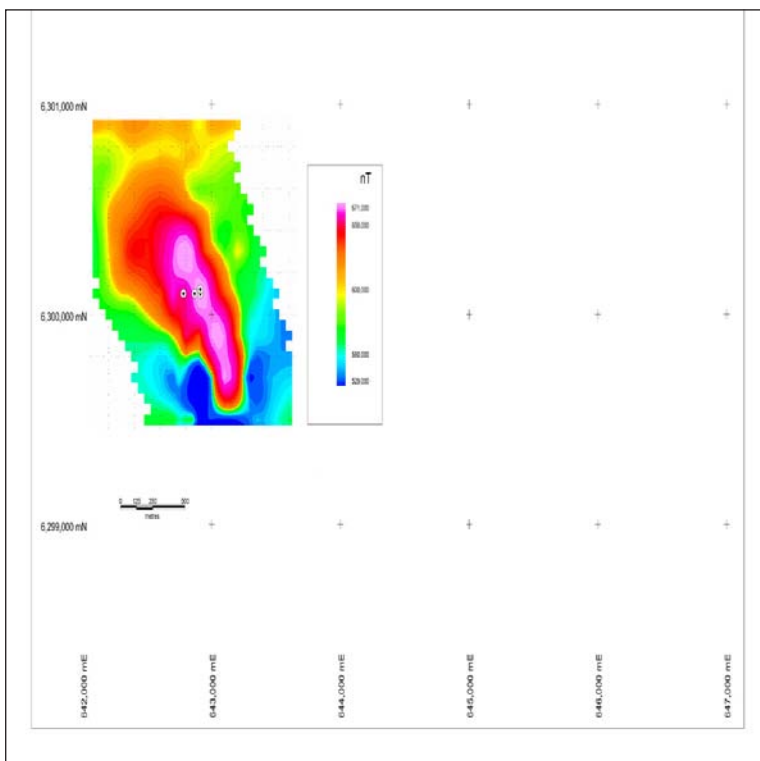
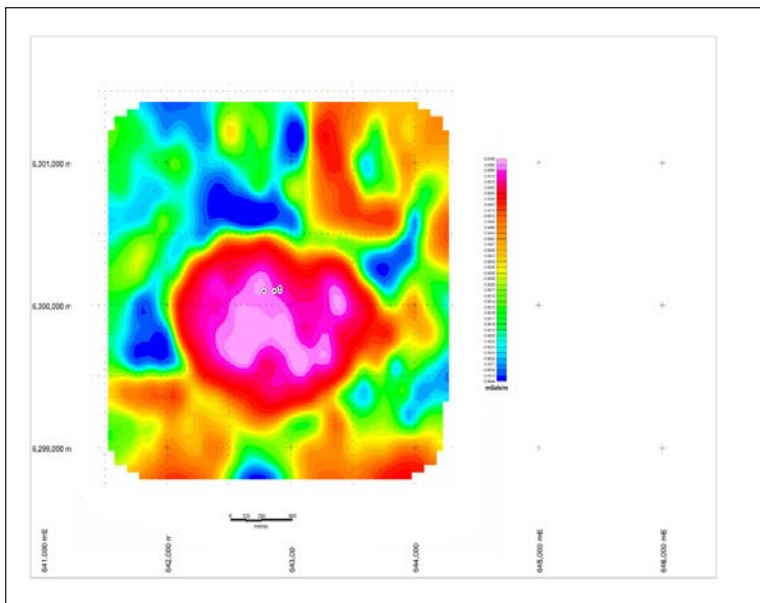


Figure 7: Rock Dam Hill Gravity Anomaly (left), Ground Magnetic Anomaly (right) with Drillhole Locations

# REVIEW OF OPERATIONS (cont.)

## WUBIN (Magnetic 100%)

A 147-hole, 2,528m air-core drilling program was completed in March in the Wubin project area testing for near surface hematite-goethite enrichments. Analytical results have just been received and are being assessed. Areas targeted included those associated with magnetic anomalies and areas of ferruginous enrichment identified from photo-interpretation and regolith mapping, potentially hosting equivalents of channel-style iron deposits.

While final results are not available for all samples, review of the available results and geological logging indicates that no substantial thicknesses of near-surface iron concentrations have been intersected to date. Gravity surveys are being planned for several of the areas within the Buntine area to develop a better understanding of the source of the magnetic anomalies prior to drilling.

In the Wubin Well area anomalous copper values were intersected, including 18m @ 940ppm Cu and 9.5ppm Mo; from 12m in drill hole BUNAC104 within weathered mafic rocks. Adjacent drill hole BUNAC144, 100m to the east terminated in sediments containing 309ppm Cu. The significance of these results is being assessed.

## DALWALLINU (Magnetic 100%)

Land access agreements have been signed with numerous landowners in the area. These agreements will allow follow-up of airborne magnetic anomalies for iron ore. Initial ground magnetic surveys have commenced in several areas and will be used to prioritise target areas for drilling. In addition, areas of anomalous alumina identified from surface sampling will be investigated for bauxite potential.

## SEWELL ROCK (Magnetic 100%)

A 59-hole 1,646m aircore drilling program has been completed to test the source of magnetic anomalies identified from Magnetic's aeromagnetic surveys (Figure 8) and situated some 65km SSE of Jubuk. Review of the geological logging and analytical results indicates that no substantial thicknesses of near-surface iron concentrations were intersected nor were the sources of the magnetic anomalies identified. Some of the magnetic target zones are interpreted to be mafic lithologies of possible intrusive origin.

