



MAGMATIC RESOURCES

Magmatic Resources Limited

ABN 32 615 598 322

Annual report
for the year ended 30 June 2022

Contents

| | |
|---|----|
| Corporate Information | 3 |
| Chairman's letter to shareholders | 4 |
| Review of operations | 5 |
| Directors' report | 16 |
| Auditor's independence declaration | 26 |
| Corporate governance statement | 27 |
| Consolidated statement of profit or loss and other comprehensive income | 28 |
| Consolidated statement of financial position | 29 |
| Consolidated statement of changes in equity | 30 |
| Consolidated statement of cash flows | 31 |
| Notes to the consolidated financial statements | 32 |
| Directors' declaration | 52 |
| Independent auditor's report to the members | 53 |
| ASX additional information | 56 |

Magmatic Resources Limited
ABN 32 615 598 322

Corporate Information

| | |
|--|--|
| Directors | David J Richardson – Executive Chairman Adam R McKinnon – Managing Director (appointed 15 March 2022) David W Berrie – Non-Executive Director Andrew J Viner – Non-Executive Director (appointed 17 December 2021) |
| Company Secretary | Andrea S Betti David W Berrie |
| Registered Office and Principal Place of Business | Suite 7, 55 Hampden Road Nedlands WA 6009 Telephone: +61 8 9322 6009 Email: info@magmaticresources.com Website: www.magmaticresources.com |
| Share Registry | Computershare Investor Services Pty Ltd Level 11, 172 St George's Terrace Perth WA 6000 Telephone: 1300 850505 Telephone: +61 8 9415 4000 |
| Auditors | BDO Audit (WA) Pty Ltd Level 9 Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000 |
| Solicitors | HopgoodGanim Level 8, 1 Eagle Street Brisbane QLD 4000 |
| ASX Code | Magmatic Resources Limited is listed on the Australian Securities Exchange Shares: MAG |

Chairman's Letter

Dear shareholder,

I am pleased to present the Company's sixth annual report since listing on the ASX in May 2017.

The East Lachlan is a globally significant gold-copper province, most famous for Newcrest Mining Limited's world class gold-copper porphyry cluster at the Cadia Valley Mines and the Northparkes copper-gold porphyry mine owned by the China Molybdenum Company Limited and Sumitomo Group.

Magmatic recognised the potential of the region, acquiring four exploration projects from Gold Fields Limited in 2014, and we have always described Magmatic as a junior explorer with a "major's" portfolio. .

To further focus our activities on the three 100%-owned advanced gold/copper projects in the East Lachlan, the Company demerged its Moorefield orogenic gold project to its wholly owned subsidiary Australian Gold and Copper Limited (AGC), which was then listed as a separate listed entity on the ASX in January 2021.

The Company's three gold-copper projects represent strategic positions with advanced target portfolios adjacent to major mining operations and recent discoveries in the region.

Significant work was carried out by our exploration team located in Orange New South Wales during the year. Multiple aircore and diamond drilling programs were completed at our Wellington North and Myall projects.

The Myall Project's ongoing diamond drilling program has recently identified a significant new porphyry copper-gold target at the Corvette prospect, with mineralisation showing strong similarities to the Northparkes deposit located 60 kilometres south.

The Wellington North Project has a dominant tenure position and target portfolio essentially surrounding the Boda gold-copper deposit held by Alkane Resources Limited.

Magmatic also holds a strategic position in the Parkes Fault Zone (Parkes Project), immediately south from Alkane's Tomingley Gold Operations and recent Roswell and San Antonio discoveries.

In March 2022 the Company appointed Dr Adam McKinnon as Managing Director. Adam was previously General Manager - Exploration and Business Development at Aurelia Metals Limited, where he had multiple discovery successes including the high-grade Federation Zn-Pb-Au-Cu discovery, which is currently being developed. Magmatic would like to thank Peter Duerden for his service as the Company's previous Managing Director.

During the year the Company received \$2,514,561 from option holders who exercised 34,827,710 options.

