Magmatic Resources Limited

ABN 32 615 598 322

Annual report
for the year ended 30 June 2017

Contents

Corporate Information

Directors	David Berrie (appointed 28 October 2016) David Richardson (appointed 28 October 2016) Malcolm Norris (appointed 20 December 2016) Alan Gibson (resigned 25 November 2016) Ryoko Komatsuzaki (resigned 20 December 2016)
Company secretary	Ian Hobson
Registered office and principal place of business	Level 1, 11 Lucknow Place, West Perth, Western Australia 6005 Telephone: (08) 6102 2709 Email: info@magmaticresources.com Website: www.magmaticresources.com
Share registry	Computershare Investor Services Pty Ltd Level 11, 172 St George's Terrace Perth, Western Australia 6000 Telephone: 1300 850 505 Telephone: +61 3 9415 4000
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street SUBACIO WA 6008
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street PERTH WA 6000
ASX code	Magmatic Resources Limited is listed on the Australian Securities Exchange (Shares: MAG, Options: MAGO)

Review of Operations

About Magmatic Resources Ltd

- ✓ The Company's portfolio consists of four 100% owned projects Myall, Moorefield, Wellington North and Parkes (joint venture with Japanese Government exploration agency JOGMEC) comprising seven granted exploration licences (856km^2) in the East Lachlan's central NSW.
- ✓ The East Lachlan is host to major gold-copper mining operations (Figure 5) with endowments[1] such as Cadia Valley (52Moz Au & 9.2Mt Cu), Cowal (7.8Moz Au) and Northparkes (4Moz Au & 3.7Mt Cu).
- ✓ Magmatic's projects were acquired from Gold Fields Australia Pty Ltd (Gold Fields – world's 7th largest gold miner) and are prospective for porphyry copper-gold, epithermal and orogenic gold deposits and skarn and VHMS base metals ± gold deposits.
- ✓ Gold Fields spent over $13.5m exploring the projects and identified over 40 prospects (see: Prospect Pipeline) and retains a significant shareholding in the Company.
- ✓ Magmatic has multiple exploration programs planned / in progress across its 4 projects over the next 9 months:

➢ **Moorefield Project:**

1. **Carlisle Reefs (Gold):**
   - ➢ Significant gold intercepts from 1st drill program included:
     - 8m @ 5.00g/t Au from 74m; incl 2m @ 18.05g/t Au
     - 30m @ 1.79g/t Au from 80m; incl 16m @ 2.09g/t Au
     - 6m @ 3.59g/t Au from 46m
     - 28m @ 0.86g/t Au from 20m; incl 2m @ 3.38g/t Au
     - 24m @ 0.65g/t Au from 8m; incl 4m @ 2.63g/t Au
   - ➢ Second Drill program consisting of 14 RC holes completed on 7th September. Waiting for assay results.
2. **Application for new tenement ELA 5520** adjacent to Carlisle Reefs. Inferred extension of Boxdale – Carlisle Reefs gold trend.
3. **Boxdale (Gold):** auger soil sampling planned for October/November.
4. **Pattons (VHMS type Copper-Gold):** auger soil sampling planned for Oct/Nov.

➢ **Parkes Project:**

5. **Brolgan (Copper/Gold):** DH drill program approved and planned to for Sept 21 to test the known Zn-Cu-S anomalism at the Brolgan prospect with two 350 m aircore-diamond holes (AC-HQ to coherent basement, then NQ). The area of interest lies in a regional magnetic low where NW-trending cross faults transect the stratigraphy of interest. Targets - Skarn Cu-Au and Orogenic Au deposits
6. **Alectown:** Hylogging of previous drill core and RC chips: total of 2439m RC drilling and 4019m DH drill core will be scanned at GSNSW's Londonderry core library facility. Scanning of the RC drill chips is complete, and DH core underway. The next stage is to review the spatial relationships of the geophysical, geological, geochemical and Hylogger data in 3D.
7. **MacGregors (Gold) and Goonumbla Volcanics targets:** FPXRF soil sampling underway - further exploration planned for Oct/Nov

➢ **Wellington Project:**

8. **GEUR7 (Gold):** AC drill program approved and planned for September/October. 43 holes for 1075 m of AC drilling to test the geology at the GEUR7 and GEUR12 prospects. Targets - Orogenic Au deposits and Porphyry Cu-Au deposits.
9. **Bodangora (Gold):** exploration planned for October/November

- **<u>Myall Project:</u>**
- **Barina (Gold-Copper epithermal and porphyry):** an air core drilling program comprising 41 holes for approximately 4,615m has been designed targeting the epithermal gold potential with concurrent testing of porphyry targets. The program is aimed to commence in December. This drilling aims to generate multi-point geochemical and geological anomalies enabling diamond drill testing including:
  - Kingswood North (Porphyry Cu/Au target)
  - Barina (Telescoped Epithermal Au on Porphyry Cu/Au target)
  - Gemini (Epithermal Gold target)
  - Cooperative Drilling funds will finance the 4,615m Air Core drilling component of the proposed program.

JOGMEC Joint Venture

The Group entered into a Joint Venture (JV) with Japan Oil, Gas and Metals National Corporation (**JOGMEC**), which commenced effective 30 March 2017.

JOGMEC can earn up to a 51% interest in two exploration tenements, EL7427 and EL7676, owned by the Company, located in East Lachlan, NSW, Australia, known as the Parkes Project (**Project**) by funding up to $3,000,000 of exploration expenditure. The Parkes JV is only the fifth JV JOGMEC has in Australia. The Project is prospective for copper/gold porphyry.

A 1st year $1m agreed exploration program has already commenced and drilling is planned to begin in October or November 2017.

JOGMEC is a Japanese government independent administrative institution which among other things seeks to secure stable resource supply for Japan. Details about JOGMEC can be found on the corporation's website at: jogmec.go.jp/english/about/index.html.

Key terms of the JV are set out below:

- JOGMEC has the right to earn a 51% interest in the Parkes Project by funding $3,000,000 of exploration expenditure on the Project tenements over a period of up to 3 years.
- JOGMEC is required to spend a minimum of $300,000 before withdrawing from the Agreement.
- MAG to act as Operator of the project on behalf of the parties during the JV until JOGMEC becomes a majority owner at which point the Operator shall be appointed by JOGMEC.
- JOGMEC has the right to assign its interest in the agreement to Japanese company(s) (this is in line with JOGMEC's mission, which is to help source and de-risk opportunities for Japanese corporations).

Exploration

Exploration during the period focussed on RC drilling at the Carlisle Reefs prospect at the Moorefield project, where promising gold intercepts were returned from the first drilling program.

Work is also in progress at the Parkes JV with JOGMEC and planning is underway to drill test porphyry targets at Wellington North.

Drilling planned for the next quarter includes: follow-up RC drilling at Carlisle Reefs (Moorefield); aircore and RC drilling of porphyry targets at the Rose Hill and GEUR007 prospects at Wellington North; diamond drilling of skarn targets at Brolgan (Parkes JV); and auger soil sampling at the Pattons and Boxdale prospects at Moorefield.

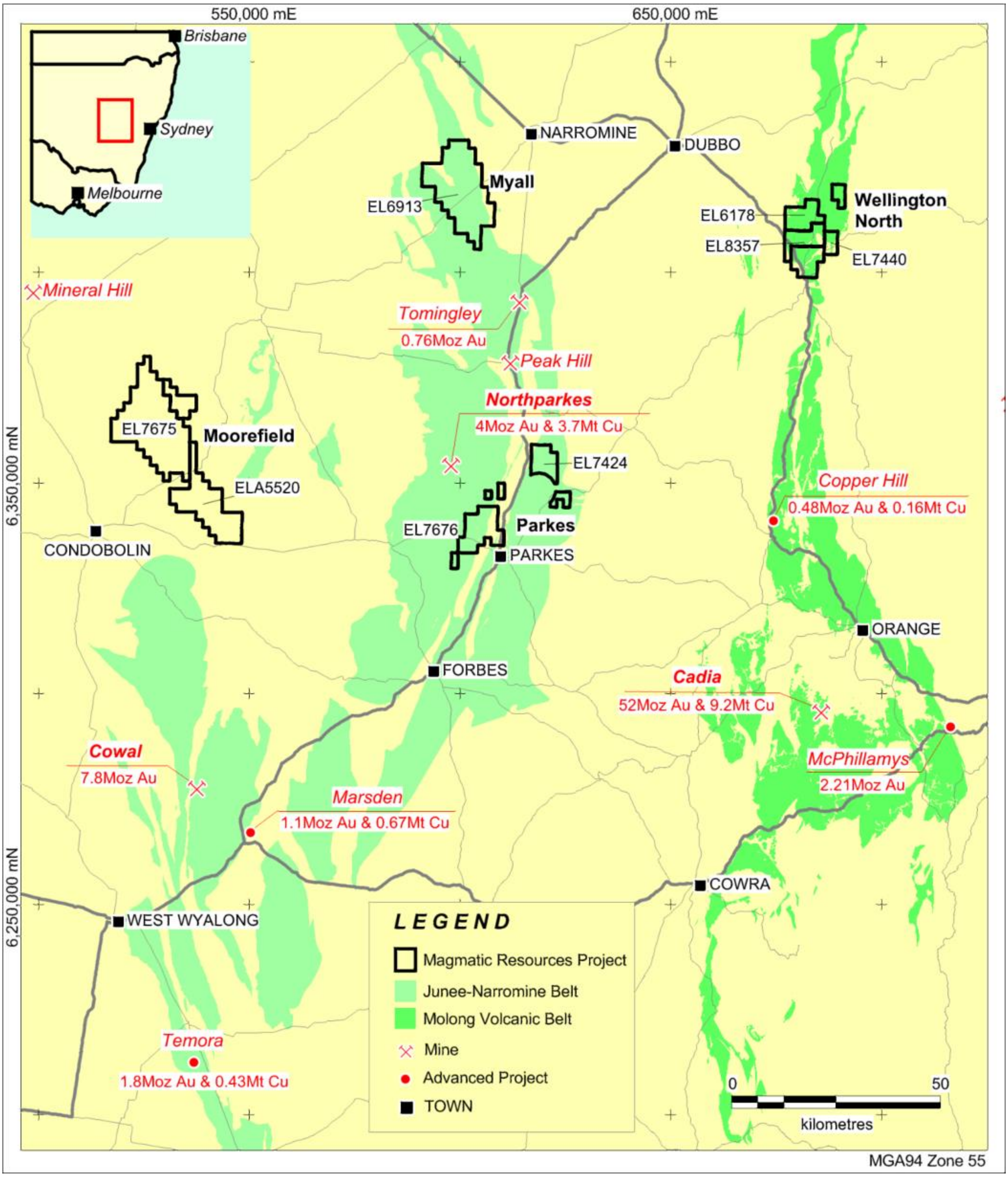

Figure 1 – *Location of Magmatic's projects in the East Lachlan province showing mines and advanced projects with selected metal endowments*

Moorefield Project*: Gold, Copper, Zinc (MAG 100%)*
Targets: epithermal gold and orogenic gold deposits, and skarn-related and VHMS base metals ± gold deposits.

The Moorefield project consists of two tenements EL7675 & ELA5520 covering 478km located 25km northeast of Condobolin (Figure 5). The project covers geological units prospective for vein-hosted gold and skarn-related mineralisation in the Ordovician Girilambone Group and VHMS-hosted base metal (± gold) mineralisation in Siluro-Devonian volcanic and sedimentary rocks.

Outcropping gold mineralisation is present at Carlisle Reefs, an historic goldfield with unknown production where high-grade gold rock chips results were returned (including >1000g/t Au). The goldfield contains nearly 100 historic gold workings over an 800m x 800m area, including shafts, adits and drives (Figure 2) and had never been drilled previously. RC drilling completed in the quarter tested beneath surface and underground workings (15 holes; 2,222m). Multiple significant gold intervals incorporating a number of high-grade gold shoots were intersected with mineralisation extending from near surface to 100m vertical. The mineralisation is open down dip and along strike to the north and northwest. Significant gold intercepts include:

- **8m** @ **5.00g/t Au** from 74m; incl **2m** @ **18.05g/t Au**
- **30m** @ **1.79g/t Au** from 80m; incl **16m** @ **2.09g/t Au**
- **6m** @ **3.59g/t Au** from 46m
- **28m** @ **0.86g/t Au** from 20m; incl **2m** @ **3.38g/t Au**
- **24m** @ **0.65g/t Au** from 8m; incl **4m** @ **2.63g/t Au**

The gold mineralisation at Carlisle Reefs is interpreted as an orogenic gold system in strongly sheared and folded metasedimentary host rocks. The mineralisation occurs as quartz-sulphide veins and disseminated sulphide (arsenopyrite and pyrite) in the host sequence. Favourable structural positions are zones of dilation and fracturing in fold structures. Gold mineralisation is associated with anomalous arsenic (>500ppm) and remains open down dip and along strike. Samples were analysed as 2m composites. Selected intervals have been re-split as 1m samples and were be sent for gold analysis. The best intercepts were returned from holes MFRC011-013 (Figure 3) and MFRC001-002 (Figure 4).

The recent drilling was part funded by a NSW government New Frontiers Drill Grant.

Carlisle Reefs is located at the southern end of a regionally extensive magnetic trend that extends from south of the Carlisle Reefs prospect to The Dam prospect, which is 15km to the northwest (Figure 4). Gold mineralisation has now been intersected in drilling at Carlisle Reefs and Boxdale, both occurring along this trend. Gold Fields previously drilled 5 RC holes at Boxdale including gold intercepts of:

- **19m @ 1.28g/t Au from 114m; incl 4m** @ **4.3g/t Au**
- **15m @1.0g/t Au from 85m incl; 6m** @ **2.11g/t Au**

Regionally, the magnetic signal at Moorefield is impacted by the Fifield Suite, which consists of several large mafic-ultramafic intrusions north, east and south of EL7675. These intrusions are highly magnetic which tends to suppress the subtle, more localised, magnetic anomalies, which may be associated with mineralised trends at Carlisle Reefs and Pattons (Figures 5 & 6). In addition to RC drilling at Carlisle Reefs, exploration in the next quarter will focus on the trend between the Carlisle Reefs and Boxdale prospects, which is prospective for orogenic gold mineralisation and on the Pattons prospect which is prospective for Tritton-style copper mineralisation. A new tenement application, ELA5520, was lodged in June 2017 which is adjacent to EL7675 to the east and south and covers possible extensions of mineralised trends at Carlisle Reefs and Pattons (Figures 5 & 6).