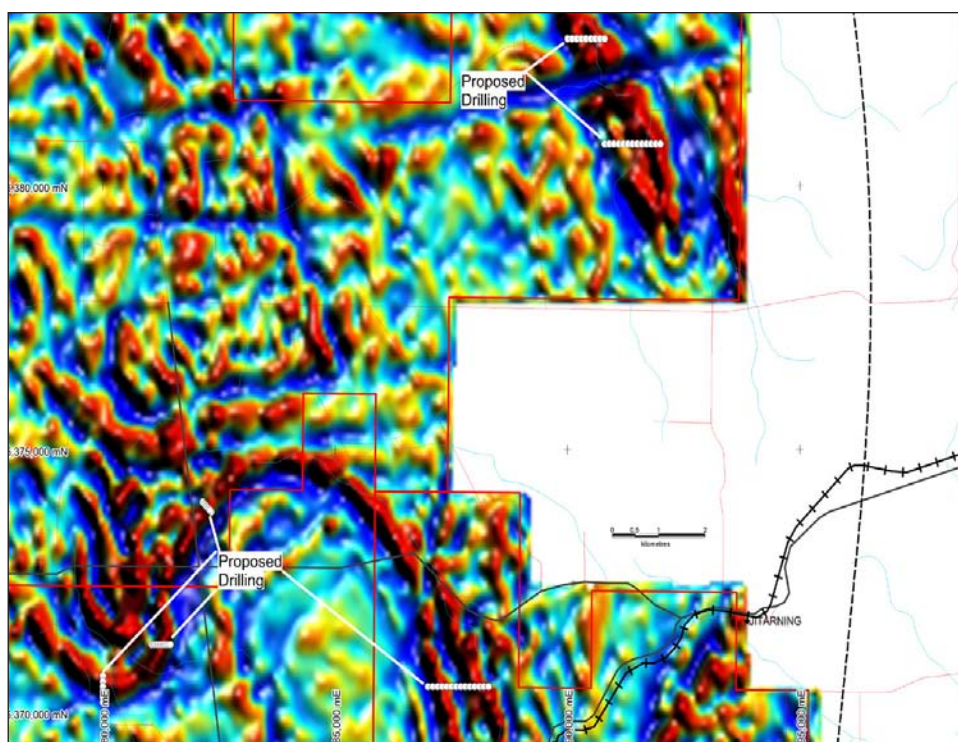


Figure 8: Sewell Rock Proposed Drilling Locations on Aeromagnetic Image

The information in this report is based on information compiled or reviewed by Allan Younger (Dip Applied Geol), who is a member of the Australasian Institute of Mining and Metallurgy. Allan Younger is a consultant to Magnetic Resources NL. Allan Younger has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Allan Younger consents to the inclusion of this information in the form and context in which it appears in this report.

# DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2011.

## DIRECTORS

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

Peter Thomas

George Sakalidis

Roger Thomson

Eric Lim

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the exploration of mineral tenements in Western Australia.

## RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of \$2,959,926 (2010: \$2,782,662).

The foregoing figure includes \$190,905 (2010: \$91,800) in respect of "equity-settled share based payments". This is not a cash outlay. It is brought to account by virtue of a requirement at law. Net of this figure, the operating loss was \$2,769,021 (2010: \$2,690,862).

## DIVIDENDS

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

## REVIEW OF OPERATIONS

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

## EARNINGS PER SHARE

Basic Loss per share for the financial period was 4.39 cents (2010: 5.38 cents). Diluted Loss per share in respect of the year ended 30 June 2011 is the same as the Basic Loss per share (2010: 5.38 cents).

## FINANCIAL POSITION

The Company's cash position as at 30 June 2011 was \$2,808,652, a decrease from the 30 June 2010 cash balance which was \$4,669,988. The cash position is adequate to fund committed exploration expenditure.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period were the placement of 2,800,000 shares at an issue price of \$0.45.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

## ENVIRONMENTAL ISSUES

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

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

# DIRECTORS' REPORT (cont.)

## INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

### **Peter S Thomas** Chairman

Mr Thomas was a practising solicitor from 1980 until June 2011, specialising in the provision of corporate and commercial advice to explorers and miners. Since the mid-1980s, he has served on the boards of various listed companies. He is also non-executive founding chairman of Image Resources NL (since 19 April 2002), Meteoric Resources NL (since that company was incorporated on 13 February 2004), Emu Nickel NL (since that company was incorporated on 29 August 2007) and Middle Island Resources Limited (since 2 March 2010), all four of whom are ASX listed. He was also appointed non-executive director of ANCOA Pty Ltd (previously known as Court Resources WA Pty Ltd) on 28 July 2010. Within the last three years, he was the founding chairman of Sandfire Resources NL for the period June 2003 to December 2006 and non-executive director of GoldLink IncomePlus Limited from 4 April 2008 to 18 June 2008.

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

### **George Sakalidis** Managing Director

Mr Sakalidis is an exploration geophysicist with over 25 years' industry experience, during which time his career has included extensive gold, diamond, base metals and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits in Western Australia and the tenement applications over the Silver Swan nickel deposit. He was also instrumental in the design of the magnetic surveys and exploration drilling program that led to the discovery of the large mineral sands resources at Magnetic Minerals Limited's Dongara Project. He is managing director of this company, Magnetic Resources NL (since the company was incorporated 23 August 2006), Image Resources NL (director since 13 May 1994, managing director since 13 June 2007), Emu Nickel NL (since that company was incorporated on 29 August 2007), executive director of Meteoric Resources NL (since that company was incorporated on 13 February 2004) and non-executive director of Potash West NL (since that company was incorporated 12 November 2010), all five of whom are ASX listed. He is also non-executive chairman of unlisted Imperium Resources NL (appointed 23 June 2008).

Mr Sakalidis has a relevant interest in 4,270,531 ordinary fully paid shares, 3,076,113 contributing shares and 1,600,000 options to acquire fully paid ordinary shares.

### **Roger M Thomson** Technical Director

Mr Thomson is a geologist with more than 35 years' experience in mineral exploration, mining geology and management in Australia, Africa, South America and Southeast Asia. He has held the positions of General Manager Exploration with Delta Gold Ltd and Sons of Gwalia Ltd and has been responsible for, or closely associated with, making economic discoveries of gold and tantalum in Australia. Mr Thomson successfully managed the exploration programme that led to the discovery of the multi-million ounce Sunrise gold deposit near Laverton in Western Australia. He is an Associate of the Royal School of Mines, a Member of the Australasian Institute of Mining and Metallurgy and a Member the Australian Institute of Geoscientists. Mr Thomson is an executive director of this company, Magnetic Resources NL (since the company was incorporated on 23 August 2006), managing director of Meteoric Resources NL (since that company was incorporated on 13 February 2004), executive director of Image Resources NL (since 19 April 2002) and executive director of Emu Nickel NL (since that company was incorporated on 29 August 2007), all four of whom are ASX listed. He was a non-executive director of Mariana Resources Limited for the period from 20 February 2006 to 28 November 2008.

Mr Thomson has a relevant interest in 238,445 ordinary fully paid shares, 2,177,669 contributing shares and 1,050,000 options to acquire fully paid ordinary shares.

### **Eric Lim** Non-Executive Director – Appointed 23 August 2011

Mr Eric JH Lim, has been appointed a non-executive director of the Company. He represents a group of Singapore-based investors who hold a significant stake in the Company.

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

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

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

Mr Lim has a relevant interest in 3,350,000 ordinary fully paid shares.

# DIRECTORS' REPORT (CONT.)

## Rudolf Tieleman

Company Secretary

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

## AUDIT COMMITTEE

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

## MEETINGS OF DIRECTORS

During the financial year ended 30 June 2011, there were seven meetings of directors, all of which were attended by all the directors.