The Company is very well funded, and we look forward to advancing our gold/copper targets in the 2023 Financial Year.

I want to take this opportunity to thank our dedicated employees and contractors across the business for their contributions to the successful execution of both exploration and corporate activities in the reporting period and acknowledge our loyal shareholders for their continued support of the Company.

Sincerely



David Richardson
Executive Chairman

Review of Operations

Magmatic Resources Limited (“Magmatic” or the “Company”) (ASX:MAG) is a New South Wales-focused copper and gold explorer that listed in May 2017, following the acquisition of an advanced portfolio in the East Lachlan, New South Wales from Gold Fields Limited in 2014 (Figure 1).

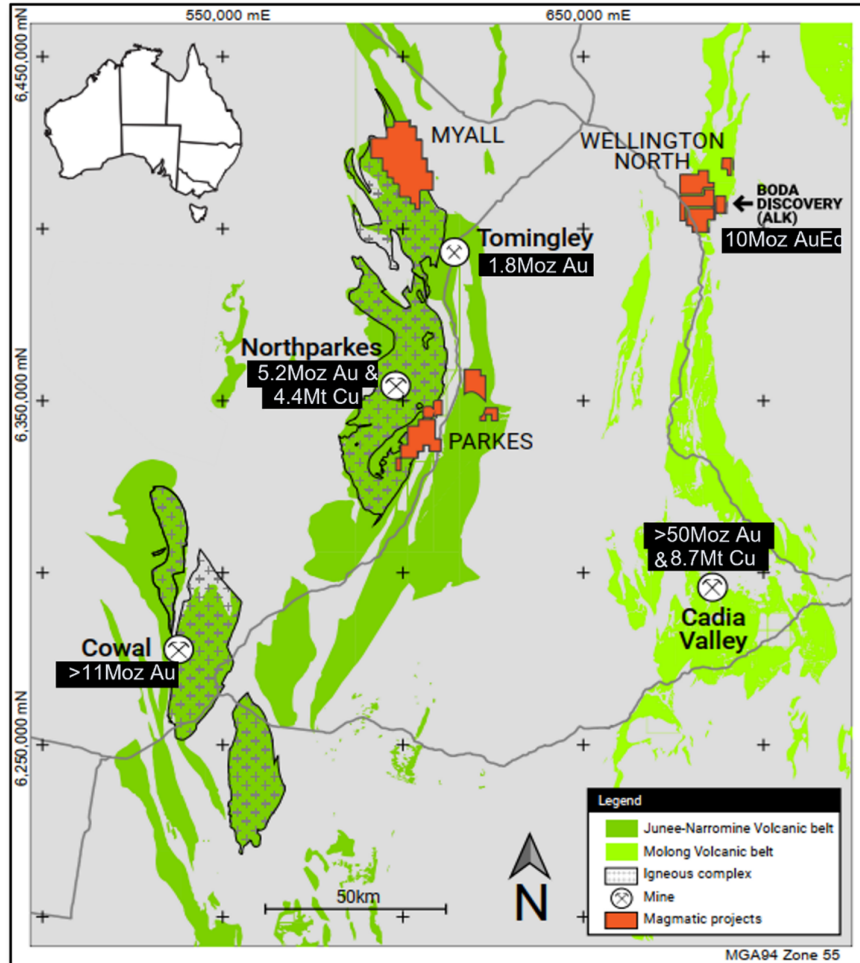


Figure 1. Location of Magmatic’s East Lachlan Projects (Resources from Phillips, 2017; CMOC, 2018; Evolution, 2019; Newcrest 2019; Alkane 2020, 2022)

Exploration in the East Lachlan Region

The Company has three 100%-owned projects comprising six licences in the East Lachlan region of New South Wales – namely Myall, Wellington North and Parkes.