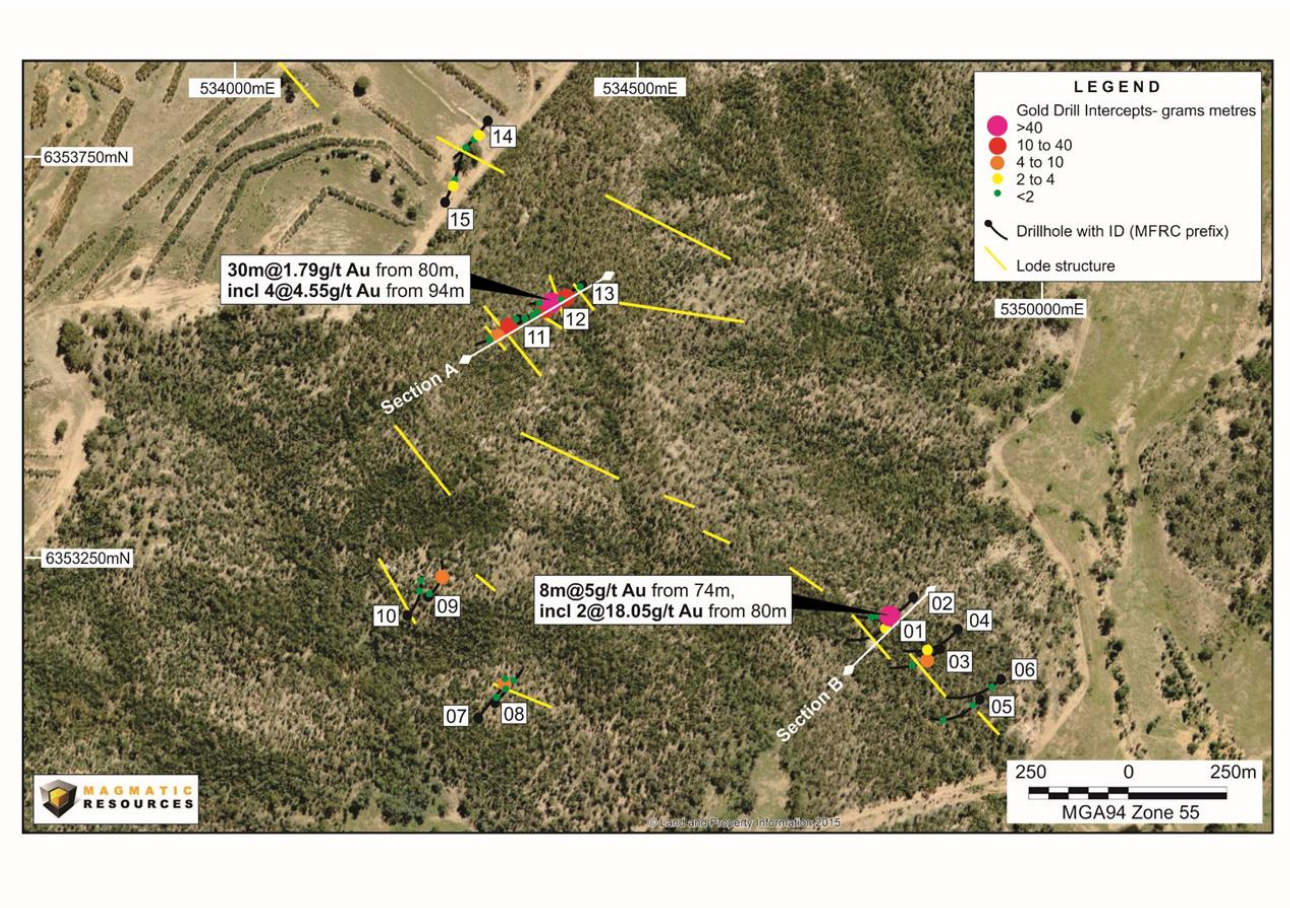

Figure 2 – *Aerial view of the Carlisle Reefs goldfield showing mapped lode structures, recently completed RC drillholes with significant gold drill intercept and locations of drill sections A & B, which are shown in figures 3 & 4 respectively.*

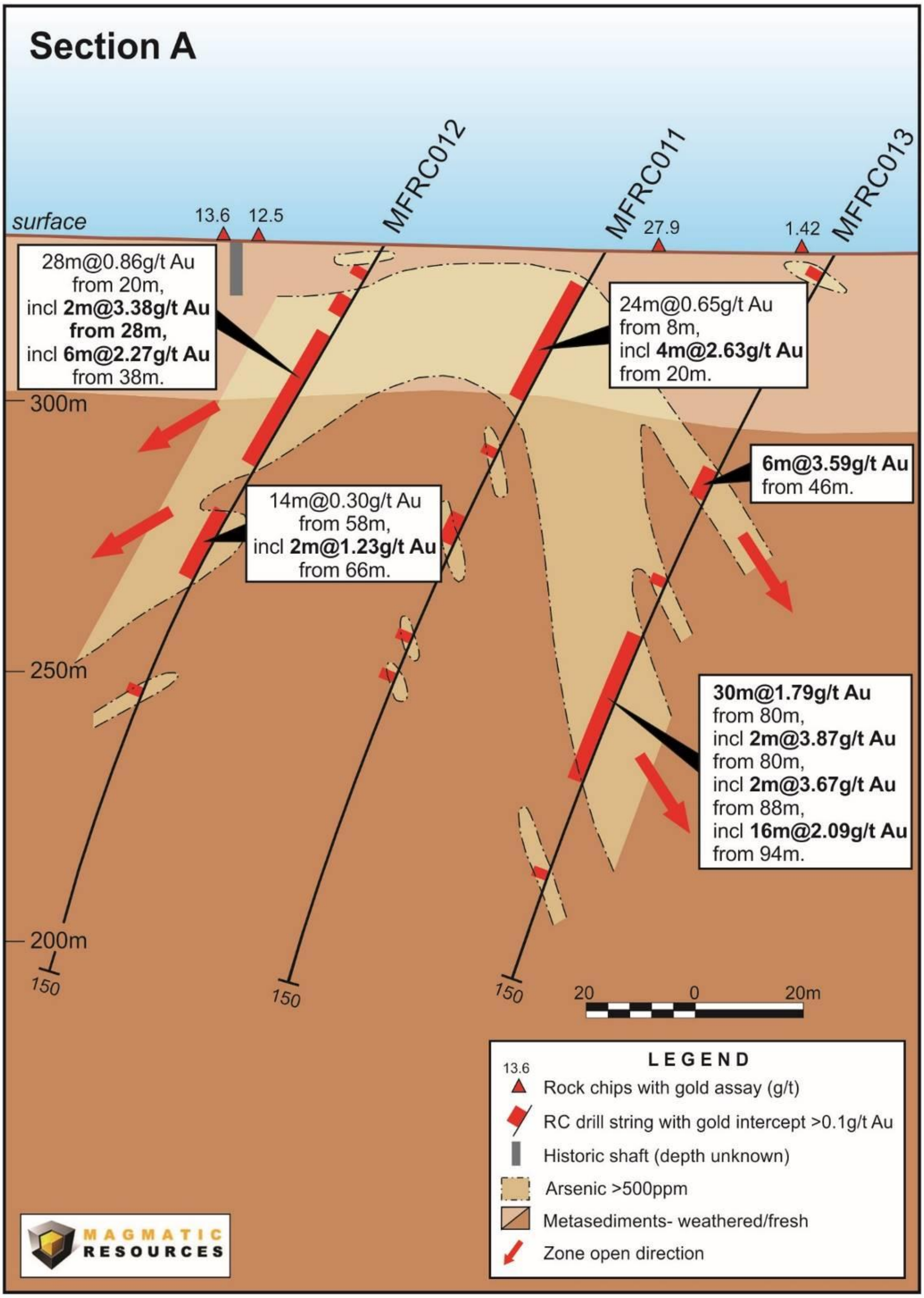

Figure 3 – *RC drill section looking northwest through holes MFRC011-013*

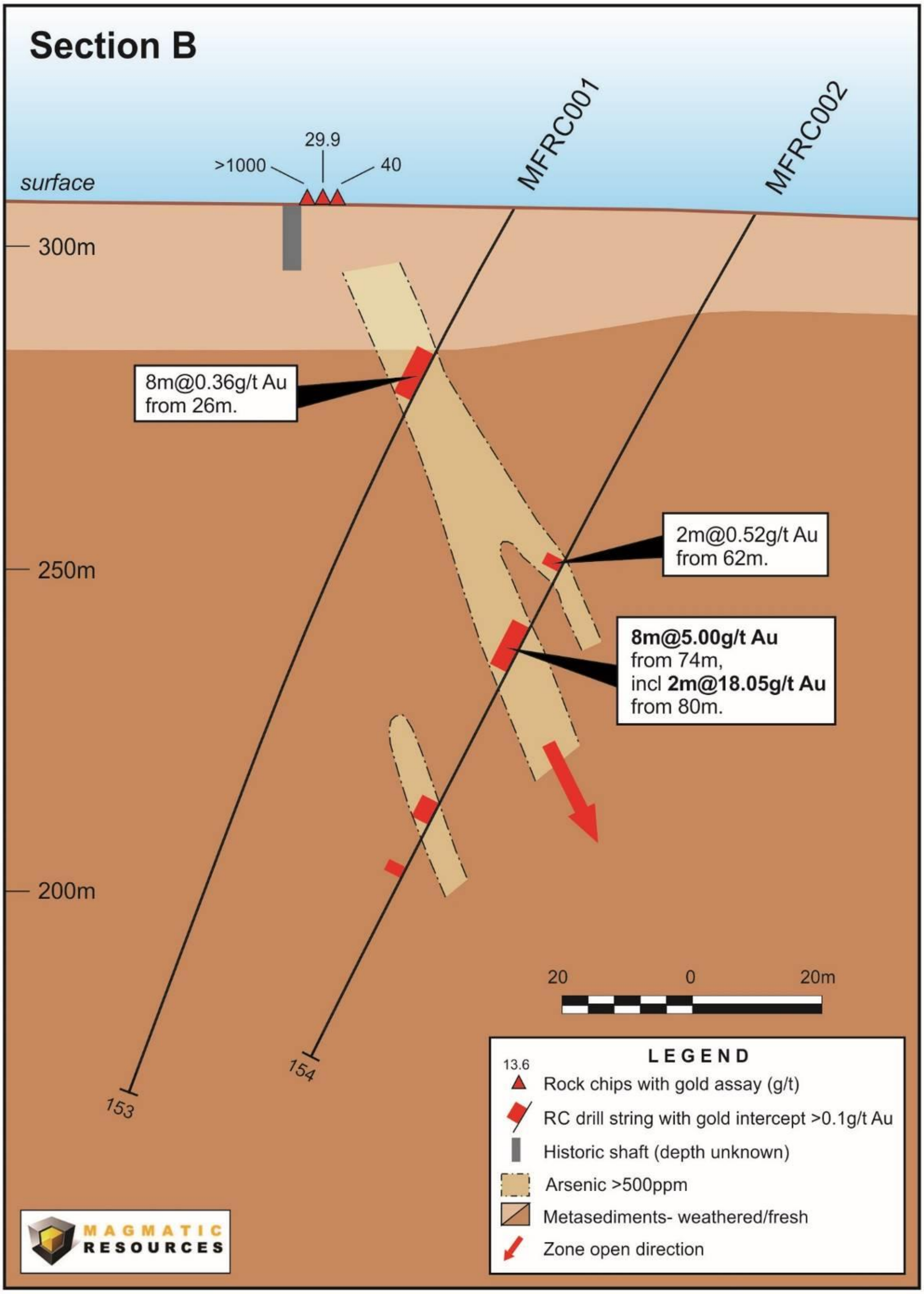

Figure 4 – *RC drill section looking northwest through holes MFRC001-002*

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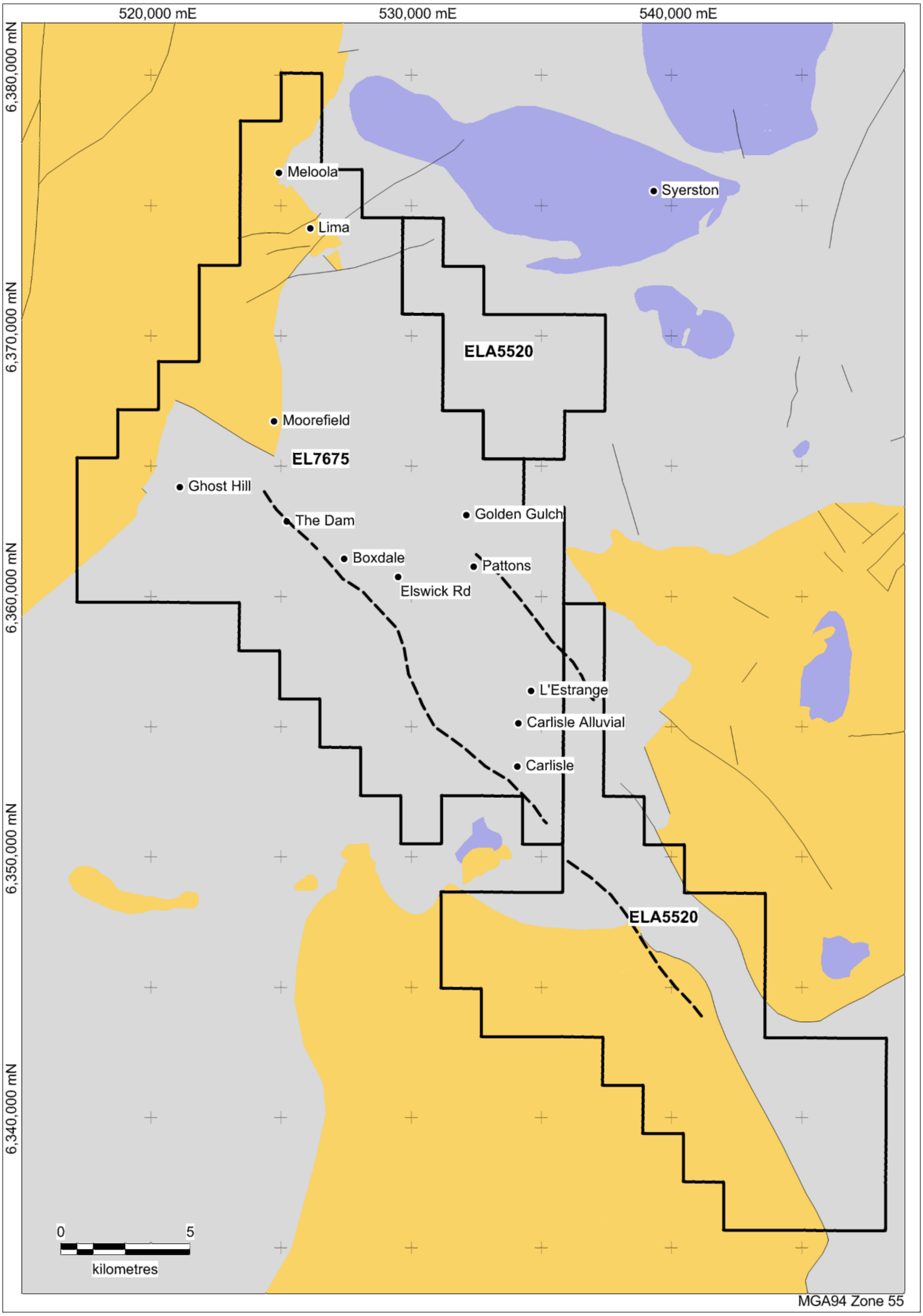