## REMUNERATION REPORT (Audited)

Names and positions held of key management personnel in office at any time during the financial year were:

Key Management Person	Position
Peter Thomas	Non-Executive Chairman
George Sakalidis	Managing Director
Roger Thomson	Executive Director
Rudolf Tieleman	Company Secretary

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

## Key Management Personnel Remuneration and Incentive Policies

The Remuneration Committee ("**committee**") makes decisions with respect to appropriate and competitive remuneration and incentive policies (including basis for paying and the quantum of any bonuses), for key management personnel and others as considered appropriate to be singled out for special attention, which:

- motivates them to contribute to the growth and success of the Company within an appropriate control framework;
- aligns the interests of key leadership with the interests of the Company's shareholders;
- are paid within any limits imposed by the Constitution and make recommendations to the Board with respect to the need for increases to any such amount at the Company's annual general meeting; and

- in the case of directors, only permits participation in equity-based remuneration schemes after appropriate disclosure to, due consideration by and with the approval of the Company's shareholders.

The committee is to ensure that recommendations are made to the Board with respect to the above.

## Non-Executive Directors

- The committee is to ensure that non-executive directors are not provided with retirement benefits other than statutory superannuation entitlements.
- To the extent that the Company adopts a remuneration structure for its non-executive directors other than in the form of cash and superannuation, the committee shall document its reasons for the purpose of disclosure to stakeholders.

## Incentive Plans and Benefits Programs

The committee is to:

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

## Retirement and Superannuation Payments

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

# DIRECTORS' REPORT (CONT.)

## Key Management Personnel Remuneration

Year ended 30 June 2011					
Key Management Person	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity-settled share based payments (1) (\$)	Total (\$)
Peter Thomas Non-Executive Chairman	40,000	3,600	43,600	44,500	88,100
George Sakalidis Executive Managing Director	118,583	3,600	122,183	71,200	193,383
Roger Thomson Executive Director	79,690	3,600	83,290	44,500	127,790
Rudolf Tieleman Company Secretary	45,925	-	45,925	-	45,925
<b>Total</b>	<b>284,198</b>	<b>10,800</b>	<b>294,998</b>	<b>160,200</b>	<b>455,198</b>

Note (1) Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 24 November 2010. These options were valued in accordance with International Financial Reporting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value as at their grant date. The independent valuer used a range of open form (basic and binomial) models. The options vested immediately.

Year ended 30 June 2010					
Key Management Person	Short-term benefits Fees & contractual payments (\$)	Post-employment benefits Statutory superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity-settled share based payments (2) (\$)	Total (\$)
Peter Thomas Non-Executive Chairman	40,000	3,600	43,600	20,000	63,600
George Sakalidis Executive Managing Director	120,845	3,600	124,445	32,000	156,445
Roger Thomson Executive Director	86,305	3,600	89,905	22,000	111,905
Rudolf Tieleman Company Secretary	50,719	-	50,719	10,000	60,719
<b>Total</b>	<b>297,869</b>	<b>10,800</b>	<b>308,669</b>	<b>84,000</b>	<b>392,669</b>

Note (2) Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 30 November 2009. These options were valued in accordance with International Financial Reporting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value as at their grant date. The independent valuer used a range of open form (basic and binomial) models. The options vested immediately.

# DIRECTORS' REPORT (CONT.)

## Consultant Agreements

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

There is another consulting agreement between the Company and Mr Thomson's nominee which is in the same form as the one above described.

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

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

## Guaranteed Rate Increases

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

## DIRECTORS' INTERESTS

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

	Fully Paid Ordinary Shares	Partly-paid Contributing Shares	Options to Acquire Fully Paid Ordinary Shares
Peter Thomas	28,555	42,833	1,000,000
George Sakalidis	4,270,531	3,076,113	1,600,000
Roger Thomson	238,445	2,177,669	1,050,000

## SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS

During the financial year, shareholders at the Annual General Meeting held on 24.11.2010 approved the grant of options to the Directors for no consideration. These options over unissued fully paid ordinary shares were granted at 1.5 times the market price current on the date of issue and are exercisable at \$0.4607 each on or before 21.12.2015.

No options have been issued since the end of the financial year.

**END OF AUDITED SECTION**

# DIRECTORS' REPORT (cont.)

## EMPLOYEES

Aside from directors (all of whom were, for tax purposes treated as employees this year), the Company had no non-casual employees at 30 June 2011.

## CORPORATE STRUCTURE

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

## ACCESS TO INDEPENDENT ADVICE

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

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

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

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the year an amount of \$6,078 (2010: \$6,328) was incurred in insurance premiums for this purpose.

## OPTIONS

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

- 2,295,000 options exercisable at \$0.2709 per option on or before 23 December 2014.
- 2,145,000 options exercisable at \$0.4607 per option on or before 21 December 2015.

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors



GEORGE SAKALIDIS  
Managing Director

Perth

30th September 2011

# AUDITOR'S INDEPENDENCE DECLARATION



To those charged with governance of Magnetic Resources NL

As auditor for the audit of Magnetic Resources NL for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink that reads "Somes and Cooke".

Somes and Cooke

A handwritten signature in black ink that reads "Kevin Somes".

Kevin Somes

1304 Hay Street  
West Perth WA 6005

Date: 30 September 2011

# CORPORATE GOVERNANCE STATEMENT

## PREAMBLE

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

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

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

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

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

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

## IF NOT WHY NOT EXCEPTION REPORT

Except to the extent stated below, during the financial year ended 30 June 2011, the Company complied with each of The Recommendations (set out below). Exceptions are stated in italics following an "If not, why not": heading.

### 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of board and management.

- 1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- 1.2 Companies should disclose the process for evaluating the performance of senior executives.
- 1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

### 2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- 2.1 A majority of the board should be independent directors.

#### "If not, why not":

*The Company has a four person board. Two of the directors (namely, Messrs G Sakalidis and RM Thomson) serve as executives and are not considered to be independent directors. As to PS Thomas, see the "If not, why not" response to Recommendation 2.2.*

*The Company has a small close knit team which has a positive interactive working history.*

*Given all the circumstances attendant upon the Company including its objectives, the nature and extent of its actual and proposed operations, its capital base and other resources, the costs associated with a board comprised of more than the minimum number and the need for a board comprised of persons with a blend of traits, skills, experience, expertise, entrepreneurialism, innovation, tenacity, vision and dedication in order to enliven the prospects of creating value for shareholders, this recommendation is thought by the board to be inappropriate.*

# CORPORATE GOVERNANCE STATEMENT (cont.)

2.2 The chair should be an independent director.

**“If not, why not”:**

*The chair, namely Mr PS Thomas, holds securities in the Company (directors are encouraged to own the same), and contributes to the development of its corporate strategy and promotion.*

*The chair considers himself to be an independent director as he is neither part of nor expected to be a part of the day to day management team. The chair regards himself as being free of any relationship that could materially interfere with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things.*

*The remaining directors consider Mr Thomas to be an independent director for the same reasons. Refer to the Company's website to view a copy of its formal policies for further details regarding independence.*

2.3 The roles of the chair and chief executive officer (or equivalent) should not be exercised by the same individual.

2.4 The board should establish a Nomination Committee.

**“If not, why not”:**

*The Company has a small board which does not perceive that any gains are to be derived through the operation of a formal committee structure. The board will deal with nomination issues on an ad hoc unstructured basis.*

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

**“If not, why not”:**

*No formal performance evaluation has been conducted because of the size of the Company and the fact that the directors (of which there are only three) work as a close knit team and each is cognisant of what the others are doing and constantly encouraging the others to secure better outcome for shareholders.*

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

### 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

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

3.1.1 practices necessary to maintain confidence in the Company's integrity;

3.1.2 practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;

3.1.3 responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

3.2 Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.