The East Lachlan region is a globally significant gold-copper province with an endowment of more than 80 million ounces of gold and 13 million tonnes of copper (Phillips, 2017). It is most famous for Newcrest Mining’s (ASX:NCM) world class gold-copper porphyry cluster at the Cadia Valley, where the Cadia East Mine represents Australia’s largest and one of the world’s most profitable gold producers (Newcrest, 2021). In addition, the Northparkes copper-gold porphyry deposits (China Molybdenum/Sumitomo) and Cowal gold deposit (Evolution Mining ASX:EVN) represent significant long-life mining operations.

The Company’s projects represent strategic holdings and target portfolios adjacent to major mining operations and recent discoveries.

Magmatic Resources Limited
ABN 32 615 598 322

Ongoing exploration activity, including recent diamond drilling, indicates strong similarities between the Company's Myall Project and the Northparkes Mining District, located 60 kilometres to the south (CMOC, 2021). The recent 10.1 million ounce-equivalent maiden resource for the Boda gold-copper discovery (ASX:ALK 30 May 2022) has highlighted the value of Magmatic's dominant surrounding tenure position and target portfolio at its Wellington North Project. The Company also holds a strategic position in the Parkes Fault Zone (Parkes Project), immediately south from Alkane's Tomingley Gold Operations and recent Roswell and San Antonio discoveries.

Myall Project (Copper-Gold)

Magmatic Resources Limited 100%

The Myall Copper-Gold Project covers the northern extension of the Junee - Narromine Volcanic Belt, located ~60km north and along strike from the Northparkes copper-gold Mining District (China Molybdenum/Sumitomo, **Figure 2**).

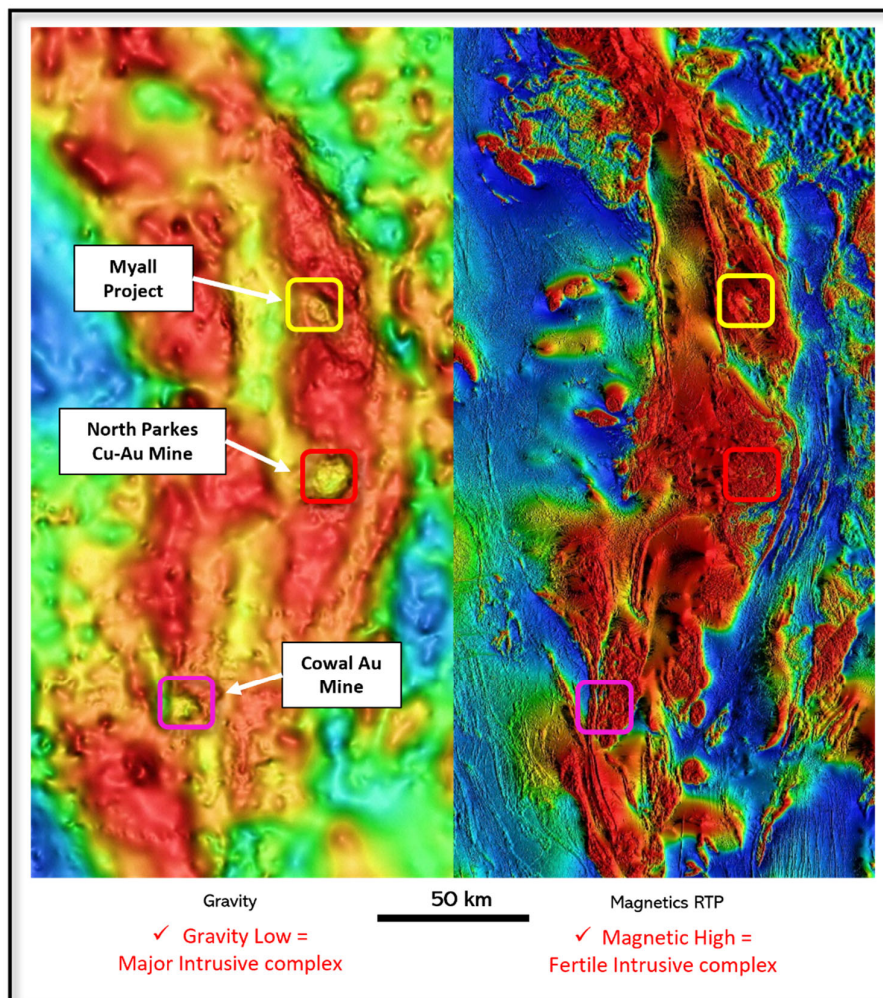


Figure 2. Regional gravity and magnetic imagery, highlighting the similarities between the Myall Project and the major deposits in the Junee-Narromine Volcanic Belt.