Figure 5 – *Moorefield simplified basement geology showing the recent Exploration Licence Application ELA5520 and possible extensions of mineralised trends from magnetics (see figure 6).*

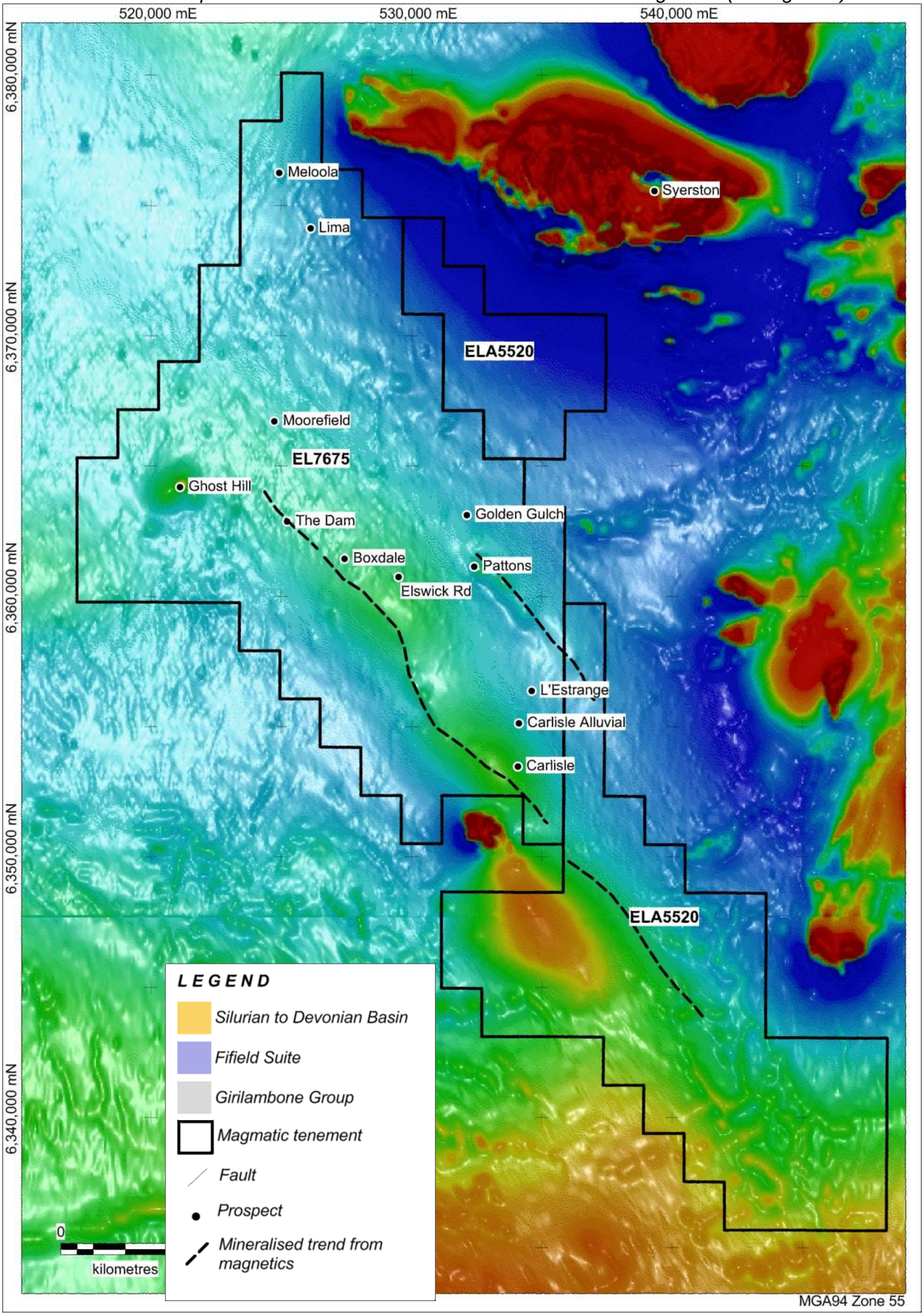

Figure 6 – *Moorefield regional RTP magnetics showing possible extensions of mineralised trends*

<u>Parkes Project:</u> Gold and Copper (MAG 100%; JV with JOGMEC earning 51% and funding 100%)
Targets: porphyry copper-gold, epithermal gold and orogenic gold deposits

The Parkes project includes two Exploration Licences EL7424 and EL7676, covering 159km^2 located northwest of Parkes (Figure 1). The project is within the Junee Narromine Volcanic Belt of the Ordovician Macquarie Arc, which hosts porphyry copper-gold deposits at Northparkes and Temora as well as the Cowal gold deposit. It is within structurally prominent stratigraphy east of Northparkes Cu-Au deposits along strike from the recently developed Tomingley gold deposit.

Magmatic has identified several targets including a structurally hosted gold target similar to Tomingley mineralisation, and porphyry Cu-Au targets similar to Northparkes.

The Company entered a joint venture with Japan Oil, Gas and Metals National Corporation (JOGMEC), on 30 March 2017, whereby JOGMEC can earn up to a 51% interest in the project by funding up to AUD $3m of exploration expenditure over three years.

The first year AUD $1m exploration program has commenced with re-processing and imaging of geophysical datasets underway and soil sampling over porphyry targets within EL7676 in progress.

Drilling is planned to test a copper-gold skarn target at Brolgan in September 2017. Magmatic is managing the joint venture.

Previous Gold Fields (GFA) exploration within the Parkes Project included:

- Tenement wide aeromagnetic and radiometric data-sets acquired and imaged.
- Prospect scale high resolution ground magnetic, gravity and IP data-sets acquired with undrilled geophysical anomalies.
- Prospect scale soil, rock chip air-core and auger drilling data sets acquired with comprehensive EOH multi-element geochemistry with undrilled Au/Cu and pathfinder geochemical anomalies.
- MacGregors orogenic gold prospect – two holes completed by GFA intersect quartz-pyrite-
- arsenopyrite veining with best intercepts of:
  - ✓ **15m @ 0.66g/t Au from 76m, Incl. 6m @ 1.03g/t Au**
  - ✓ **12m @ 0.41g/t Au from 52m**
  - ✓ **19m @ 0.63g/t Au from 95m, Incl. 1m @ 5.75g/t Au**
- Glenroy high-sulphidation epithermal Au prospect – RC drilled quartz-muscovite-paragonite-pyrite alteration zone analogous to nearby Peak Hill high-sulphidation epithermal Au deposit with untested geophysical (IP, gravity and magnetics) anomaly to the north.
- Buryan porphyry Cu-Au prospect – RC drilled porphyry style quartz-pyrite-chalcopyrite veins in andesitic volcaniclastic rocks and diorite.
- Buryan intermediate-sulphidation epithermal Au-Pb-Zn prospect – RC/DD drilled quartz-carbonate-sulphide (pyrite-sphalerite-galena-chalcopyrite) veins and matrix infill in phyllic and propylitic altered polymictic breccia.
- Follow-up RC/DD drilling at MacGregors orogenic gold prospect, Buryan porphyry and intermediate-sulphidation epithermal prospects and Glenroy high-sulphidation epithermal prospect is recommended where open intersections at shallow depths and undrilled geophysical and geochemical anomalies remain untested.
- Evaluation of regional targets is also recommended including an undrilled >1km strike Zn air-core geochemical anomaly at the Brolgan prospect within the Parkes East tenement.

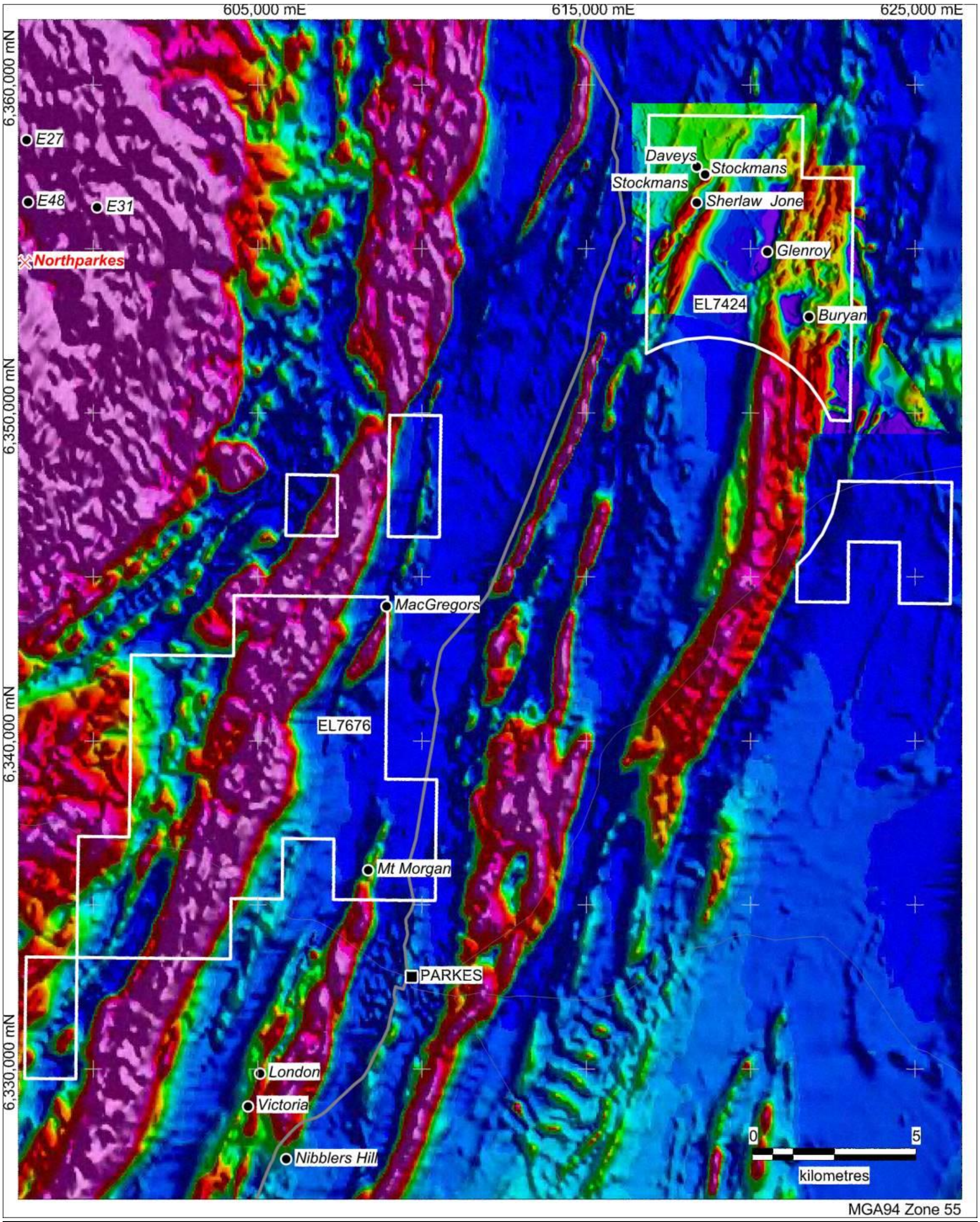

Figure 7 – *Parkes RTP magnetics (mosaic of high-resolution survey over regional survey) showing key prospectus*

Wellington North Project: Gold and Copper (MAG 100%)
Targets: porphyry copper-gold, epithermal gold and orogenic gold deposits

The Wellington North Project includes three Exploration Licences, EL7440, EL6178 and EL8357, covering 177km2 located immediately north of Wellington (Figure 1). The project is within the Molong Volcanic Belt of the Ordovician Macquarie Arc, which hosts the porphyry copper-gold deposits at Cadia Valley (54Moz Au & 9.2Mt Cu).

Gold Fields explored the region for epithermal gold and copper-gold deposits similar to Cadia Valley. Several porphyry Cu-Au targets were advanced through initial drilling and intersected mineralisation. The project is also prospective for orogenic gold deposits and includes near surface gold targets such as historical gold mines Mitchells Creek and Dicks Reward at Bodangora, which are estimated to have produced 230koz @ 26g/t of gold from narrow quartz lodes in the early 1900's .

Previous Gold Fields exploration within the Wellington North Project included:

- Identification of high K to shoshonitic volcanics with high K to alkalic intrusions and outcropping mineralisation.
- Tenement wide aeromagnetic, radiometric and gravity data-sets.
- Prospect scale high resolution ground magnetic, gravity and IP (3DIP, gradient array and pole-dipole) data-sets with undrilled geophysical anomalies.
- Rock chip sampling and auger drilling – comprehensive EOH multi- element geochemistry and ASD mineralogy data- sets with undrilled Cu-Au and pathfinder geochemical anomalies.
- Significant amount of RC/DD drilling (>20,000m) across a number of targets and confirming hydrothermal systems with anomalous Cu-Au at Mayhurst and Rose Hill prospects.
- Rose Hill – Pyrite-chalcopyrite-bornite- malachite-native Cu in calc-potassic and calc-sodic altered diorite with best intercept: 71m @ 0.30g/t Au, 0.43% Cu and 57ppm Mo, Incl. 8m @ 0.52g/t Au, 1.34% Cu.
- Geophysical and geochemical anomalies considered prospective for porphyry Cu-Au deposits remaining for future RC and diamond drill testing.

Drill planning is underway to test porphyry targets at Rose Hill, where previous drilling intersected 71m @ 0.3g/t Au, 0.43% Cu & 57ppm Mo from surface and GEUR007 which is a combined radiometric, magnetic and geochemical anomaly. Drilling is scheduled for September 2017, subject to permitting.