3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.

### 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

4.1 The board should establish an audit committee.

4.2 The audit committee should be structured so that it:

4.2.1 consists only of non-executive directors;

4.2.2 consists of a majority of independent directors;

4.2.3 is chaired by an independent chair, who is not chair of the board; and

4.2.4 has at least three members.

4.3 The audit committee should have a formal charter.

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

**“If not, why not”:**

*The Company has a policy regarding the formation, composition, role, powers and responsibilities of an audit committee although it has not yet established such a committee.*

*The Company is small, has a small board with a tight management structure, relies on equity capital for funding and in all the circumstances of the Company the board does not perceive that any gains are to be derived through the operation of a formal committee structure.*

# CORPORATE GOVERNANCE STATEMENT (cont.)

## 5. MAKE TIMELY AND BALANCED DISCLOSURE

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

- 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- 5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.

## 6. RESPECT THE RIGHTS OF SHAREHOLDERS

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

- 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- 6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.

## 7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

- 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

- 7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.

### **"If not, why not":**

*Management has not reported to the board as to the effectiveness of the Company's management of its material business risks as the board has not required this of it.*

*Whilst the board recognises the benefit of the discipline of documenting such matters, the board has deployed its scarce resources to other endeavours in priority to the preparation of a written report on the matter of risk given the Company has strict procedures in place and the board has two executive directors so they are well versed in the day to day affairs of the Company and know what measures are in place.*

## 8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- 8.1 The board should establish a Remuneration Committee.
- 8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- 8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.

# CORPORATE GOVERNANCE STATEMENT (cont.)

## ADDITIONAL INFORMATION

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

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

### 1. MATERIALITY – QUANTITATIVE

#### 1.1 Statement of Financial Position items:

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

#### 1.2 Statement of Comprehensive Income items:

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

### 2. MATERIALITY – QUALITATIVE

Items are also material if:

- 2.1 they are of a character that enlivens the obligation to disclose under either ASX Listing Rule 3.1 or the continuous disclosure obligations arising in terms of the Corporations Act;
- 2.2 they impact on the reputation of the Company;
- 2.3 they involve a breach of legislation;
- 2.4 they are outside the ordinary course of business;
- 2.5 they could affect the Company's rights to its assets;
- 2.6 if accumulated they would trigger the quantitative tests;
- 2.7 they involve a contingent liability that would have a probable effect of 5% or more on Statement of Financial Position or Statement of Comprehensive Income items; or
- 2.8 they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

### 3. MATERIAL CONTRACTS

Contracts will be considered material if:

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 (\$)	2010 (\$)
<b>Revenue:</b>			
Interest income		197,839	121,985
Other revenue	3	65,386	-
<b>Expenses:</b>			
Depreciation expense	11	(54,292)	(37,882)
Exploration and tenement expenses written off	12	(2,456,468)	(2,236,047)
Impairment of available for sale financial assets		(14,789)	(64,429)
Share based payments expense	22	(190,905)	(91,800)
Other expenses	3	(506,697)	(474,489)
<b>(Loss) before income tax expense</b>		(2,959,926)	(2,782,662)
Income tax expense	4	-	-
<b>(Loss) from continuing operations</b>		(2,959,926)	(2,782,662)
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		(2,959,926)	(2,782,662)
<b>Total comprehensive income for year attributable to members of the Company</b>		(2,959,926)	(2,782,662)
Basic (loss) per share (cents per share)	7	(4.39)	(5.38)
Diluted (loss) per share (cents per share)	7	(4.39)	(5.38)

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	2011 (\$)	2010 (\$)
<b>Current Assets</b>			
Cash and cash equivalents	8	2,808,652	4,669,988
Trade and other receivables	9	234,128	127,593
Other assets	10	6,443	10,024
<b>Total Current Assets</b>		3,049,223	4,807,605
<b>Non-Current Assets</b>			
Property, plant and equipment	11	152,148	155,809
Mineral interests	12	-	-
Other financial assets	13	156,775	141,265
<b>Total Non-Current Assets</b>		308,923	297,074
<b>TOTAL ASSETS</b>		3,358,146	5,104,679
<b>Current Liabilities</b>			
Trade and other payables	14	216,556	404,518
Provisions	15	816	366
<b>Total Current Liabilities</b>		217,372	404,884
<b>TOTAL LIABILITIES</b>		217,372	404,884
<b>NET ASSETS</b>		3,140,774	4,699,795
<b>Equity</b>			
Contributed equity	16	12,331,526	11,121,526
Reserves	16	291,705	100,800
Accumulated (losses)		(9,482,457)	(6,522,531)
<b>TOTAL EQUITY</b>		3,140,774	4,699,795

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary Share Capital (Net of Costs) (\$)	Employee Benefit Reserve (\$)	Accumulated Losses (\$)	Total (\$)
<b>Balance at 1.7.2009</b>	4,888,592	9,000	(3,739,868)	1,157,724
Operating (loss) for the year	-	-	(2,782,662)	(2,782,662)
Shares issued during the year	6,342,109	-	-	6,342,109
Share issue costs	(109,175)	-	-	(109,175)
Share based payments expense	-	91,800	-	91,800
<b>Balance at 30.6.2010</b>	11,121,526	100,800	(6,522,531)	4,699,795
<b>Balance at 1.7.2010</b>	11,121,526	100,800	(6,522,531)	4,699,795
Operating (loss) for the year	-	-	(2,959,926)	(2,959,926)
Shares issued during the year	1,260,000	-	-	1,260,000
Share issue costs	(50,000)	-	-	(50,000)
Share based payments expense	-	190,905	-	190,905
<b>Balance at 30.6.2011</b>	12,331,526	291,705	(9,482,457)	3,140,774

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2011

	Notes	2011 (\$)	2010 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers and contractors		(438,117)	(437,984)
Interest received		197,839	121,985
<b>Net cash (used in) operating activities</b>	17	(240,278)	(315,999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(50,631)	(117,659)
Payments for exploration and evaluation		(2,725,370)	(1,689,962)
Purchase of new tenements		(24,757)	(288,976)
Purchase of investments		(30,300)	-
Proceeds from sale of motor vehicle		-	27,273
<b>Net cash (used in) investing activities</b>		(2,831,058)	(2,069,324)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new issues of shares		1,260,000	6,342,109
Share issue expenses		(50,000)	(109,175)
<b>Net cash provided by financing activities</b>		1,210,000	6,232,934
Net increase/(decrease) in cash held		(1,861,336)	3,847,611
Cash and cash equivalents at the beginning of the financial year		4,669,988	822,377
Cash and cash equivalents at the end of the financial year	8	2,808,652	4,669,988

*The accompanying notes form part of these financial statements.*

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

This financial report includes the financial statements and notes of the Company.

## NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements were authorised for issue on 30 September 2011.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Going Concern

The directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the directors have considered the following pertinent matters:

- (a) cash and cash equivalents on hand at the date of this report is approximately \$2,454,808;
- (b) current cash resources are considered adequate to fund the entity's immediate operating and exploration activities.

In the directors' opinion, the Company is able to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

## Accounting Policies

### (a) Revenue

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

### (b) Employee Benefits

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

### (c) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed to Statement of Comprehensive Income as incurred. The effect of this write-off is to increase the loss incurred from continuing operations as disclosed in the Statement of Comprehensive Income and to decrease the carrying values in the Statement of Financial Position.

That the carrying value of mineral assets, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of that asset.

### (d) Acquisition of Assets

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

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

### (e) Goods and Services Tax (GST)

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## (f) Income Tax

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

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

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

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred

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

## (g) Cash and Cash Equivalents

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

## (h) Impairment of Assets

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

## (i) Earnings per Share

- (i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.
- (ii) *Diluted Earnings per Share* – Diluted EPS is calculated as net loss attributable to members, adjusted for:
  - costs of servicing equity (other than dividends);
  - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
  - other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

## (j) Property, plant and equipment

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## Depreciation

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

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

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

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

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

## (k) Financial Instruments

### Recognition and Initial Measurement

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

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

### Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

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

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

### Loans and receivables

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

### Held-to-maturity investments

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

### Available-for-sale financial assets

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

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

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

## *Financial liabilities*

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

## **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

## **Impairment**

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

## **Financial Guarantees**

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

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

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

- the likelihood of the guaranteed party defaulting in a year period;

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

## **De-recognition**

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

## **(l) Provisions**

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

## **(m) Leases**

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

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

## **(n) Interest in Joint Ventures**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## (o) Contributed Equity

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

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

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

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

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

## (q) Comparative Figures

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

## (r) Segment Reporting

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

## (s) Critical Accounting Estimates and Judgements

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

### *Key Estimates – Taxation*

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

### *Key Judgment – Environmental Issues*

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

### *Key Estimates – Impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## (t) Changes in Accounting Policies

The Company has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards' Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2010:

- (a) Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – AASB 2009-5: The amendment requires that leases are classified as finance or operating by applying the general principles of AASB 117. The Company has assessed that none of its leases require reclassification.
- (b) Improvements to IFRS – AASB 2010-03: Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 improvements amend certain provisions of AASB 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The 2010 improvements did not have a material impact on the Company's financial statements.

An overview of standards, amendments and interpretations to IFRS's and AASB's issued but not effective is given in Note 'u' below.

## (u) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The new standards and interpretations are not expected to have a material impact on the Company's financial statements.

## NOTE 2 OPERATING SEGMENTS

### Segment Information

#### Identification of reportable segments

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

#### Revenue and assets by geographical region

The Company's revenue is received from sources and assets 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 AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 3 REVENUE AND EXPENDITURE

	2011 (\$)	2010 (\$)
<b>REVENUE</b>		
<b>Other Income</b>		
Research and development grant (net of costs)	65,386	-
	<u>65,386</u>	<u>-</u>
<b>EXPENDITURE</b>		
<b>Other Expenses</b>		
Occupancy costs	(90,000)	(72,500)
Filing and ASX Fees	(32,560)	(46,152)
Corporate and management	(187,488)	(189,194)
Other expenses from continuing operations	(196,649)	(166,643)
	<u>(506,697)</u>	<u>(474,489)</u>

## NOTE 4 INCOME TAX EXPENSE

	2011 (\$)	2010 (\$)
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	<u>-</u>	<u>-</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Loss from continuing operations before income tax	2,959,926	2,782,662
	<u>887,978</u>	<u>834,799</u>
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	887,978	834,799
Tax effect of Non-allowable items		
• Equity-settled share based payments expense	(57,271)	(27,540)
• Other	(39,251)	(75)
Deferred tax benefit on tax losses not brought to account	(791,456)	(807,184)
Income tax attributable to operating loss	<u>-</u>	<u>-</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 4 INCOME TAX EXPENSE (CONT.)

	2011 (\$)	2010 (\$)
<b>Unrecognised temporary differences</b>		
Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:		
Prepayments	(1,933)	(3,006)
Provisions	20,367	50,566
Available for sale financial assets loss	4,437	19,329
Unrecognised deferred tax assets relating to the above temporary differences	22,871	66,889

### Unrecognised deferred tax assets

The Company has accumulated tax losses of \$8,517,860 (2010: \$5,879,672).

The potential deferred tax asset of these losses \$2,555,358 (2010: \$1,763,902) will only be recognised if:

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

## NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

	2011 (\$)	2010 (\$)
Short-term employee benefits	284,198	297,869
Post-employment benefits	10,800	10,800
Equity-settled share based payments	160,200	84,000
	455,198	392,669

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

Information on related party and entity transactions is disclosed in Note 23.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

### Options held by Key Management Personnel

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

30 June 2011:

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

30 June 2010:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Peter Thomas	-	500,000	-	-	500,000	500,000
George Sakalidis	-	800,000	-	-	800,000	800,000
Roger Thomson	-	550,000	-	-	550,000	550,000
Rudolf Tieleman	-	250,000	-	-	250,000	250,000

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

### Shares held by Key Management Personnel

The number of shares in the company held during the financial year by key management personnel and/or their related entities are set out below:

#### 30 June 2011:

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

#### 30 June 2010:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
<b>Peter Thomas</b>			
Ordinary shares	28,555	-	28,555
Contributing shares	42,833	-	42,833
<b>George Sakalidis</b>			
Ordinary shares	2,158,615	2,111,916	4,270,531
Contributing shares	3,026,113	50,000	3,076,113
<b>Roger Thomson</b>			
Ordinary shares	238,445	-	238,445
Contributing shares	2,177,669	-	2,177,669
<b>Rudolf Tieleman</b>			
Ordinary shares	21,866	-	21,866
Contributing shares	500,000	100,000	600,000

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 6 AUDITORS REMUNERATION

	2011 (\$)	2010 (\$)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	19,500	28,750
Other	-	-
	19,500	28,750

## NOTE 7 EARNINGS PER SHARE

	2011 (\$)	2010 (\$)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(2,959,926)	(2,782,662)
Earnings used in calculating basic and diluted earnings per share	(2,959,926)	(2,782,662)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	67,356,540	51,694,383

The Company had 17,418,862 (2010: 17,418,862) partly-paid contributing shares and 4,440,000 options (2010: 2,295,000) over fully paid ordinary shares on issue at balance date. Options and contributing shares are considered to be potential ordinary shares. However, they are not considered to be dilutive in this year and accordingly have not been included in the determination of diluted earnings per share.