Multiple previously drilled copper-gold intercepts, including 70 metres at 0.54% Cu & 0.15g/t Au from 141m and 62 metres at 0.27% Cu & 0.13g/t Au from 260m (MYACD001, ASX:MAG 4 June 2017), highlight near equivalent grades to the Northparkes Mine Resources (CMOC, 2018) and indicate potential for a fertile porphyry cluster at Myall. In the 2020-2021 financial year the Company defined a wide zone of copper

Magmatic Resources Limited
ABN 32 615 598 322

mineralisation at the Kingswood Prospect, including 381.9 metres at 0.20% Cu from 150m to end of hole in 21MYDD412 (ASX:MAG 29 March 2021), which further highlighted the potential of the region.

During the year, a review of the extensive copper-gold potential of the Myall Project area was conducted and Magmatic's Board approved a high impact diamond drilling program that was designed to target the highly prospective Kingswood, Kingswood North and Corvette prospect areas. The proposed program was initially set to comprise around 3,000 metres of drilling. Drill pad and site access preparations for the Myall program commenced in June 2022, although extensive rainfall in the region delayed commencement of drilling until later in the following month.

Subsequent to the end of the financial year the Company announced the first drilling at the prospect (ASX:MAG 23 August 2022) had returned a broad copper-gold-molybdenum mineralised zone from the upper portion of the first hole (Figures 3 & 4), including:

- 22MYDD415** 151.5 metres at 0.37% Cu, 0.08g/t Au & 43ppm Mo from 134.5m (base of cover), including 13.0 metres at 0.81% Cu, 0.19g/t Au & 90ppm Mo from 152m, and 22.0 metres at 0.50% Cu, 0.08g/t Au & 67ppm Mo from 201m, and 13 metres at 0.35% Cu, 0.09g/t Au & 126ppm Mo from 225m (high-Mo zone), and 6 metres at 0.65% Cu, 0.19g/t Au & 11ppm Mo from 276m