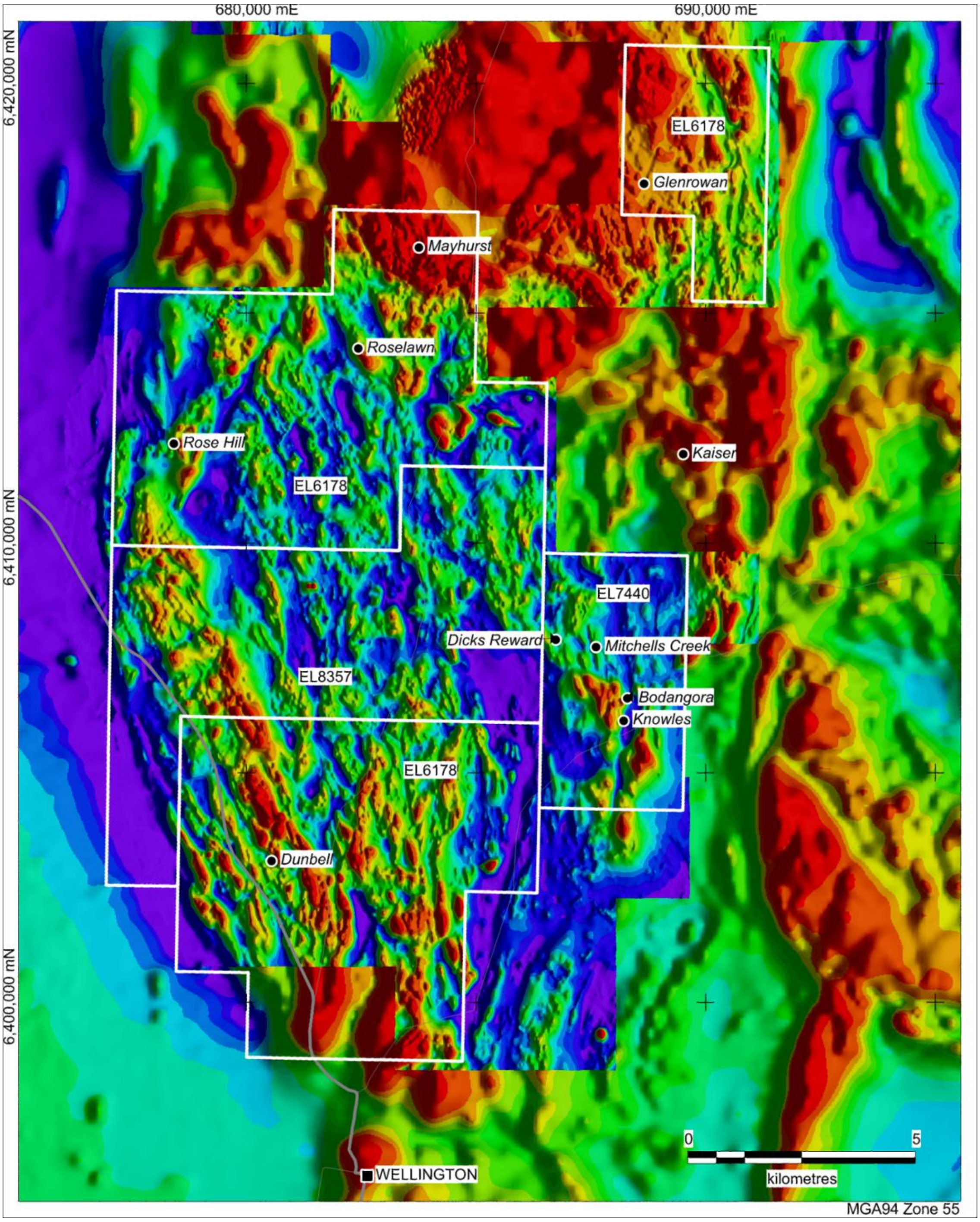

Figure 8 – *Wellington North RTP magnetics (mosaic of high-resolution surveys over regional survey)*

<u>Myall Project:</u> Gold and Copper (Magmatic 100%)
Targets: porphyry copper-gold, epithermal gold and orogenic gold deposits

Myall EL6913 is located 20km southwest of Narromine covering 244km2 of the Narromine Igneous Complex in the Junee-Narromine Volcanic Belt which is part of the Ordovician Macquarie Arc (Figure 1). The project is prospective for porphyry copper-gold deposits and Cowal-style epithermal carbonate base metal gold systems.

Previous drilling has intersected significant porphyry copper-gold mineralisation at Kingswood: 70m @ 0.15g/t Au & 0.54% Cu from 141m, including 10m @ 0.61g/t Au & 0.64% Cu from 268m; and Cowal-style carbonate base-metal gold mineralisation at Barina: 0.5m @ 204g/t Au, 93g/t Ag & 8.6% Zn from 221.9m.

The latter intercept represents an emerging target style for the Myall project, which has been confirmed by the NSW government awarding drill funding under the New Frontiers Drill Grant scheme to test the Barina target. Most of the area is currently under winter crop and drilling is planned after harvest (November-December 2017).

Previous Gold Fields exploration within the Myall Project included:

- One of the largest volcano-intrusive complexes in the East Lachlan with medium to high K calc-alkaline island arc volcanics and multiphase intrusive centres.
- Multi-disciplinary datasets including high resolution 50m line spaced aeromagnetics and 500m x 500m gravity data in-filled to 250m x 250m.
- Systematic full-field air-core at 500m x 500m spacing with infill down to 250m x 250m has identified large alteration systems with associated anomalous geochemistry.
- 35 diamond core holes drilled on eight targets for (>11,000m).
- Kingswood – vein and hydrothermal breccia style porphyry system with best intercept of 70m @ 0.15g/t Au, 0.54% Cu, incl 10m @ 0.61g/t Au, 0.64% Cu.
- Kingswood North - porphyry style quartz sulphide vein system in hydrothermally altered ‘reddened’ feldspar porphyry.
- Barina - alkalic carbonate base metal epithermal Au-Ba-Te signature telescoped on reddened potassic altered feldspar porphyry dykes. Best intercept of 0.5m @ 204g/t Au, 93g/t Ag, 8.6% Zn in carbonate base-metal gold vein.
- Gemini – quartz carbonate base metal gold system with significant gold intercepts over 2km strike overlying an underexplored porphyry system. Best intercept of 9m @ 3.19g/t Au incl. 1m @ 8.8g/t Au and 2m @ 6.4g/t Au.
- Multi-disciplinary datasets including high resolution 50m line spaced aeromagnetics and 500m x 500m gravity data in-filled to 250m x 250m.

Competent Persons Statement:
The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Gordon Barnes who is a Member of the Australian Institute of Geoscientists. Mr. Barnes is a full-time employee of Magmatic Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Gordon Barnes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

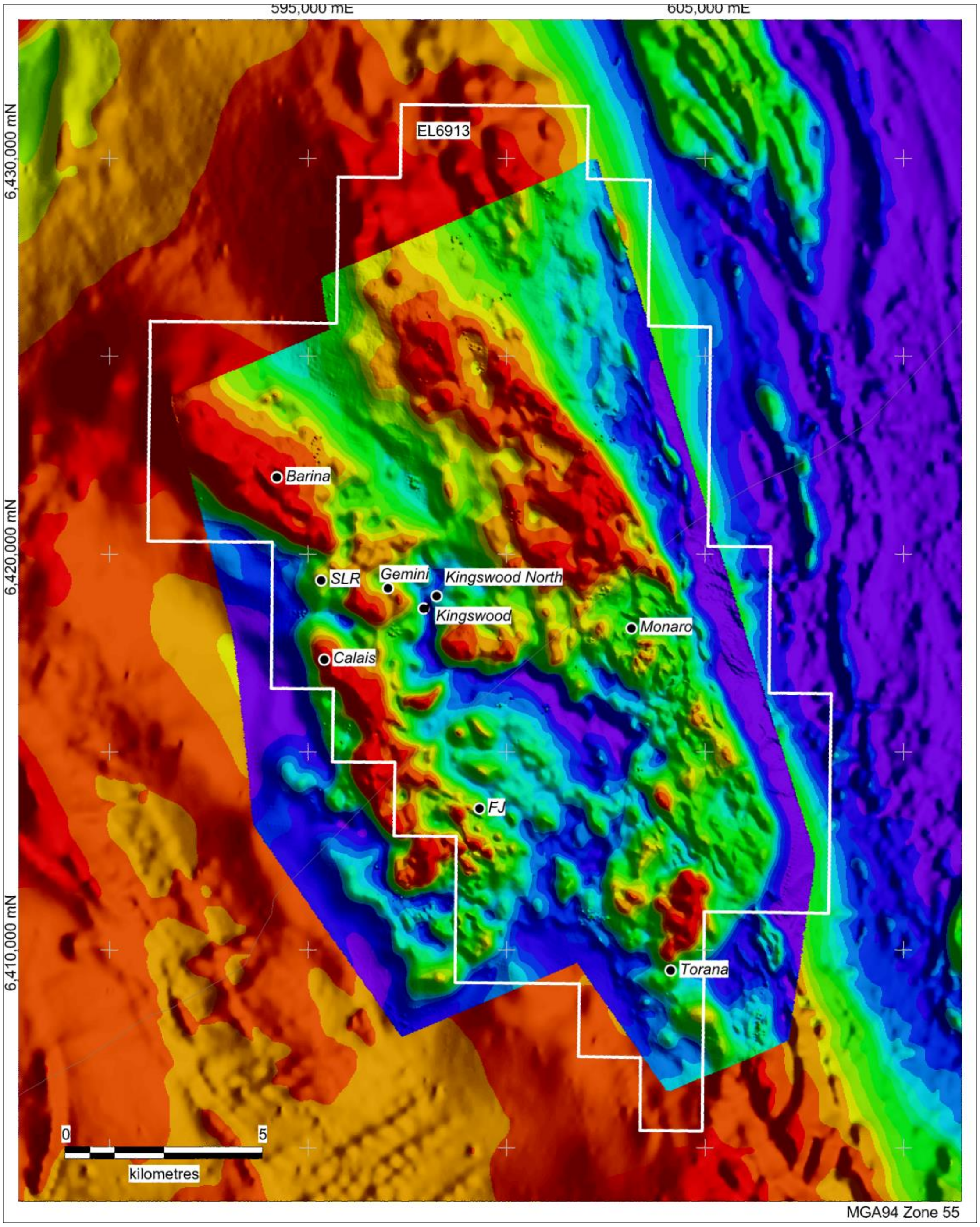

***Figure 9 –** Myall RTP magnetics (mosaic of high-resolution survey over regional survey) showing key prospects*

Directors' Report

Your directors present their annual financial report on the consolidated entity (referred to hereafter as the "Group") consisting of Magmatic Resources Limited (the "Company" or "parent entity") and the entity Modeling Resources Pty Ltd ("Modeling") it controlled during the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors
The names of the directors of the Company during or since the end of the year are noted below. Directors were in office for the entire period unless otherwise stated:

David Berrie – *Non-Executive Chairman* (appointed 28 October 2016)
David Richardson – *Managing Director* (appointed 28 October 2016)
Malcolm Norris – *Non-Executive Director* (appointed 20 December 2016)
Ryoko Komatsuzaki (resigned 20 December 2016)
Alan Gibson (resigned 25 November 2016)

Company Secretary
Ian Hobson (appointed 20 January 2017)

Principal activities
The principal activity of the Group during the financial year was mineral exploration.

Dividends
No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Review of operations
Information on the operations of the Group is set out in the review of Operations Report on pages 4 to 18 of this Annual Report.

Financial review
The Group incurred a loss of $3,794,220 after income tax for the financial year (2016: loss of $203,261).

As at 30 June 2017, the Group had net assets of $4,264,431 (30 June 2016: net liability of $372,983), including cash and cash equivalents of $3,080,365 (30 June 2016: $45,4560).

Significant changes in the state of affairs
On 16 and 19 September 2016, Modeling raised a total of $500,000 through the issue of convertible notes. The notes were convertible into shares of the Company at the greater of $0.17 per share and a 15% discount to the Initial Public Offering (IPO) price of the Company with a maturity date of 30 September 2017. A coupon rate of 5% applied if the IPO was not successful.

On 28 October 2016, Magmatic Resource Limited was incorporated. On the same date, Magmatic Resources Limited acquired, through a common control transaction, the existing entity, Modeling Resources Pty Ltd which has the same principal activities referred to above. The common control transaction was entered into in relation to the listing of Magmatic Resources Limited onto the Australian Securities Exchange in May 2017.

As such, these financial statements for the period ended 30 June 2017 represent the consolidated financial statements of Magmatic Resources Limited. The comparative amounts shown at 30 June 2016, relate to the financial statements of Modeling Resources Pty Ltd, as a single entity.

The Company issued a prospectus dated 24 March 2017 pursuant to which an offer of 20 million shares at 20 cents per share to raise $4,000,000 was made. On completion of the capital raising, the Company was admitted to the official list of ASX.

Otherwise, there have been no significant changes in the state of affairs of the Group to the date of this report.

Matters subsequent to the end of the financial year
There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or

may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected results
Additional comments on expected results of certain operations of the Group are included in the review of operations and activities.

Environmental legislation
The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. The group is compliant with the NGER Act 2007. There have been no known breaches of these regulations and principles.

Indemnification and insurance of directors and officers
During the financial year the Company has paid premiums in respect of insuring directors and officers of the Company against liabilities incurred as directors or officers. The amount paid is confidential under the terms of the terms of the insurance policy. The Company has no insurance policy in place that indemnifies the Company's auditors.

Information on directors

David Berrie; LLB *Non-Executive Chairman* (appointed 28 October 2016)
Experience and expertise
Mr. David Berrie has over 30 years' experience in the mining industry. Mr Berrie worked as a solicitor in the mining team at Clayton Utz before joining the international mining house Western Mining Corporation in 1987 with much of that time spent in the exploration division before transitioning over to BHP Billiton. Mr Berrie has extensive public company experience and continues to be a director of Summit Resources Ltd, which is listed on the ASX (ASX: SMM). Mr Berrie has a Bachelor of Laws and a Bachelor of Juris prudence from the University of Western Australia.

Mr Berrie is not considered to be independent due to his interest in the securities of the Company.
Other current directorships
Summit Resources Limited
Former directorships in the last 3 years: Nil
Special responsibilities
Non-Executive Chairman
Interests in shares and options at the date of this report
10,524,044 ordinary shares (indirectly held), 1,360,000 class A performance shares (indirectly held), 1,360,000 class B performance shares (indirectly held).

David Richardson; B. Comm MBA *Managing Director* (appointed 28 October 2016)
Experience and expertise
Mr. David Richardson is an experienced international Executive and has worked in strategic partnerships, international business development and fund-raising in the Asia-Pacific region for over 25 years. He has lived and worked in Asia extensively, speaks fluent Japanese and is a founding board member of the Telethon Adventurers charity for childhood cancer research. David holds a Masters of Business Administration from the University of Southern California in Los Angeles and undertook post graduate Japanese studies at Keio University in Tokyo.

Mr Richardson is not considered to be independent due to his executive role as Managing Director of the Company and interest in the securities of the Company.
Other current directorships: Nil
Former directorships in the last 3 years: Nil
Special responsibilities
Managing Director
Interests in shares and options at the date of this report
27,952,573 ordinary shares (indirectly held), 4,480,000 class A performance shares (indirectly held), 4,480,000 class B performance shares (indirectly held).

Malcolm Norris; MSc, MAppFin *Non-Executive Director* (appointed 20 December 2016)
Experience and expertise
Mr. Malcolm Norris is a geologist with extensive experience in business management, asset transactions and exploration with a focus on porphyry discovery. He is currently the managing director of Sunstone Metals Limited

(ASX:STM). Previously chief executive officer and managing director of SolGold Plc, Mr Norris holds a Bachelor of Science (Geology, Hons 1) from the University of Queensland, a Master of Science from the University of Western Ontario and a Master of Applied Finance (Kaplan).