## NOTE 8 CASH AND CASH EQUIVALENTS

	2011 (\$)	2010 (\$)
Cash at bank	151,730	96,799
Deposits at call	2,656,922	4,573,189
	2,808,652	4,669,988

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 9 TRADE AND OTHER RECEIVABLES

	2011 (\$)	2010 (\$)
Trade receivables	93,877	5,691
GST and tax refundable	140,251	121,902
	234,128	127,593

## NOTE 10 OTHER ASSETS

	2011 (\$)	2010 (\$)
Prepayments	6,443	10,024

## NOTE 11 PROPERTY, PLANT, EQUIPMENT

	2011 (\$)	2010 (\$)
Plant and equipment	165,895	115,264
Less: Accumulated depreciation	(96,534)	(64,978)
	69,361	50,286
Motor vehicles	113,681	113,681
Less: Accumulated depreciation	(30,894)	(8,158)
	82,787	105,523
	152,148	155,809
Reconciliation of the carrying amounts of plant, equipment and motor vehicles from the beginning to the end of the financial year.		
Plant, equipment and motor vehicles		
Carrying amount at beginning of year	155,809	103,305
Additions	50,631	117,659
Disposals	-	(27,273)
Depreciation expense	(54,292)	(37,882)
Total plant, equipment and motor vehicles at end of year	152,148	155,809

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 12 MINERAL INTERESTS

	2011 (\$)	2010 (\$)
Opening balance	-	-
Net exploration and evaluation expenditure incurred during the year	2,456,468	2,236,047
Tenements disposed of during the year	-	-
Expenditure written off during the year	(2,456,468)	(2,236,047)
Closing balance	-	-

## NOTE 13 OTHER FINANCIAL ASSETS

	2011 (\$)	2010 (\$)
<b>Non-Current</b>		
Available-for-sale financial assets – shares in listed corporations	156,775	141,265
	156,775	141,265
<b>Investments in related parties</b>		
Available-for-sale financial assets includes the following investments held in director-related party entities:		
Image Resources NL	138,862	132,550
Meteoric Resources NL	12,000	-
Emu Nickel NL	5,913	8,715
	156,775	141,265

## NOTE 14 TRADE AND OTHER PAYABLES

	2011 (\$)	2010 (\$)
Trade creditors and accruals	216,556	404,518

## NOTE 15 CURRENT PROVISIONS

	2011 (\$)	2010 (\$)
Employee leave accruals	816	366

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 16 EQUITY

	2011		2010	
	No.	\$	No.	\$
<b>Contributed Equity – Ordinary Shares</b>				
At the beginning of year	64,717,636	11,121,526	45,191,253	4,888,592
Shares issued during the year at \$0.165 each	-	-	5,895,000	972,675
Shares issued during the year at \$0.40 each	-	-	3,700,000	1,480,000
Shares issued during the year at \$0.40 each	-	-	3,960,230	1,584,092
Shares issued during the year at \$0.45 each	2,800,000	1,260,000	4,444,443	1,999,999
Shares issued due to a conversion from contributing shares	-	-	1,526,710	305,343
Share issuance costs	-	(50,000)	-	(109,175)
Closing balance:	67,517,636	12,331,526	64,717,636	11,121,526
<b>Contributed Equity – Contributing Shares – Partly-paid</b>				
At the beginning of year	17,418,862	-	18,945,572	-
Conversion to fully paid ordinary shares	-	-	(1,526,710)	-
Closing balance:	17,418,862	-	17,418,862	-
<b>Reserves</b>				
Employee benefits reserve		291,705		100,800
Closing balance		291,705		100,800
<b>Options</b>				
The Company had the following options over un-issued fully paid ordinary shares at the end of the year:				
Options exercisable at \$0.2709 on or before 23.12.2014 to acquire fully paid ordinary shares	2,295,000		2,295,000	
Options exercisable at \$0.4607 on or before 21.12.2015 to acquire fully paid ordinary shares	2,145,000		-	
Total Options	4,440,000		2,295,000	

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 16 EQUITY (CONT.)

### Terms and condition of contributed equity

#### Ordinary Fully Paid Shares

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

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

#### Contributing Shares

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

On a show of hands, every holder of contributing shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights.

## NOTE 17 CASH FLOW INFORMATION

	2011 (\$)	2010 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(2,959,926)	(2,782,662)
Depreciation and amortisation	54,292	37,882
Exploration expenditure written off	2,456,468	2,236,048
Loss on available-for-sale financial assets	14,789	64,429
Share based payments	190,905	91,800
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables relating to operating activities	(14,764)	(2,848)
(Increase)/decrease in prepayments	3,581	(10,024)
Increase in trade and other payables relating to operating activities	13,927	49,098
Increase in provisions	450	278
Cash flow from operations	(240,278)	(315,999)

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 18 TENEMENT EXPENDITURES AND LEASING 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, are expected to be met in the normal course of business. The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to \$2,421,334. Of this amount, \$77,000 is expected to be met by JV participants as a result of various joint ventures entered into. The Company continues to adopt a strategy as articulated in its IPO prospectus 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. 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 19 JOINT VENTURES

The Company is party to the following unincorporated joint venture by which it is "farming into" (earning) an interest in various exploration tenements:

Name of Project	% Interest	Carrying Amount
Image Resources JV	Earned 80% and has elected to earn 100% on selected tenements	-
Pacific Ore JV	100%, diluting to 51%	-
		-

## NOTE 20 TENEMENT ACCESS

The interests of holders of freehold land encroached by the 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. Unless it already has secured such rights, there can be no assurance that the Company will secure rights to access those portions of the Tenements encroaching freehold land but, importantly, any native title was extinguished by the grant of freehold 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 still be of concern.

## NOTE 21 EVENTS SUBSEQUENT TO REPORTING DATE

Mr Eric JH Lim was appointed a non-executive director of the Company on 23 August 2011. He represents a group of Singapore-based investors who hold a significant stake in the Company.