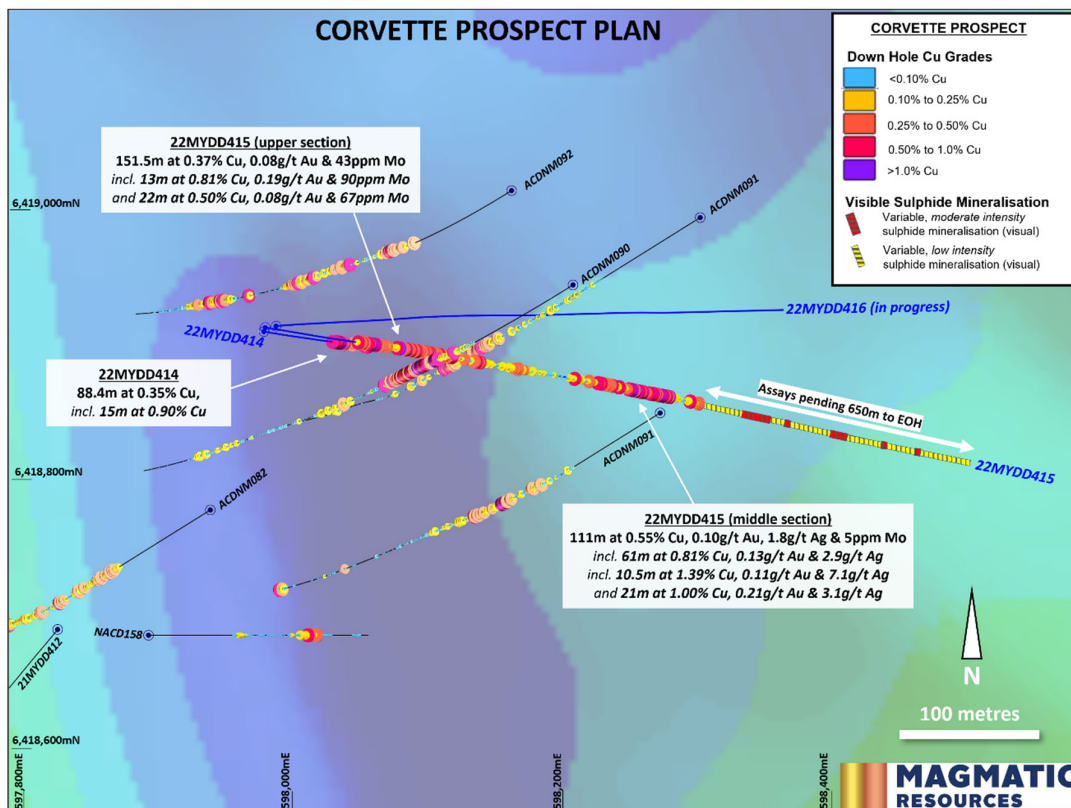


Figure 3. Plan of the Corvette Prospect over airborne magnetics (RTP) showing previous (ASX:MAG 4 June 2017) and recent diamond drilling with down hole copper mineralisation and visual sulphide intersections in 22MYDD415. Vertical air core holes <150 metres depth are omitted for clarity. Full details in ASX:MAG 13 September 2022.

Magmatic Resources Limited
ABN 32 615 598 322

A subsequent release (ASX:MAG 13 September 2022) reported even higher grades from the middle portion of the hole (Figures 3 & 4), including:

22MYDD415 111 metres at 0.55% Cu, 0.10g/t Au, 1.8g/t Ag & 5ppm Mo from 499m, including 61 metres at 0.81% Cu, 0.13g/t Au & 2.9g/t Ag from 542m, including 10.5 metres at 1.39% Cu, 0.11g/t Au & 7.1g/t Ag from 544.5m, and 21 metres at 1.00% Cu, 0.21g/t Au & 3.1g/t Ag from 582m,

At the time of this release, assays had been received to a down hole depth of 650 metres, resulting in an overall mineralised interval of 511.5 metres at 0.29% Cu, 0.06g/t Au & 17ppm Mo from 134.5m, with assays pending between 650 and 1,014.7 metres down hole.

Hole 22MYDD414, which was stopped at 227 metres down hole due to excessive deviation in the pre-collar, also returned a shallow, strongly mineralised zone over most of the drilled interval:

22MYDD414 88.4 metres at 0.35% Cu, 0.04g/t Au & 17ppm Mo from 131.6m (base of cover), including 15.0 metres at 0.90% Cu, 0.09g/t Au & 48ppm Mo from 137m