The Board considers Mr. Norris to be an independent Director as he is not a member of management and is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board.
Other current directorships
Sunstone Metals Limited
Former directorships in the last 3 years
Afranex Gold Limited
Special responsibilities: Nil
Interests in shares and options at the date of this report
750,000 unlisted options exercisable at 30 cents on or before 19 May 2020.

Meetings of directors
During the financial year there was one formal directors' meeting. All other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met on an informal basis at regular intervals during the financial year to discuss the Group's affairs.

The number of meetings of the Company's board of directors attended by each director were:

	Directors' meetings held whilst in office	***Directors' meetings attended***
D Berrie (appointed 28 October 2016)	1	1
D Richardson (appointed 28 October 2016)	1	1
M Norris (appointed 20 December 2016)	-	-
R Komatsuzaki (appointed 28 October 2016, resigned 20 December 2016)	1	1
A Gibson (appointed 28 October 2016, resigned 25 November 2016)	-	-

Shares under option

Outstanding share options at the date of this report are as follows:

Grant Date	Date of expiry	Exercise price	Number of options
11 May 2017	17 May 2020	$0.30	8,480,613
11 May 2017	17 May 2020	$0.30	9,500,000
11 May 2017	11 May 2018	$0.20*	2,500,000 (Tranche 1)
11 May 2017	11 May 2019	$0.20*	2,500,000 (Tranche 2)
11 May 2017	11 May 2020	$0.205*	2,500,000 (Tranche 3)

**Unlisted options exercisable at a price which is greater of $0.20 or a 5% discount to the 20-day weighted average price of shares on ASX. On the assumption that the Options will be exercised on expiry, a Monte Carlo simulation has been prepared in order to assess the higher of the 5% discount to the 20 VWAP or 20 cents for the Options at expiry for the Tranche I, Tranche 2 and Tranche 3 Options. The following exercise prices result:*

Tranche 1: 20 cents (20 cents was the higher of the two) Monte valuation =19.3 cents
Tranche 2: 20 cents (20 cents was the higher of the two) Monte valuation = 19.7 cents
Tranche 3: 20.5 cents (5% discount to the 20 Day VWAP was higher of the two)

No option holder has any right under the options to participate in any other share issue of the Company or any other controlled entity.

Shares issued on the exercise of options

There have been no shares issued upon the exercise of options.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel of Magmatic Resources Limited (the "Company") for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes all executives in the Parent and the Group receiving the highest remuneration.

Key Management Personnel

(i) Directors
David Berrie (appointed 28 October 2016) (Non-Executive Chairman)
David Richardson (appointed 28 October 2016) (Managing Director)
Malcolm Norris (appointed 20 December 2016) (Non-Executive Director)
Ryoko Komatsuzaki (appointed 28 October 2016, resigned 20 December 2016) (Non-Executive Director)
Alan Gibson (appointed 28 October 2016, resigned 25 November 2016) (Non-Executive Director)

(ii) Executives
Ian Hobson (appointed 20 January 2017) (Chief Financial Officer and Company Secretary)
Shane Cranswick (appointed 28 October 2016, resigned 20 January 2017) (Chief Financial Officer and Company Secretary)

Details of directors' and executives' remuneration are set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Employment contracts/Consultancy agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration
The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders. The key criteria for good remuneration governance practices adopted by the Board are:

- competitiveness and reasonableness
- acceptability to shareholders
- performance incentives
- transparency
- capital management

The framework provides a mix of fixed salary, consultancy agreement based remuneration and share based incentives.

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by the full board. Although there is no separate remuneration committee the Board's aim is to ensure the remuneration packages properly reflect directors' and executives' duties and responsibilities. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of a high quality Board and executive team.

The current remuneration policy adopted is that no element of any director or executive package is directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition however the overall remuneration policy framework is structured to advance and create shareholder wealth.

Non-executive directors
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of,

the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market.

Directors' fees
Some of the directors perform at least some executive or consultancy services. As the Board considers it important to distinguish between the executive and non-executive roles each of the directors receive a separate fixed fee for their services as a director.
Retirement allowances for directors
Apart from superannuation payments paid on salaries there are no retirement allowances for directors.

Executive pay
The executive pay and reward framework has the following components:

- base pay and benefits such as superannuation
- long-term incentives through participation in employee equity issues

Base pay
All executives are either full time employees or consultants who are paid on an agreed basis that has been formalised in a consultancy agreement.

Benefits
Apart from superannuation paid on executive salaries there are no additional benefits paid to executives.

Short-term incentives
There are no current short term incentive remuneration arrangements.

Performance based remuneration
To ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors and employees, the Company has issued options and performance rights to key personnel.

During the year ended 30 June 2017, the Company issued 11,680,000 performance rights to directors while in the year ended 30 June 2016, the Company did not issue performance rights to directors (refer note 15).

B Details of remuneration
Amounts of remuneration
Details of the remuneration of the directors and other key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 30 June 2017 are set out in the following tables.

The key management personnel of the Group comprise the directors of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Group. Given the size and nature of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001.* No cash remuneration is linked to performance however performance rights were issued during the year as discussed below.

Remuneration of directors

Year ended 30 June 2017

Name	*Salary / fees* $	*Post-employment benefits Superannuation* $	*Share-based payments[1]* $	*Total* $
Director				
D Berrie (appointed 28 October 2016)	45,572	4,323	459,680	509,575
D Richardson (appointed 28 October 2016)	35,238	3,348	1,514,240	1,552,826
M Norris (appointed 20 December 2016)	5,000	-	89,661*	94,661
R Komatsuzaki (appointed 28 October 2016, resigned 20 December 2016)	-	-	-	-
A Gibson (appointed 28 October 2016,	-	-	-	-

resigned 25 November 2016)				
Key Management Personal				
I Hobson (appointed 20 January 2017)	63,900	-	41,842*	105,742
S Cranswick (28 October 2016, resigned 20 January 2017	51,095	-	-	51,095
	200,805	**7,671**	**2,105,423**	**2,313,899**

Year ended 30 June 2016 (Modeling Resources Pty Ltd)

Name	*Salary / fees*	*Post-employment benefits Superannuation*	*Share-based payments[1]*	*Total*
	$	*$*	*$*	*$*
Director				
D Berrie	-	-	-	-
D Richardson	-	-	-	-
R Komatsuzaki**	-	-	-	-
	-	**-**	**-**	**-**

* Issued as an incentive at the time of IPO. There are no performance criteria attached to these options.
** Appointed 28 October 2016, resigned 20 December 2016

1 The assessed fair value at grant date of options and performance rights granted to directors is included in key management personnel remuneration above and expensed in the statement of profit or loss and other comprehensive income over the vesting period of the options. Fair values at grant date are determined using market value for listed options or a Black and Scholes pricing model that takes into account various assumptions as detailed in Note 15.

Performance Rights

On 17 May 2017, the Company issued 5,840,000 Class A Performance Rights and 5,840,000 Class B Performance Rights to directors David Richardson and David Berrie as an incentive at the time of IPO.

The Milestones for the Performance Rights are as follows:

(Class A Performance Rights) the Company achieving both of the following:

i. by no later than 31 December 2017, the Company entering into a JV agreement with a JV partner (with a minimum market capitalisation of $100m or is a Foreign Government Investor or equivalent) in a single existing project, being Myall, Moorefield, Wellington or Parkes, where the JV Partner agrees to spend $3,000,000 to acquire not more than a 51% stake in the JV asset; and
ii. the JV Partner has spent $1,000,000 on exploration expenditure on the JV asset;

(Class B Performance Rights) the Company achieving two of the following:

i. signing a JV agreement with a JV partner (with a minimum market capitalisation of $100m or is a Foreign Government Investor or equivalent) in a single existing Modeling project, being Myall, Moorefield, Wellington or Parkes, where the JV partner agrees to spend $4,000,000 to acquire not more than a 51% stake in the JV asset, within the first 24 months post of admission to the Official List of the ASX; and/or
ii. the 30 day VWAP in the trading of the Company's Shares of a minimum of 25c per share within the first 12 months of admission to the Official List of the ASX; and/or
iii. a minimum of $4m spent by the Company on exploration and associated costs with an emphasis on the near surface gold targets within the area covered by the existing East Lachlan tenement licences within the first 24 months of admission to the Official List of the ASX.

The fair value for Class A Performance Rights have been determined using the share price at grant date:

Holder	Number	Grant date	Share price $	Fair value $
D Richardson	4,480,000	17 May 2017	0.20	$896,000
D Berrie	1,360,000	17 May 2017	0.20	$272,000

Given that the conditions are non vesting conditions (ie. No service conditions attached), the performance rights vested immediately. A share based payment expense of $1,168,000 has been recorded on the Statement of Profit or Loss and Other Comprehensive income. The fair value of the performance rights are calculated based on market value of shares at grant date.

The Class B Performance Rights are more complex having a market condition attached. The fair value of these performance rights at grant date are determined using a Hybrid Share Option pricing method that takes into account the term, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights. The following table lists the inputs to the model used for the valuation:

Item	Inputs
Volatility (%)	30%
Risk free interest rate (%)	1.64%
Expected life (years)	2
Expected dividend yield	Nil
Underlying security price at grant date	$0.20
Expiry date	19 May 2019
Value per performance share	$0.138

Holder	Number	Grant date	Price per performance share $	Fair value $
D Richardson	4,480,000	17 May 2017	0.138	$618,240
D Berrie	1,360,000	17 May 2017	0.138	$187,680

Given that the conditions are non vesting conditions (ie. No service conditions attached), the performance rights vested immediately. A share based payment expense of $805,920 has been recorded on the Statement of Profit or Loss and Other Comprehensive income.

C Employment contracts/Consultancy agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. Formal services contracts have been made with the Managing Director and Company Secretary. The Company may terminate the managing directors contract on 3 months' notice or by paying 3 months' fees. The Company Secretary service agreements contain no termination or notice periods.

D Share-based compensation

The terms and conditions of options granted affecting remuneration in the current or a future reporting period are as follows:

Options

Grant date	Expiry date	Exercise price	Value per right at grant date	% Vested
17 May 2017	17 May 2020	$0.30	$0.1195	100

There were no performance conditions relating to these options.

Key management personnel equity holdings

2017 **Director**	Balance at beginning of year	Net movement during the year	Balance at the end of year
Ordinary shares			
D Berrie (1)	-	10,524,044	10,524,044
D Richardson (2)	-	27,952,573	27,952,573
M Norris	-	-	-
Other Key management personnel			
I Hobson (3)	-	30,000	30,000
Options			
D Berrie	-	-	-
D Richardson	-	-	-
M Norris	-	750,000	750,000
Other Key management personnel			
I Hobson	-	350,000	350,000
Performance shares			
D Berrie	-	2,720,000	2,720,000
D Richardson	-	8,960,000	8,960,000
M Norris	-	-	-
Other Key management personnel			
I Hobson	-	-	-

(1) 1,191,176 were issued on conversion of loans at $0.17 per share, and the balance on normal market terms.
(2) 1,985,294 were issued on conversion of loans at $0.17 per share, and the balance on normal market terms
(3) Acquired on normal market terms.

Loans from key management personnel

The Company, Modeling, Davthea Pty Ltd (ACN 125 870 064) as trustee for David Berrie Superannuation Fund (Davthea) and Bilingual Software Pty Ltd (ACN 124 821 218) as trustee for Let's Go Investment Trust (Bilingual), are parties to loan agreements whereby Davthea and Billingual provided funding for the exploration and administration requirements of Modeling prior to the Company listing on ASX (the Loans). Davthea is associated with director and shareholder: Mr David Berrie and Billingual is associated with director and shareholder: David Richardson.

The Loans were unsecured and interest free until Davthea or Billingual deemed otherwise. Part of the debt was repayable in cash and part repayable by way of conversion into Shares in the Company at a conversion price of $0.17, on that date that is two business days after:

1. Magmatic is given conditional approval to be admitted on the Official List of the ASX; and
2. Magmatic has closed its Offer having received valid applications for Securities offered pursuant to the Offer equivalent to or in excess of the minimum subscription for the Offer.

The loans were repaid by a combination of cash and equity conversion during the year as follows:

	Consolidated	
	2017	2016
	$	$
Opening balance 1 July 2015	**-**	211,700
Cash advances	**-**	228,645
Closing balance 30 June 2016	**-**	440,345
Opening balance 1 July 2016	**440,345**	-
Cash advances	**473,220**	-
Cash repayments	**(373,565)**	-
Conversion to shares	**(635,294)**	-
Finance costs*	**95,294**	
Closing balance 30 June 2017	**-**	-

*Accounting standards require the recognition of the finance cost of the discount afforded on conversion of the Notes and Loans being the difference between the deemed issue price of $0.17 compared to the market value of $0.20. The shares were then recorded at their fair values.

No remuneration consultants have been used. Other than disclosed above, there are no loans or other transactions with key management personnel.

End of audited remuneration report.

Auditor independence and non-audit services

Section 307C of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 29 and forms part of this directors' report for the year ended 30 June 2017.

Non-audit services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important. The Company has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of remuneration paid to the auditors are:

	Consolidated	
	2017	2016
	$	$
Assurance services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial statements	**24,162**	-
Total remuneration for audit services		
Other services		
BDO Advisory (WA) Pty Ltd- Investigating Accountant's Report	**28,478**	-
Total auditor's remuneration	**52,640**	-

Proceedings on behalf of 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.

Insurance of Directors and Officers

During the financial year, the Company paid a premium to insure the directors and secretary of the Company. The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy. The amount has been included in the compensation amounts disclosed for key management personnel elsewhere in this report and in the notes to the financial statements.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

This report is made in accordance with a resolution of the directors.

DBerrie

D Berrie
Chairman
PERTH, Western Australia

Dated: 29 September 2017

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF MAGMATIC RESOURCES LIMITED

As lead auditor of Magmatic Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Magmatic Resources Limited and the entities it controlled during the period.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	Consolidated 2017 $	Company 2016 $
Continuing Operations			
Other income		**10,510**	104
		10,510	104
Corporate administration expenses	3	**(682,650)**	(71,354)
Exploration expenditure incurred		**(595,719)**	(132,011)
Share based payment expense	15	**(2,342,832)**	-
Finance costs		**(183,529)**	
		(3,804,730)	(203,261)
Loss before tax		**(3,794,220)**	(203,261)
Income tax	4(a)	**-**	-
Net loss for the period		**(3,794,220)**	(203,261)
Other comprehensive income, net of tax			
Items that will not be classified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive loss for the year		**(3,794,220)**	(203,261)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(3,794,220)**	(203,261)
Non-controlling interests		**-**	-
Loss per share attributable to the members of Magmatic Resources Limited			
Loss per share (dollars)	5	**$0.066**	$0.006

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2017

	Note	Consolidated 2017 $	2016 $
Current Assets			
Cash and cash equivalents	7	**3,080,365**	45,560
Other receivables	8	**84,737**	17,800
Total Current Assets		**3,165,102**	63,360
Non-Current Assets			
Plant and Equipment		**44,531**	27,533
Security Bonds	9	**71,300**	10,000
Exploration assets	10	**1,368,350**	50
Total Non-Current Assets		**1,484,181**	37,583
Total Assets		**4,649,283**	100,943
Current Liabilities			
Trade and other payables	11	**384,852**	33,581
Borrowings	12	**-**	440,345
Total Current Liabilities		**384,852**	473,926
Total Liabilities		**384,852**	473,926
Net Assets		**4,264,431**	(372,983)
Equity			
Issued capital	13	**3,763,182**	250
Reserves	15	**4,668,702**	-
Accumulated losses		**(4,167,453)**	(373,233)
Total Equity		**4,264,431**	(372,983)

The above statement of financial position should be read in conjunction with the accompanying notes.