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

## NOTE 22 EQUITY-SETTLED SHARE BASED PAYMENTS

On 21 December 2010 and 27 June 2011, a total of 2,145,000 share options were granted to key management personnel, employees and contractors to take up ordinary shares at an exercise price of \$0.4607 each. The options are exercisable on or before 21 December 2015, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. Included under share based payments expense in the Statement of Comprehensive Income is \$190,905 which relates to this equity-settled share-based payment transaction (2010: \$91,800).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 23 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

Transactions with directors, director-related parties and related entities other than those disclosed elsewhere are as follows:

- Total amounts owing to directors and/or director-related parties at 30 June 2011 amounted to \$40,688.
- The Company has entered into a Serviced Offices Agreement with Image Resources NL (Image), a director-related party, whereby Image has agreed to provide the Company with serviced offices at 16 Ord Street, West Perth for a fee of \$7,500 per month commencing on 1 January 2010, terminable at will by either party on one month's notice.
- The Company has also entered into a Joint Venture Agreement with Image whereby Image has agreed to farm out various interests in its tenements. It was agreed that the Company pay Image the sum of \$150,000 by way of partial reimbursement of expenses incurred by Image in respect of those tenements. This was paid after the company was listed on the ASX 5 April 2007 (Listing Date). There was a further commitment to expend an additional amount of no less than \$800,000 within one year of the Listing Date. This expenditure commitment has been met and the Company now holds an 80% interest in the joint ventured tenements. Agreement has also been reached to earn the remaining 20% before 30 April 2014 in any individual tenement by expending or procuring the expenditure of not less than \$60,000 on that tenement.

## NOTE 24 CONTINGENT LIABILITIES

### Native Title

The Company has been notified of a number of native title claims impacting its tenements.

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

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

### Disputed Recoverable from Joint Venture Party

A joint venture participant, Pacific Ore Limited, has refused to pay a demand for reimbursement of joint venture tenement expenditure incurred by the Company on the basis the other participant has an obligation to contribute pro rata under the terms of the joint venture agreement.

The matter is being pursued but recovery proceedings have been deferred in the hope that, on a without prejudice basis, a commercial resolution can be reached. The amount in dispute totals \$66,119.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 25 FINANCIAL INSTRUMENTS DISCLOSURE

### (a) Financial Risk Management Policies

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

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

#### Specific Financial Risk Exposure and Management

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

#### Interest Rate Risk

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

#### Liquidity Risk

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

#### Capital Risk

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

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

The working capital position of the Company at 30 June 2011 and 30 June 2010 was as follows:

	2011 (\$)	2010 (\$)
Cash and cash equivalents	2,808,652	4,669,988
Trade and other receivables	234,128	127,593
Trade and other payables	(216,556)	(404,884)
<b>Working capital position</b>	<b>2,826,224</b>	<b>4,392,697</b>

#### Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There is no material amounts of collateral held as security at balance date.

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

	2011 (\$)	2010 (\$)
<b>Trade and other receivables</b>		
Trade and other receivables	93,877	5,691
GST and tax refundable	140,251	121,902
	<b>234,128</b>	<b>127,593</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 25 FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

### (b) Financial Instruments

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

#### Financial Instrument composition and maturity analysis

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

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

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

Less than 6 months	(216,556)
	(216,556)

2010	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		4,669,988	-	4,669,988
Trade and other receivables		-	127,593	127,593
Available-for sale financials assets		-	141,265	141,265
Total Financial Assets	5.56%	4,669,988	268,858	4,938,846
Financial Liabilities				
Trade and other payables		-	(404,518)	(404,518)
Net Financial Assets		4,669,988	(135,660)	4,534,328

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 25 FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

	2010 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	(404,518)
	<u>(404,518)</u>

### (c) Net Fair Values

#### *Fair value estimation*

The fair values of financial assets and liabilities are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted bid prices

The carrying values of financial assets and liabilities as presented in the statement of financial position approximate their fair value.

### (d) Sensitivity Analysis – Interest rate risk

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

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

	2011 (\$)	2010 (\$)
Change in loss – increase/(decrease):		
Increase in interest rate by 2%	(56,173)	(93,400)
Decrease in interest rate by 2%	56,173	93,400
Change in equity – increase/(decrease):		
Increase in interest rate by 2%	56,173	93,400
Decrease in interest rate by 2%	(56,173)	(93,400)

# DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the *Corporations Act 2001*;
  - (b) give a true and fair view of the financial position as at 30 June 2011 and performance for the year ended on that date of the Company; and
  - (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.
2. the Chief Financial Officer has declared pursuant to section 295A(2) of the *Corporations Act 2001* that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and the notes for the financial year comply with Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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



GEORGE SAKALIDIS  
Managing Director

PERTH

Dated this 30th day of September 2011

# INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

To the members of Magnetic Resources NL

### Report on the Financial Report

We have audited the accompanying financial report of Magnetic Resources NL which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

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

#### *Independence*

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

# INDEPENDENT AUDITOR'S REPORT (cont.)

## *Opinion*

In our opinion:

- (a) the financial report of Magnetic Resources NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 17 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Magnetic Resources NL for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Somes and Cooke



Kevin Somes

Somes and Cooke

1304 Hay Street  
West Perth WA 6005

30 September 2011

# TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
E59/1614	Application	Mouroubra	100%
E59/1615	Granted	Munbinia North	100%
E59/1623	Granted	Munbinia East	100%
E59/1674	Granted	Malara	100%
E59/1697	Granted	Wanarra	100%
E59/1781	Application	Twin Peaks	100%
E59/1782	Application	Mouroubra	100%
E70/2828	Granted	Rock Dam Hill (IMA JV)	Earning 100%
E70/3495	Granted	Dragon Rocks	100%
E70/3496	Granted	Mt Vernon	100%
E70/3498	Granted	Lake Grace (Pacific JV)	100% diluting to 51%
E70/3499	Granted	Dampling Spring	100%
E70/3510	Granted	Harris	100%
E70/3533	Granted	Holland Rocks (Pacific JV)	100% diluting to 51%
E70/3535	Application	Juropin Rocks	100%
E70/3536	Granted	Jubuk	100%
E70/3541	Granted	North Tarin Rock	100%
E70/3591	Granted	Jitarning	100%
E70/3605	Granted	Greenshield Soak (Pacific JV)	100% diluting to 51%
E70/3650	Granted	Lake Harvey	100%
E70/3716	Granted	Lomos	100%
E70/3775	Granted	Cubbine Hills	100%
E70/3782	Granted	Bullaring	100%
E70/3784	Granted	Sewell Rock	100%
E70/3785	Granted	Warland Hill	100%
E70/3788	Granted	Mukinbudin	100%
E70/3789	Granted	Chinocup	100%
E70/3790	Granted	Dudinin	100%
E70/3791	Granted	Bryant	100%
E70/3792	Granted	Merewana	100%
E70/3793	Granted	Martinjinni	100%
E70/3794	Granted	Buntine	100%