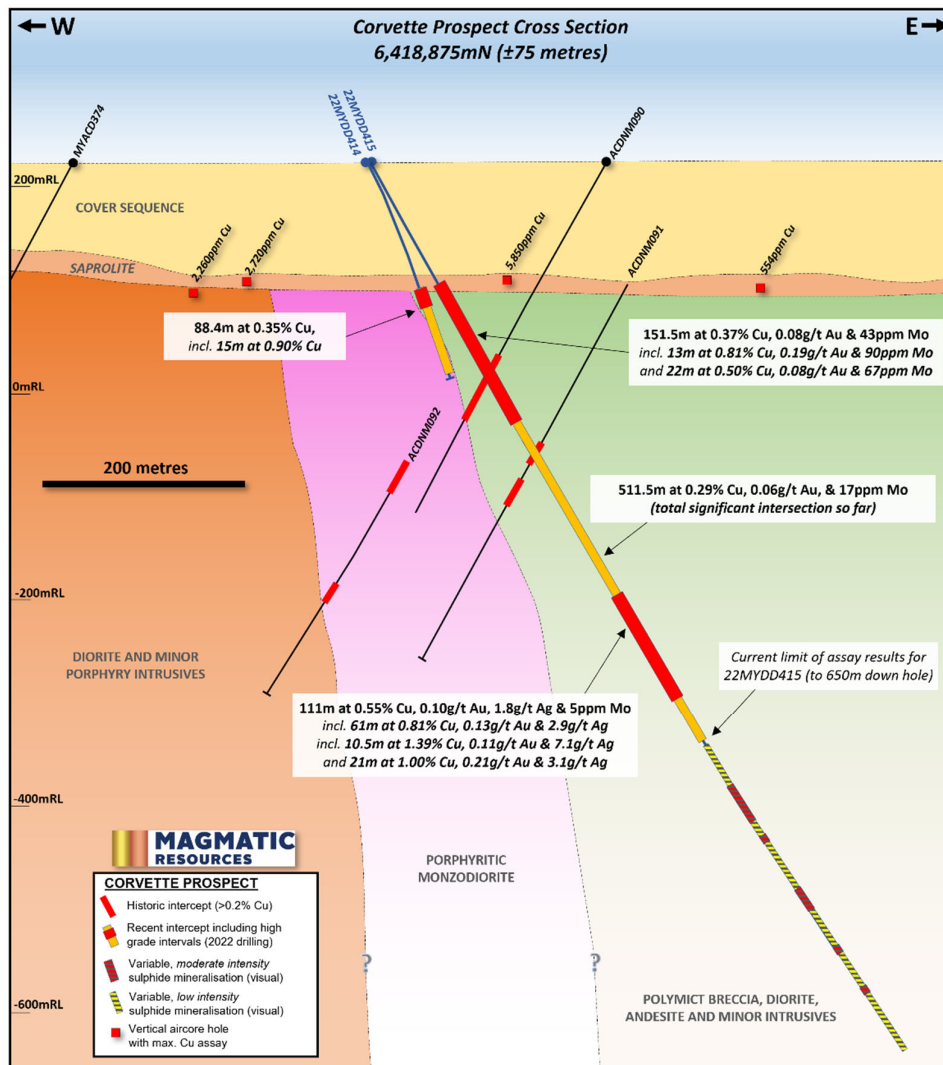


Figure 4. Schematic cross section looking north at the Corvette prospect showing intersections from 22MYDD414 & 22MYDD415 in relation to historic drilling (ASX:MAG 13 September 2022).

Magmatic Resources Limited
ABN 32 615 598 322

The strong results in the first drilling of the 2022 Myall diamond program were considered exceptionally encouraging, with the significant follow-up exploration expected in the coming year.



Figure 5. Magmatic Resources' Exploration Manager, Steven Oxenburgh, holding core with abundant breccia-hosted chalcopyrite (yellow) from 588m down hole in 22MYDD415 (left); and cross section of core from 591.6m down hole displaying semi-massive, breccia hosted chalcopyrite from 22MYDD415 (right).

Wellington North Project (Gold-Copper)

Magmatic Resources Limited 100%

The Wellington North Project covers the northern extension of the Molong Volcanic Belt, located north of Australia's largest gold producer at Cadia East (ASX:NCM) and effectively surrounding Alkane's recent Boda gold-copper discovery (ASX:ALK).

The project area is considered highly prospective for epithermal-porphyry gold-copper and epithermal lode, high grade gold mineralisation (**Figure 6**).

The historic Bodangora Gold Field produced 230,000 ounces @ 26g/t Au between 1869-1917 (ASX:MAG 17 May 2017). Magmatic's exploration activity during the year focussed on the Bodangora region, including diamond drilling, a regional air core geochemistry program and a ground magnetics survey.