Magmatic Resources Limited
ABN 32 615 598 322

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

Consolidated	Issued capital $	Share Based Payments Reserved $	Capital Restructure Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2015	125	-	-	(169,972)	(169,847)
Loss after income tax expense for the year	-	-	-	(203,261)	(203,261)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(203,261)	(203,261)
Transactions with owners recorded directly in equity					
Issue of ordinary shares	125	-	-	-	125
Total transactions with owners recorded directly in equity	125	-	-	-	125
Balance at 30 June 2016	**250**			**(373,233)**	**(372,983)**
Balance at 1 July 2016	**250**	**-**	**-**	**(373,233)**	**(372,983)**
Loss after income tax expense for the year	**-**	**-**	**-**	**(3,794,220)**	**(3,794,220)**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**-**	**-**	**(3,794,220)**	**(3,794,220)**
Transactions with owners recorded directly in equity					
Issue of ordinary shares	**5,223,529**	**-**		**-**	**5,223,529**
Capital raising expenses	**(1,460,597)**	**-**		**-**	**(1,460,597)**
Restructure reserve on acquisition of subsidiary	**-**	**-**	**250**	**-**	**250**
Options issued during the year	**-**	**4,668,452**	**-**	**-**	**4,668,452**
Total transactions with owners recorded directly in equity	**3,762,932**	**4,668,452**	**250**	**-**	**8,431,634**
Balance at 30 June 2017	**3,763,182**	**4,668,452**	**250**	**(4,167,453)**	**4,264,431**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the year ended 30 June 2017

	Note	Consolidated Inflows/ (Outflows) 2017 $	Inflows/ (Outflows) 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		**(520,148)**	(185,456)
Payments for exploration expenditure		**(652,508)**	
Proceeds from earn-in partner		**208,783**	
Interest received		**4,780**	104
Net cash outflow from operating activities	20(a)	**(959,093)**	(168,883)
Cash flows from investing activities			
Payments for property, plant & equipment		**(31,781)**	(26,576)
Tenement security bonds		**(61,300)**	-
Net cash outflow from investing activities		**(93,081)**	(26,576)
Cash flows from financing activities			
Proceeds from borrowings		**973,220**	228,645
Repayment of borrowings		**(373,566)**	-
Proceeds from the issue of shares		**4,000,011**	75
Payment of capital raising costs		**(512,686)**	-
Net cash inflow from financing activities		**4,086,979**	228,720
Net increase in cash and cash equivalents		**3,034,805**	33,261
Cash and cash equivalents at the beginning of the year		**45,560**	12,299
Cash and cash equivalents at the end of the year	7	**3,080,365**	45,560

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements for the year ended 30 June 2017

Note 1: Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New, revised or amending Accounting Standards and Interpretations adopted

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

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

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Magmatic Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Capital Restructure – Script Transfer

The Company was incorporated on 28 October 2016 with $250 in issued capital (500 Shares issued at $0.50 per Share) and acquired Modeling on 28 October 2016. The acquisition of Modeling by the Company (the Capital Restructure) was not considered to be a business combination and does not result in any change of economic substance. Accordingly, following the Restructure on 28 October 2016, the consolidated financial statements of the Company represent a continuation of the operations of Modeling.

The Company and Modeling, together form the Group. As such the financial statements for the period ended 30 June 2017 represent the consolidated financial statements of the Group as this is the first reporting date after the Group Reorganisation. The comparative amounts shown at 30 June 2016, relate to the financial statements of Modeling, as a single entity.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(c) Going Concern

For the year ended 30 June 2017 the entity recorded a net loss of $3,794,220, had net cash outflows from operating activities of $959,093 and future exploration commitments of $2,241,225 (Refer to Note 17). The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raising or joint venture of projects to continue to fund its exploration and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report. Subsequent to year end the entity expects to receive additional funds via capital raisings or joint venture of projects.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business as the directors are confident the Group will raise funds through capital raising events or joint venture projects as and when required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(d) Statement of compliance

The financial report was authorised by the Board of directors for issue on 29 September 2017.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(e) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent entity (Magmatic Resources Limited) and its controlled entity Modeling. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(f) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group accounts for long term restricted security deposits as ‘other’ non-current assets.

(i) Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant

and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(l) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(o) Exploration expenditure

Exploration expenditure is expensed to the statement of profit or loss as incurred and acquisition costs are capitalised as non current assets. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off or provided against. Due to the speculative nature, when exploration assets have been acquired through equity instruments, the fair value of the asset cannot be measure reliably, therefore the fair value of the equity instrument is used to determine the fair value of the asset. Refer to Note (1q).

Impairment testing of exploration and evaluation expenditure

Exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation expenditure is tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each area of interest. The Group performs impairment testing in accordance with accounting policy note 1(l).

(p) Borrowings

The Group provides benefits to employees and consultants of the Group in the form of share-based Loans and borrowings are initially recognised at the fair value of consideration received, net of transaction costs. They are subsequently measured at amortised cost using effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(q) Share based payments

For equity settled share based payment transactions to Directors and seed capitalists for services aremeasures in reference to the fair value of equity instruments granted.

Equity-settled share based payments in return for goods and services are measured at fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments.

The fair value of options and performance rights with non-vesting conditions and no service conditions attached issued to Directors, seed capitalists and suppliers, are valued with a Black-Scholes pricing model. Those with both market and non-market vesting conditions are valued using a Hybrid pricing model. The fair value ismeasured at the grant date of the equity instrument and is recognised in equity in the share-basedpayment reserve. The number of instruments expected to vest is estim - ated based on the non-marketvesting conditions. The total expense is recognised at the date of grant of the options and rights.

(r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

(t) Deferred tax

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(u) Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

Standards issued but not yet effective

A number of new standards, amendment of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date.

The Group has reviewed these standards and interpretations, and with the exception of the items listed below for which the final impact is yet to be determined, none of the new or amended standards will significantly affect the Group’s accounting policies, financial position or performance.

Reference and title	Summary	Application date of standard *	Application date for Group *
AASB 9 *Financial Instruments*	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018
AASB 15 *Revenue from Contracts with Customers*	AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. Based on an initial impact assessment, the new standard is not expected to significantly impact revenue recognition.	1 January 2018	1 July 2018
AASB 16 *Leases*	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	1 January 2019	1 July 2019

* Designates the beginning of the applicable annual reporting period

(v) Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have

been abandoned or sold will be written off or written down.

Share-based Payments
The Group measures the cost of equity settled transactions with directors, service providers and Gold Fields by reference to the fair value of equity instruments at the date at which they are granted. Management have assessed that the achievement of the non-market performance conditions attached to the performance rights are ‘more likely than not’. 100% of the calculated fair value has therefore been determined by management to be the fair value of the rights and the expense to be recognised in the statement of profit or loss and other comprehensive income for the current year.

Recoverability of Exploration and Evaluation Asset
Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group’s accounting policy (refer Note 1(o)), requires judgements as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. If, after having capitalised the expenditure under accounting policy 1(o), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 1(l). The carrying amounts of exploration and evaluation assets are set out in Note 10.

	Consolidated	
	2017	2016
	$	$
Note 3: Expenses		
Loss from ordinary activities before income tax expense includes the following corporate administration expenses:		
Depreciation	**14,275**	3,096
Consulting Fees	**84,463**	21,104
Investor Relations	**28,054**	-
Legal Fees	**56,274**	-
Travel	**78,650**	10,332
Employee Expenses	**214,412**	-
Rental Expense	**78,518**	30,555
Other	**128,004**	6,267
	682,650	71,354

	Consolidated 2017 $	2016 $
Note 4: Income tax		
(a) Income tax benefit		
The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax benefit in the financial statements as follows		
Accounting loss from continuing operations before income tax	**(3,794,220)**	(203,261)
Tax expense/(benefit) calculated at 27.5% (2016: 30%)	**(1,043,411)**	(60,978)
Add		
Non-deductible expenses	**743,897**	-
Deductible equity costs	**(39,641)**	-
Tax loss not brought to accounts	**339,155**	60,978
Income tax (benefit) reported in the statement of profit or loss and other comprehensive income	**-**	-
(b) Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account		
Deferred tax assets comprise:		
Accruals	**4,950**	-
Employee entitlements	**4,200**	(4,125)
Share issue costs	**134,983**	-
Losses available for offset against future income – revenue	**436,435**	340,861
	580,568	336,736
Deferred tax liabilities comprise:		
Prepayments	**1,502**	-
Property, plant and equipment	**-**	-
	1,502	-
Net unrecognised deferred tax assets	**579,066**	336,736

Deferred tax assets have not been recognised in respect of these items because it is not that future taxable profit will be available against which the Group can utilise the benefit thereof.

	Consolidated 2017 $	2016 $
Note 5: Loss per share		
Total basic loss per share	**0.066**	0.006
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:		
Net loss for the period	**(3,794,220)**	(203,261)
The weighted average number of ordinary shares	**57,459,631**	36,233,701

The diluted loss per share is not reflected as the result is anti-dilutive.

Note 6: Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

AASB 8 "Operating Segments'" states that similar operating segments can be aggregated to form one reportable segment. Following incorporation, the Company acquired Modeling Resources Pty Ltd. The Group has one reportable operating segment being gold exploration projects in Australia.

Note 7: Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	**3,080,365**	45,560
	3,080,365	45,560

(Refer to Note 16(f) which contains risk exposure analysis for cash and cash equivalents)

(a) Reconciliation to Statement of Cash Flows
The above figures agree to cash at the end of the financial year as shown in the Statement of Cash Flows.

(b) Cash at bank and on hand
These are non-interest bearing accounts.

Note 8: Other receivables

Goods and services tax receivable	**79,276**	11,853
Other	**5,461**	5,947
	84,737	17,800

No receivables are past their due date and therefore no impairment recognised.

Note 9: Security Bonds

	Consolidated **2017** **$**	2016 $
Office bond	**1,300**	-
Tenement bonds	**70,000**	10,000
	71,300	10,000

Note 10: Exploration project acquisition costs

	Consolidated **2017** **$**	2016 $
Opening balance	**50**	-
Project acquisition costs	**1,368,300**	50
Acquisition costs in respect of areas of interest in the exploration phase	**1,368,350**	50

Exploration expenditure is expensed to the statement of profit or loss as incurred and acquisition costs are capitalised as non-current assets. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off or provided against.

The carrying value of capitalised exploration expenditure is assessed for impairment at each area of interest whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amounts.

An impairment exists when the carrying amount of an asset or area of interest exceeds its estimated recoverable amount. The asset or area of interest is then written down to its recoverable amount. Any impairment losses are recognised in the profit or loss account.

Note 11: Trade and other payables

	Consolidated **2017** **$**	2016 $
Trade creditors	**106,297**	33,581
Other creditors	**80,260**	
Other creditor – to be settled as share base payment (refer note 16)	**50,000**	-
Goods and services tax payable	**2,539**	-
JOGMEC – Funds Received in Advance**	**145,756**	-
	384,852	33,581

* Trade payables are non-interest bearing and are normally paid on 30 day terms.

****** The Group entered into a Joint Venture (JV) with Japan Oil, Gas and Metals National Corporation (**JOGMEC**), which commenced effective 30 March 2017.

JOGMEC can earn up to a 51% interest in two exploration tenements, EL7427 and EL7676, owned by the Company, located in East Lachlan, NSW, Australia, known as the Parkes Project (**Project**) by funding up to $3,000,000 of exploration expenditure. A 1st year $1m agreed exploration budget has been agreed and JOCMEG has advanced funds in advance of expenditure being incurred.

Key terms of the JV are set out below:

- JOGMEC has the right to earn a 51% interest in the Parkes Project by funding $3,000,000 of exploration expenditure on the Project tenements over a period of up to 3 years.

- JOGMEC is required to spend a minimum of $300,000 before withdrawing from the Agreement.
- MAG to act as Operator of the project on behalf of the parties during the JV until JOGMEC becomes a majority owner at which point the Operator shall be appointed by JOGMEC.
- JOGMEC has the right to assign its interest in the agreement to Japanese company(s) (this is in line with JOGMEC's mission, which is to help source and de-risk opportunities for Japanese corporations).

Note 12: Borrowings

Shareholder Loan – Bilingual Software Pty Ltd *	-	**237,845**
Shareholder Loan – Davthea Pty Ltd *	-	**202,500**
	-	**440,345**

* Shareholder loans were fully repaid in cash and the issue of shares.

Modeling issued convertible notes (Notes) to investors on 16 and 19 September 2016 in consideration for an aggregate amount of $500,000. The Notes were subsequently varied upon the Company's acquisition of 100% of the issued capital of Modeling so that the face value of the Notes converted into Shares on the date that was two business days after:

(a) conditional approval was given by the ASX for the Company to be admitted to the Official List; and
(b) the Company to have received valid applications for Securities offered under the Offer, equivalent to or in excess of the minimum subscription for the Offer, (the Conversion Date).

On the Conversion Date, the Notes automatically converted into that number of Shares equal to the face value of the Notes divided by $0.17. A 5% coupon rate was payable on the face value of each note. On 11 May 2017, the Company issued 2,941,176 Shares (at a deemed issue price of $0.17 per Share) to the Noteholders in consideration for the conversion of the notes.

On 11 May 2017, the Company issued 3,176,471 shares on conversion of loans totalling $540,000 at a deemed issue price of $0.17 per share.

Accounting standards require the recognition of the finance cost of the discount afforded on conversion of the Notes and Loans being the difference between the deemed issue price of $0.17 compared to $0.20. The shares were then recorded at their fair values. Finance costs of $183,529 were expensed as a result.