## TENEMENT SCHEDULE (CONT.)

Tenement	Nature of Interest	Project	Equity (%)
E70/3795	Granted	Woobin Well	100%
E70/3796	Granted	Lake Goorli	100%
E70/3838	Granted	Kulinbah	100%
E70/3839	Granted	Dunedin	100%
E70/3888	Granted	Tamar Hills	100%
E70/3910	Granted	Nugadong	100%
E70/3911	Granted	Marchagee	100%
E70/3912	Granted	Miling	100%
E70/3918	Granted	Gunyidi	100%
E70/3919	Granted	Chiarcono	100%
E70/3921	Granted	Calingiri	100%
E70/3922	Granted	Mawson	100%
E70/3925	Granted	Bundaroo	100%
E70/3972	Granted	Nungarin (IMA JV)	Earning 100%
E70/4152	Application	Tampia North	100%
E70/4164	Application	Lake Brown	100%
E70/4179	Application	Lake King (IMA JV)	Earning 100%
E77/1286	Granted	No 7 Tank (IMA JV)	Earning 100%
E77/1291	Granted	Lake Eva (IMA JV)	Earning 100%
E77/1292	Granted	Lake Seabrook (IMA JV)	Earning 100%
E77/1673	Granted	Brontie	100%
E77/1676	Granted	Boundary Dam	100%

## OTHER INFORMATION

The following information was applicable as at 20 September 2011.

### Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Partly-Paid Contributing Shares	Options 23.12.2014	Options 21.12.2015
1 to 1,000	680	1086		
1,001 to 5,000	281	519	3	1
5,001 to 10,000	157	88	2	3
10,001 to 100,000	360	93	5	6
100,001 and over	84	20	4	3
<b>Total</b>	<b>1,562</b>	<b>1,806</b>	<b>14</b>	<b>13</b>

The number of shareholdings held in less than marketable parcels is 860 fully paid ordinary shares and 1,784 partly paid contributing shares.

There are no listed options.

### Substantial shareholders:

The names of the substantial shareholders listed in the Company's register as at 20 September 2011:

Shareholder Name	Number of Shares	% of Issued Share Capital
Image Resources NL	7,248,011	10.73
UOB Kay Hian Private Ltd <Clients A/c>	6,099,344	9.03
George Sakalidis	4,276,152	6.33
Ava Cartel SDN BHD	4,003,661	5.93
Hian Siang Chan	3,800,000	5.63
<b>Total</b>	<b>25,427,168</b>	<b>37.65</b>

## OTHER INFORMATION (cont.)

### Twenty largest shareholders – Quoted fully paid ordinary shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	Image Resources NL	7,248,011	10.73
2.	UOB Kay Hian Private Ltd <Clients A/c>	6,099,344	9.03
3.	Ava Cartel SDN BHD	4,003,661	5.93
4.	Hian Siang Chan	3,800,000	5.63
5.	NEFCO Nominees Pty Ltd	2,974,000	4.40
6.	Leeman Pty Ltd	2,882,467	4.27
7.	Choon Kong Lim	2,361,111	3.50
8.	Citicorp Nominees Pty Ltd	2,172,681	3.22
9.	George Sakalidis	1,186,797	1.76
10.	Sian Hoon Margaret Teo	1,088,889	1.61
11.	Sino Europe Investments Ltd	1,000,230	1.48
12.	Earle G McIntosh	1,000,000	1.48
13.	Jan G Haank and LC Chen	800,000	1.18
14.	Denis Ribton	765,555	1.13
15.	Denis and J Ribton <Ribton Super A/c>	700,000	1.04
16.	Lee Beng Ho and Mun S Eow	666,666	0.99
17.	National Nominees Ltd	654,969	0.97
18.	Chin Huat Loo	618,014	0.92
19.	ABN Amro Clearing Sydney <Customer A/c>	574,960	0.85
20.	HSBC Custody Nominees Australia Ltd	548,000	0.81
	<b>Total</b>	<b>41,145,355</b>	<b>60.93</b>

## OTHER INFORMATION (cont.)

### Twenty largest shareholders – Quoted partly-paid contributing shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	Ian Baron	2,051,999	11.78
2.	George and J Sakalidis<Sakalidis Super A/c>	2,040,333	11.71
3.	Roger Thomson <Thomson Super A/c>	2,000,000	11.48
4.	Denis Ribton	1,186,418	6.81
5.	George Sakalidis	958,114	5.50
6.	Brispot Nominees Pty Ltd <House Head A/c>	725,930	4.17
7.	TPT Nominee Pty Ltd <Tieleman Practice A/c>	500,000	2.87
8.	Barrington and J Dance <Dance Super A/c>	450,000	2.58
9.	Barrington Dance	412,438	2.37
10.	Vernon and J Wheatley <Pulo Rd Super A/c>	306,983	1.42
11.	Gilpin Park Pty Ltd	247,222	1.31
12.	Gaynor Christensen	228,567	1.26
13.	Auto Management Pty Ltd	218,654	1.12
14.	Peter and M Taylor <Good Oil Super A/c>	194,500	1.10
15.	Devomp Pty Ltd <Alanta Super A/c>	190,866	1.00
16.	Eric and J Terace	174,999	1.76
17.	Roger M Thomson	152,669	0.88
18.	Jon Snow Investments Pty Ltd	120,000	0.69
19.	Russell Nominees Pty Ltd <Tieleman Family A/c>	100,000	0.57
20.	Bruce W and MMC Harding	100,000	0.57
	<b>Total</b>	<b>12,359,692</b>	<b>70.95</b>

## OTHER INFORMATION (cont.)

### Twenty largest option holders – All options are unquoted:

Optionholder Name	Number of Options Expiring 23.12.2014	% Held	Number of Options Expiring 21.12.2015	% Held
1. George Sakalidis	800,000	34.85	800,000	37.30
2. Roger M Thomson	550,000	23.97	500,000	23.31
3. Peter S Thomas	500,000	21.79	500,000	23.31
4. Rudolf Tieleman	250,000	10.89	-	-
5. Employee Share Option Plan Participants	195,000	8.50	345,000	16.08
<b>Total</b>	<b>2,295,000</b>	<b>100.00</b>	<b>2,145,000</b>	<b>100.00</b>

There are a total of 67,517,636 fully paid ordinary shares, 17,418,862 partly-paid contributing shares and 4,440,000 options on issue. Both the fully paid ordinary shares and partly-paid contributing shares are listed on Australian Securities Exchange Limited.

### Buy-Back Plans

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

### Voting Rights

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



magnetic resources<sup>NL</sup>

[www.magres.com.au](http://www.magres.com.au)

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