During the year the Company completed an eight hole diamond program at the historic Mitchells Creek Mine at the Bodangora Goldfield to test for extensions to the high grade gold mineralisation. Significant mineralisation from this drilling included:

- 21BNDD018 **0.57 metres at 14.3g/t Au, 22g/t Ag & 1.1% Cu** from 265.6m
- 21BNDD014 **0.40 metres at 4.3g/t Au, 2g/t Ag** from 139.0m
- 21BNDD019 **0.65 metres at 1.5g/t Au, 6g/t Ag & 0.2% Cu** from 278.5m
- 21BNDD021 **0.38 metres at 1.0g/t Au, 8g/t Ag & 0.1% Cu** from 175.0m

Magmatic Resources Limited
ABN 32 615 598 322

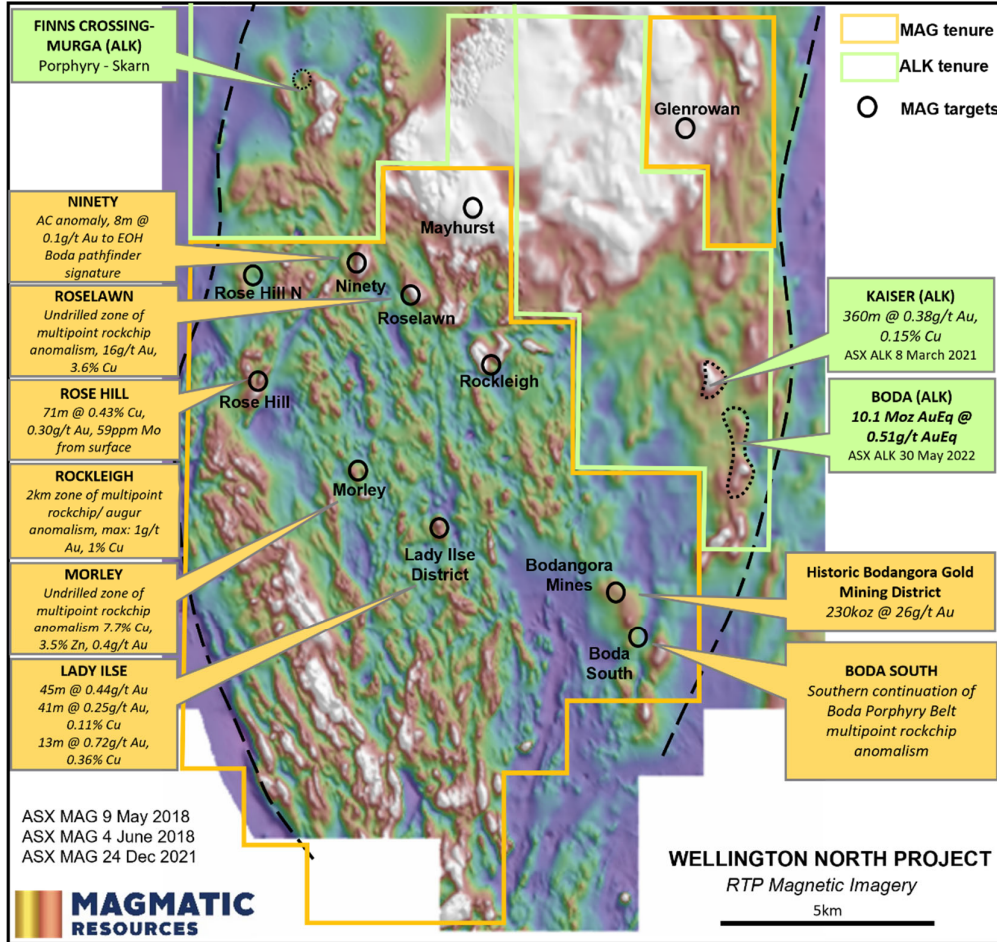


Figure 6. Aeromagnetic imagery (RTP) showing the Magmatic’s target portfolio in the Wellington North Project area and highlighting the proximity to the 10.1Moz AuEq Boda discovery (ASX:ALK 30 May 2022).