Note 13: Issued capital

(a) Ordinary shares issued	Consolidated **$** **2017**	$ 2016
80,000,000 (2016: 500) ordinary shares	**5,223,529**	250

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$**
1 July 2015	Opening balance	125	125
21 August 2015	Share issue	75	75
17 December 2015	Share issue (project acquisition)	50	50
7 January 2016	Share split	250	-
Balance as at 30 June 2016		**500**	**250**

28 October 2016	Incorporation	500	250
11 May 2017	Share Split*	53,881,853	-
11 May 2017	Share Issue – IPO	20,000,000	4,000,011
11 May 2017	Conversion of loans	3,176,471	635,294
11 May 2017	Conversion of notes	2,941,176	588,235
	Capital raising expenses	-	(1,964,453)
Balance as at 30 June 2017		**80,000,000**	**3,259,337**

* Share split agreed to by shareholders as part of IPO process.
Weighted average shares on issue as at 30 June 2017 – 57,459,613

(c) Share options

	$ Value		Number of options	
	2017	2016	**2017**	2016
Listed Options exercisable at $0.30 on or before 17 May 2020	**-**	-	**8,480,613**	-
Unlisted Options exercisable at $0.30 on or before 17 May 2020	**$1,136,642**	-	**9,500,000**	-
Unlisted Options expiring 11 May 2018*	**$210,000**	-	**2,500,000**	-
Unlisted Options expiring 11 May 2019*	**$285,000**	-	**2,500,000**	-
Unlisted Options expiring 11 May 2020*	**$332,500**	-	**2,500,000**	-
	$1,964,142	-	**25,480,613**	-

**Unlisted Options exercisable at a price which is greater of $0.20 or a 5% discount to the 20 day volume weighted average price of share on the ASX.*

(d) Movements in share options	**2017**		2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Listed Options to acquire ordinary fully paid shares at $0.30 on or before 17 May 2020:				
Beginning of the financial year	**-**	-	**-**	-
Issued during the year	**10,000,000**	0.30	**-**	-
Expired during the year	**-**	-	**-**	-
Balance at end of financial year	**10,000,000**	0.30	**-**	-

	2017		2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Unlisted Options to acquire ordinary fully paid shares at $0.30 on or before 17 May 2020:				
Beginning of the financial year	**-**	-	**-**	-
Issued during the year	**9,500,000**	0.30	**-**	-
Expired during the year	**-**	-	**-**	-

Balance at end of financial year	**9,500,000**	0.30	**-**	-

	2017		2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
*Unlisted Options to acquire ordinary fully paid shares on or before 11 May 2018:				
Beginning of the financial year	**-**	-	**-**	-
Issued during the year	**2,500,000**	0.20	**-**	-
Expired during the year	**-**	-	**-**	-
Balance at end of financial year	**2,500,000**	0.20	**-**	-

	2017		2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
*Unlisted Options to acquire ordinary fully paid shares on or before 11 May 2019:				
Beginning of the financial year	**-**	-	**-**	-
Issued during the year	**2,500,000**	0.20	**-**	-
Expired during the year	**-**	-	**-**	-
Balance at end of financial year	**2,500,000**	0.20	**-**	-

	2017		2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
*Unlisted Options to acquire ordinary fully paid shares on or before 11 May 2020:				
Beginning of the financial year	**-**	-	**-**	-
Issued during the year	**2,500,000**	0.205	**-**	-
Expired during the year	**-**	-	**-**	-
Balance at end of financial year	**2,500,000**	0.205	**-**	-

**Unlisted Options exercisable at a price which is the greater of $0.20 or a 5% discount to the 20 day volume weighted average price of shares on ASX. On the assumption that the Options will be exercised on expiry, a Monte Carlo simulation has been prepared in order to assess the higher of the 5% discount to the 20 VWAP or 20 cents for the Options at expiry for the Tranche I, Tranche 2 and Tranche 3 Options. The following exercise prices result:*
Tranche 1: 20 cents (20 cents was the higher of the two) Monte valuation =19.3 cents
Tranche 2: 20 cents (20 cents was the higher of the two) Monte valuation = 19.7 cents
Tranche 3: 20.5 cents (5% discount to the 20 Day VWAP was higher of the two)

(e) Share options exercised during the year

No share options were exercised during the year (2016: nil).

(f) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $0.27 and a weighted average remaining contractual right of 943 days (2016: nil).

(g) Performance shares

	Value $		Number of performance shares	
	2017	2016	**2017**	2016
Class A performance shares	**1,600,000**	-	**8,000,000**	-
Class B performance shares	**1,104,000**	-	**8,000,000**	-
	2,704,000	-	**16,000,000**	-

(h) Movements in Class A Performance shares

	Number of performance shares	
	2017	2016
Class A Performance shares		
Beginning of the financial year	**-**	-
Issued during the year	**8,000,000**	-
Expired during year	**-**	-
Balance at end of financial year	**8,000,000**	-

(i) Movements in Class B Performance shares

	Number of performance shares	
	2017	2016
Class A Performance shares		
Beginning of the financial year	**-**	-
Issued during the year	**8,000,000**	-
Expired during year	**-**	-
Balance at end of financial year	**8,000,000**	-

Note 14: Reserves

	Consolidated	
	2017	2016
	$	$
Capital Restructure reserve (a)		
Opening balance	**-**	-
Expense for the year	**250**	-
Closing balance	**250**	-
Option reserve (b)		
Opening balance	**-**	-
Share based acquisition cost	**1,368,300**	-
Share based expense for year	**2,342,832**	-
Share based capital raising costs	**957,320**	-
Closing balance	**4,668,452**	-

(a) Capital Restructure reserve
The capital restructure reserve arises from the acquisition of Modeling Resources Pty Ltd.

(b) Option reserve
The option reserve represents share compensation used to record the value of equity benefits provided to consultants and directors as part of their remuneration and the cost of acquisition of tenements. Refer Note 15.

Note 15: Share based payments

Share based payments consists of options and performance rights issued to directors and consultants and were issued also issued in consideration of the acquisition of tenements. The expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity over the vesting periods of the options and rights. The following share-based payment arrangements were in place during the current and prior years:

	Number	Grant date	Exercise price	Fair value	Expensed	Capitalised to Exploration Asset	Capital raising costs
Options to directors / Seed capitalist	1,500,000	17 May 2017	$0.300	$179,632	$179,632	-	-
Gold Fields options	2,500,000	17 May 2017	$0.200*	$207,500	-	$207,500	-
Gold Fields options	2,500,000	17 May 2017	$0.200*	$282,500	-	$282,500	-
Gold Fields options	2,500,000	17 May 2017	$0.205*	$328,700	-	$328,700	-
Underwriter options	8,000,000	17 May 2017	$0.300	$957,320	-	-	$957,320
Class A performance shares	8,000,000	17 May 2017	-	$1,600,000	$1,280,000	$320,800	-
Class B performance shares	8,000,000	17 May 2017	-	$1,104,000	$883,200	$228,800	-
					$2,234,832	$1,368,300	$957,320

**Unlisted options exercisable at a price which is greater of $0.20 or a 5% discount to the 20 day weighted average pie of shares on ASX.*

Broker options

8,000,000 options were granted to the Underwriter pursuant to the Prospectus dated 17 May 2017. The fair value of the options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The following table lists the inputs to the model used for valuation of the unlisted options:

Item	**Inputs**
Volatility (%)	110%
Risk free interest rate (%)	1.84%
Expected life of option (years)	3
Expected dividend yield	Nil
Exercise price per terms and conditions	$0.30
Underlying security price at grant date	$0.20
Expiry date	17 May 2020
Value per option	$0.1195

Director & Seed Capitalist

1,500,000 options were granted to a Director and seed capitalists pursuant to the Prospectus dated 17 May 2017. The fair value of the options at grant date are determined using a Black-Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%)	110%
Risk free interest rate (%)	1.84%
Expected life of option (years)	3
Expected dividend yield	Nil
Exercise price per terms and conditions	$0.30
Underlying security price at grant date	$0.20
Expiry date	17 May 2020
Value per option	$0.1195

Gold Fields options

7,500,000 options were granted to Gold Fields on 17 May 2017 with expiry dates being split between 2,500,000 options on 17 May 2018, 2,500,000 options on 17 May 2019, 2,500,000 options on 17 May 2020. The fair value of the options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%)	110%
Risk free interest rate (%)	1.53%, 1.7%, 1.84%
Expected life of option (years)	1-3 yrs
Expected dividend yield	Nil
Exercise price per terms and conditions	$0.20
Underlying security price at grant date	$0.20
Expiry date	17 May 2017/18/19
Value per option	$0.083, $0.113, $0.132

**Unlisted options exercisable at a price which is greater of $0.20 or a 5% discount to the 20 day weighted average pie of shares on ASX. On the assumption that the Options will be exercised on expiry, a Monte Carlo simulation has been prepared in order to assess the higher of the 5% discount to the 20 VWAP or 20 cents for the Options at expiry for the Tranche I, Tranche 2 and Tranche 3 Options. The following exercise prices result:*
Tranche 1: 20 cents (20 cents was the higher of the two) Monte valuation =19.3 cents
Tranche 2: 20 cents (20 cents was the higher of the two) Monte valuation = 19.7 cents
Tranche 3: 20.5 cents (5% discount to the 20 Day VWAP was higher of the two)

Performance Rights

On 17 May 2017, the Company issued 8,000,000 Class A Performance Rights and 8,000,000 Class B Performance Rights to Gold Fields, entities associated with directors David Richardson and David Berrie and seed capitalist.

The Milestones for the Performance Rights are as follows:

(Class A Performance Rights) both of the following being met:

i. by no later than 31 December 2017, the Company entering into a JV agreement with a JV partner (with a minimum market capitalisation of $100m or is a Foreign Government Investor or equivalent) in a single existing project, being Myall, Moorefield, Wellington or Parkes, where the JV Partner agrees to spend $3,000,000 to acquire not more than a 51% stake in the JV asset; and
ii. the JV Partner has spent $1,000,000 on exploration expenditure on the JV asset;

(Class B Performance Rights) the Company achieving two of the following:

iii. signing a JV agreement with a JV partner (with a minimum market capitalisation of $100m or is a Foreign Government Investor or equivalent) in a single existing Modeling project, being Myall, Moorefield, Wellington or Parkes, where the JV partner agrees to spend $4,000,000 to acquire not more than a 51% stake in the JV asset, within the first 24 months post of admission to the Official List of the ASX; and/or
iv. the 30 day VWAP in the trading of the Company's Shares of a minimum of 25c per share within the first 12 months of admission to the Official List of the ASX; and/or
v. a minimum of $4m spent by the Company on exploration and associated costs with an emphasis on the near surface gold targets within the area covered by the existing East Lachlan tenement licences within the first 24 months of admission to the Official List of the ASX.

The Class A Performance Rights are non-complex (being the share price on issue date of 20 cents per share) and are fair valued to KMP as follows:

Holder	Number	Grant date	Share price $	Fair value $
D Richardson	4,480,000	17 May 2017	0.20	$896,000
D Berrie	1,360,000	17 May 2017	0.20	$272,000
Seed Capitalist	560,000	17 May 2017	0.20	$112,000
Gold Fields	1,600,000	17 May 2017	0.20	$320,000

Given that the conditions are non-vesting conditions (ie. No service conditions attached), the options vested immediately. The performance shares issued to Goldfields have been accounted for as a share based payment for an asset acquisition. The fair value calculated above takes into account 100% probability that the non-market vesting conditions will occur.

The Class B Performance Rights are more complex having a market condition attached. The fair value of these performance shares at grant date are determined using a Hybrid Share Option pricing method that takes into account the term, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance share. The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%)	30%
Risk free interest rate (%)	1.64%
Expected life (years)	2
Expected dividend yield	Nil
Underlying security price at grant date	$0.20
Expiry date	19 May 2019
Value per performance share	$0.138

Holder	Number	Grant date	Price per performance share $	Fair value $
D Richardson	4,480,000	17 May 2017	0.138	$618,240
D Berrie	1,360,000	17 May 2017	0.138	$187,680
Seed Capitalists	560,000	17 May 2017	0.138	$77,280
Gold Fields	1,600,000	17 May 2017	0.138	$220,800

Given that the conditions are non-vesting conditions (ie. No service conditions attached), the rights vested immediately. The performance rights issued to Goldfields have been accounted for as a share based payment for an asset acquisition. The fair value calculated above takes into account the 100% probability that the non-market vesting conditions (excluding the market condition) will occur.

The actual value of these rights may be materially different to this accounting estimation. The expected life of the option/rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of option/rights granted were incorporated into the measurement of fair value.

A marketing fee for the value of $50,000 plus GST was incurred during the year which was settled on 4 August 2017 by the issue of 250,000 fully paid ordinary shares at 20 cents per share. The GST was settled in cash.

Note 16: Financial instruments

(a) Capital risk management

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Group’s business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will when appropriate consider the need for raising additional equity capital or to farm-out exploration projects as a means of preserving capital. The Board currently has a policy of not entering into any debt arrangements.

(b) Categories of financial instruments

The Group’s principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the year, the Group’s policy that no trading in financial instruments shall be undertaken during the year.

(c) Financial risk management objectives

The Group is exposed to market risk (including interest rate risk and equity price risk), credit risk and liquidity risk.

The main risks arising from the Group’s financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(d) Market risk

Equity price risk sensitivity analysis

There has been no change to the Group’s exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Interest rate risk management

All cash balances attract a floating rate of interest. Excess funds that are not required in the short term are placed on deposit for a period of no more than 3 months. The Group’s exposure to interest rate risk and the effective interest rate by maturity periods is set out below.

Interest rate sensitivity analysis

As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

At 30 June 2017, if interest rates had changed by + 50 basis points and all other variables were held constant, the Group’s after tax loss would have been $1,500 (2016: $100) higher as a result of higher interest income on cash and cash equivalents. If interest rates dropped on average – 50 basis points then the Group may not have earned any interest income which would have increased the Group’s after tax loss by $1,500 (2016: $100).

(e) Credit risk management
Credit risk relates to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from any defaults.

(f) Liquidity risk management
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Group's business in an orderly and professional manner. Cash deposits are only held with major financial institutions.

2017	**Weighted Average Interest Rate**	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**5 + years**
Financial assets		**$**	**$**	**$**	**$**
Cash and cash equivalents – non - interest bearing	**n/a**	**167,170**	**-**	**-**	**-**
Cash and cash equivalents – interest bearing	**0.06%**	**2,913,195**	**-**	**-**	**-**
Trade and other receivables	**n/a**	**84,737**	**-**	**-**	**-**
		3,165,102	**-**	**-**	**-**
Financial liabilities					
Trade and other payables	**n/a**	**384,852**	**-**	**-**	**-**
		384,852	**-**	**-**	**-**
2016					
Financial assets		$	$	$	$
Cash and cash equivalents – non - interest bearing	n/a	45,560	-	-	-
Cash and cash equivalents – interest bearing	0.06%	-	-	-	-
Trade and other receivables	n/a	17,800	-	-	-
		63,360	-	-	-
Financial liabilities					
Trade and other payables	n/a	33,581	-	-	-
Borrowings	0%	-	-	440,345	-
		33,581	-	440,345	-

The directors consider that the carrying value of the financial assets and financial liabilities are recognised in the consolidated financial statements approximate their fair values.

Note 17: Commitments and contingencies

	2017 **$**	**2016** **$**
Exploration Commitments – East Lachlan region, NSW:		
Within one year	2,241,225	492,000
After one year but not more than 5 years	-	272,285
More than 5 years	-	-
Lease Commitments – West Perth head office:		
Within one year	8,327	-
After one year but not more than 5 years	-	-
More than 5 years	-	-
	2,249,552	764,285

In order to maintain rights to tenure to its mineral tenements, the Company is required to complete minimum exploration expenditure, which if not completed in the calendar year then continued tenure to the projects could be in jeopardy.

Note 18: Key management personnel disclosures

(a) Directors

At the date of this report the directors of the Company are:

D Berrie – *Non-Executive chairman*

D Richardson – *Managing director*

M Norris – *Non executive director*

There were no changes of the key management personnel after the reporting date and the date the financial report was authorised for issue.

(b) Key management personnel

At the date of this report the other Key management personnel of the Company are:

I Hobson (appointed 20 January 2017) Chief Financial Officer and Company Secretary
S Cranswick (resigned 20 January 2017) Chief Financial Officer and Company Secretary

(c) Key management personnel compensation

	Consolidated	
	2017 **$**	2016 $
Short-Term	**200,805**	-
Post-employment	**7,671**	-
Share-based payments	**2,105,423**	-
	2,313,899	-

Detailed remuneration disclosures of directors and key management personnel are in pages 22 to 27 of this report.

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2017	2016
			%	%
Modeling Resources Pty Ltd	**Australia**	**Ordinary**	100	-

There were no transactions between Magmatic Resources Limited and its controlled entity during the financial year other than intercompany loan funding to support operations of $1,601,299 (2016: nil).

Loans from shareholders / directors

The Company, Modeling, Davthea Pty Ltd (ACN 125 870 064) as trustee for David Berrie Superannuation Fund (Davthea) and Bilingual Software Pty Ltd (ACN 124 821 218) as trustee for Let's Go Investment Trust (Bilingual), are parties to loan agreements whereby Davthea and Billingual provided funding for the exploration and administration requirements of Modeling prior to the Company listing on ASX (the Loans). Davthea is associated with director and shareholder: Mr David Berrie and Billingual is associated with director and shareholder: David Richardson.

The Loans were unsecured and interest free until Davthea or Billingual deemed otherwise. Part of the debt was repayable in cash and part repayable by way of conversion into Shares in the Company at a conversion price of $0.17, on that date that is two business days after:

3. Magmatic is given conditional approval to be admitted on the Official List of the ASX; and
4. Magmatic has closed its Offer having received valid applications for Securities offered pursuant to the Offer equivalent to or in excess of the minimum subscription for the Offer.

The loans were repaid by a combination of cash and equity conversion during the year as follows:

	Consolidated	
	2017	2016
	$	$
Opening balance 1 July 2015	**-**	211,700
Cash advances	**-**	228,645
Closing balance 30 June 2016	**-**	440,345
Opening balance 1 July 2016	**440,345**	-
Cash advances	**473,220**	-
Cash repayments	**(373,565)**	-
Conversion to shares	**(635,294)**	-
Finance cost	**95,294**	-
Closing balance 30 June 2017	**-**	-

Note 20: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2017	2016
	$	$
a) *Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities*		
Net loss for the year after income tax	**(3,794,220)**	(203,261)
Share based payment expense	**2,342,832**	-
Finance cost (equity)	**183,529**	-
Share issue costs	**9,399**	-
Depreciation	**14,783**	3,096
Movements in working capital		
(Increase) / decrease in other receivables	**66,937**	1,993

(Increase) / decrease in prepayments	**-**	(3,479)
Increase / (decrease) in trade and other payables	**217,647**	32,768
Increase / (decrease) in provisions	**-**	-
Net cash outflows from operating activities	**(959,093)**	(168,883)

As at 30 June 2017, the Group had non-cash investing activities of $1,368,300 (2016: Nil) from the acquisition on mining tenements. Non-cash financing activities of $956,382 (2016: Nil) were the result of Broker options issued as part of capital raising costs.

Note 21: Parent Entity Disclosures

Financial position

	30 June 2017 $	30 June 2016 $
Assets		
Current assets	**2,864,955**	63,360
Non-current assets	**1,516,821**	37,583
Total assets	**4,381,776**	100,943
Liabilities		
Current liabilities	**117,345**	473,926
Total liabilities	**117,345**	473,926
Net assets	**4,264,431**	(372,983)
Equity		
Issued capital	**4,949,406**	250
Reserves	**3,482,227**	-
Accumulated losses	**(4,167,202)**	(373,233)
Total equity	**4,264,431**	372,983
Financial performance		
Loss for the year	**(4,167,202)**	203,261
Other comprehensive income/loss	**-**	-
Total comprehensive income/loss	**(4,167,202)**	203,261

Note 22: Events after the reporting date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 23: Auditor's remuneration

The auditors of the Group are BDO Audit (WA) Pty Ltd

	Consolidated	
	2017 $	2016 $
Assurance services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial statements	**24,162**	-
Total remuneration for audit services		
Other services		

BDO Advisory (WA) Pty Ltd- Investigating Accountant's Report	**28,478**	-
Total auditor's remuneration	**52,640**	-

Note 24: Interest in jointly controlled operation

The Group entered into a Joint Venture (JV) with Japan Oil, Gas and Metals National Corporation (**JOGMEC**), which commenced effective 30 March 2017.

JOGMEC can earn up to a 51% interest in two exploration tenements, EL7427 and EL7676, owned by the Company, located in East Lachlan, NSW, Australia, known as the Parkes Project (**Project**) by funding up to $3,000,000 of exploration expenditure. The Parkes JV is only the fifth JV JOGMEC has in Australia. The Project is prospective for copper/gold porphyry.

A 1st year $1m agreed exploration program has already commenced and drilling is planned to begin in October or November 2017.

JOGMEC is a Japanese government independent administrative institution which among other things seeks to secure stable resource supply for Japan. Details about JOGMEC can be found on the corporation's website at: jogmec.go.jp/english/about/index.html.

Key terms of the JV are set out below:

- JOGMEC has the right to earn a 51% interest in the Parkes Project by funding $3,000,000 of exploration expenditure on the Project tenements over a period of up to 3 years.
- JOGMEC is required to spend a minimum of $300,000 before withdrawing from the Agreement.
- MAG to act as Operator of the project on behalf of the parties during the JV until JOGMEC becomes a majority owner at which point the Operator shall be appointed by JOGMEC.
- JOGMEC has the right to assign its interest in the agreement to Japanese company(s) (this is in line with JOGMEC's mission, which is to help source and de-risk opportunities for Japanese corporations).

Directors' declaration

1. In the opinion of the directors of Magmatic Resources Limited (the "Company"):

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year then ended; and

      ii. complying with Accounting Standards, Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2017.

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

DBerrie

D Berrie
Chairman
Perth, Western Australia

29 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Magmatic Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magmatic Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Share-based payments

Key audit matter	*How the matter was addressed in our audit*
During the year ended 30 June 2017, as part of the Initial Public Offering, the Group issued equity instruments to key management personnel, seed capitalists, brokers and Gold Fields Australia Pty Ltd ("Gold Fields") which have been accounted for as share based payments, as disclosed in Note 15 of the Financial Report. Share based payments is a key audit matter as the accounting can be complex and requires judgement and the use of assumptions regarding their recognition and measurement.	Our procedures included, but were not limited to: • Obtaining an understanding of the underlying transactions through discussions with management and reviewing arrangements in place; • Evaluating management's assessment of the likelihood of meeting performance conditions attached to the equity instruments; • Recalculating the estimated fair value of the equity instruments using relevant valuation methodologies and assessing the valuation inputs using internal specialists where appropriate; • Checking the share based payment expense had been recognised appropriately according to the vesting conditions; and • Assessing the adequacy of the related disclosures in Note 1(q), Note 1(v) and Note 15 to the Financial Report.

Recoverability of Exploration and Evaluation Asset

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2017 the carrying value of Exploration and Evaluation Assets was $1,368,350, as disclosed in Note 10 of the Financial Report. As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, the assets was required to be assessed for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. In particular whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained Current at balance date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 1(o), Note 1(v) and Note 10 to the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 27 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Magmatic Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Neil Smith

Director

Perth, 29 September 2017

Additional Shareholder Information

The following additional information is current as at 27 September 2017.

CORPORATE GOVERNANCE:

The Company's Corporate Governance Statement is available on the company's website at www.magmaticresources.com/corporate-governance

SUBSTANTIAL SHAREHOLDER:

Holder Name	Holding	% IC
BILLINGUAL SOFTWARE PTY LTD <LET'S GO INVESTMENT A/C>	27,708,823	34.53%
GOLD FIELDS AUSTRALIA PTY LTD	16,000,000	19.94%
DAVTHEA PTY LTD <DAVID BERRIE SUPER FUND A/C>	10,524,044	13.12%

Ordinary Shares:

Holdings Ranges	Holders	Total Units	%
1-1,000	3	1,181	0
1,001-5,000	21	81,845	0.1
5,001-10,000	130	1,254,069	1.56
10,001-100,000	168	7,096,664	8.84
100,001-	47	71,816,241	89.49
Totals	**369**	**80,250,000**	**100.00**

There are 18 shareholders with less than a marketable parcel.

VOTING RIGHTS

Each fully paid ordinary share carries voting rights of one vote per share.

THE TOP 20 HOLDERS OF ORDINARY SHARES ARE:

Ranking	Holder	Shares Held	%
1	Billingual Software Pty Ltd <Let's Go Investment A/C>	27,708,823	34.53
2	Gold Fields Australia Pty Ltd	16,000,000	19.94
3	Davthea Pty Ltd <David Berrie Super Fund A/C>	10,524,044	13.12
4	Mr Alan John Tate	2,277,647	2.84
5	Serca Superfund Pty Ltd <Serca Super Fund A/C>	1,500,000	1.87
6	Executive Risk Solutions Pty Ltd <F Houston Family A/C>	1,470,588	1.83
7	Melshare Nominees Pty Ltd	1,195,000	1.49
8	Thomas Asset Discovery Limited	947,059	1.18
9	Jasper Hill Resources Pty Ltd <Superannuation Account>	791,375	0.99
10	Eric Mckenzie Nominees Pty Ltd <Peter Wilson Family A/C>	588,235	0.73
11	Gosojo Pty Ltd	500,000	0.62
12	Hanwood Lodge Pty Ltd	500,000	0.62
13	Perth Select Seafoods Pty Ltd	500,000	0.62
14	Mr Alan Schwartz	500,000	0.62
15	Wythenshawe Pty Ltd <Minjar A/C>	500,000	0.62

16	Mr Mirko Andrew Nizich	480,000	0.60
17	Mr Alan Goodfellow	450,000	0.56
18	T T Nicholls Pty Ltd <Superannuation Account>	372,745	0.46
19	Merrill Lynch (Australia) Nominees Pty Limited	345,574	0.43
20	Black Swan Superannuation Pty Ltd <Black Swan Super Fund A/C>	312,500	0.39
	Total	**67,463,590**	**84.07%**
	Total remaining holders	**12,786,410**	**15.93%**

LISTED OPTIONS EXERCISABLE AT $0.30 EXPIRING 17 MAY 2020:

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0
1,001-5,000	122	607,500	7.16
5,001-10,000	30	214,134	2.25
10,001-100,000	113	3,472,642	40.95
100,001-	17	4,186,337	49.36
Totals	**282**	**8,480,613**	**100.00**

THE TOP 20 HOLDERS OF LISTED OPTIONS ARE:

Holder	Holding	%
Serca Superfund Pty Ltd <Serca Super Fund A/C>	750,000	8.84
Melshare Nominees Pty Ltd	587,500	6.93
Gosojo Pty Ltd	250,000	2.95
Hanwood Lodge Pty Ltd	250,000	2.95
Mr Alan Schwartz	250,000	2.95
Wythenshawe Pty Ltd <Minjar A/C>	250,000	2.95
Davthea Pty Ltd <David Berrie Super Fund A/C>	244,375	2.88
Mr Mirko Andrew Nizich	240,000	2.83
Mr Alan Goodfellow	225,000	2.65
T T Nicholls Pty Ltd <Superannuation Account>	186,372	2.20
Merrill Lynch (Australia) Nominees Pty Limited	172,787	2.04
Goffacan Pty Ltd	158,428	1.87
Mr Constantine Differding + Mrs Tonie Maree Differding <Differding Super Fund A/C>	125,000	1.47
Lightframe Holdings Pty Ltd	125,000	1.47
Mr Trevor John Pitcher + Mrs Fay Rosemary Pitcher	125,000	1.47
Ms Shirley Eleanor In't Veld	125,000	1.47
David John Richardson + Ryoko Richardson <D & R Richardson S/F A/C>	121,875	1.44
Mr Ben Bartlett + Mrs Holly Marie Bartlett	100,000	1.18
Mr Murray James Mcgill + Mrs Suzanne Appel Mcgill <Mcgill Superannuation A/C>	85,000	1.00
Beirne Trading Pty Ltd	83,625	0.99
Total of Securities	**4,454,962**	**52.53**

UNQUOTED EQUITY SECURITIES

Number	Number of Holders	+Class	Escrow Period	Holders of more than 20%
51,044,118	3	Ordinary shares	19 May 2019	Billingual Software Pty Ltd (26,815,441 shares) Gold Fields Aust. Pty Ltd (16,000,000 shares)
947,059	1	Ordinary shares	11 May 2018	Thomas Asset Discovery Ltd (947,059 shares)
8,000,000		Class A performance shares	19 May 2019 (7,440,000) 11 May 2018 (560,000)	Billingual Software Pty Ltd (4,480,000) Gold Fields Aust. Pty Ltd (1,600,000 shares)
8,000,000		Class B performance shares	19 May 2019 (7,440,000) 11 May 2018 (560,000)	Billingual Software Pty Ltd (4,480,000) Gold Fields Aust. Pty Ltd (1,600,000)
9,500,000	23	Unlisted options*	19 May 2019 (8,750,000)	Melshare Nominees Pty Ltd (2,000,000 options)
7,500,000	1	Unlisted options**	19 May 2019	Gold Fields Aust. Pty Ltd (7,500,000 options)

*Exercisable at 30 cents and expiring 17 May 2020

**Exercisable at a price which is the greater of $0.20 or a 5% discount to the 20 day volume weighted average price of shares on ASX and expiring in three tranches as follows:
2,500,000 options expiring 11 May 2018;
2,500,000 options expiring 11 May 2019;
2,500,000 options expiring 11 May 2020

Use of Funds

The entity has used the cash and assets in a form readily convertible into cash at the time of listing in a way that is consistent with its business objectives.

There is no current buy-back.

Tenement Listing

Project Area	Tenement Details	% Held
Wellington North	EL6178	100
Myall	EL6913	100
Parkes	EL7424	100 (subject to 51% JV earn in)
Wellington North	EL7440	100
Moorefield	EL7675	100
Parkes	EL7676	100 (subject to 51% JV earn in)
Wellington North	EL8357	100
Moorefield	ELA5520	Application Pending