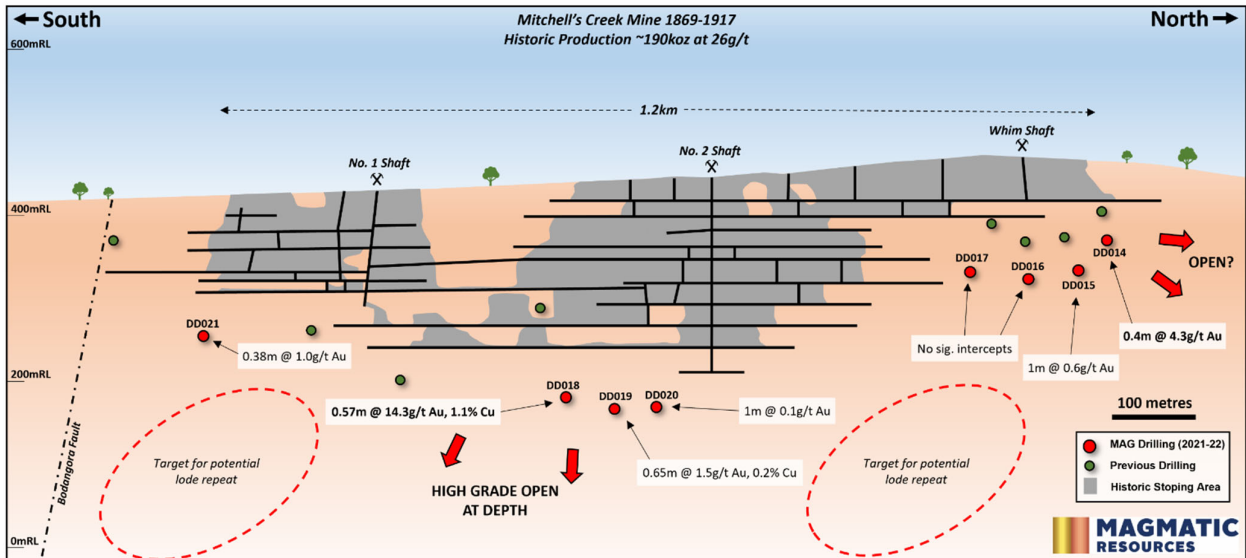


Figure 7. Schematic long section looking west showing the historic workings at the Mitchell's Creek Mine at the Bodangora Goldfield along with diamond drilling intercepts returned during the year (ASX:MAG 24 March 2022).

Magmatic Resources Limited
ABN 32 615 598 322

Gold mineralisation of variable tenor was intercepted in six of the eight holes drilled at Mitchells Creek, with the central portion of the deposit around hole 21BNDD018 (0.57 metres at 14.3g/t Au & 1.1% Cu) appearing to be most prospective for direct extensions of the high grade mineralisation (see **Figure 7**).

The mineralised intercepts were also variably elevated in silver, copper and tellurium, indicating a potential distal relationship with the nearby Boda Porphyry discovery (Alkane Resources Limited ASX:ALK) and other porphyry gold-copper prospects in the Wellington North project area (ASX:MAG). The northernmost diamond hole drilled in the recent program (21BNDD014) also returned an intercept of 4.3g/t, highlighting the potential for the mineralisation to continue along strike.

The Company also completed five diamond holes totalling 714 metres at the Dicks Reward workings, targeting extensions along strike to the northwest and southeast of the historic workings (**Figure 8**), including the following significant intercepts:

- 22BNDD023 **1.7 metres at 12.9g/t Au & 8g/t Ag** from 65.5m
- 22BNDD024 **1.0 metres at 0.5g/t Au** from 58.0m
 0.35 metres at 10.7g/t Au from 78.8m
- 22BNDD025 **1.0 metres at 1.4g/t Au** from 62.0m
 0.3 metres at 1.3g/t Au from 66.8m

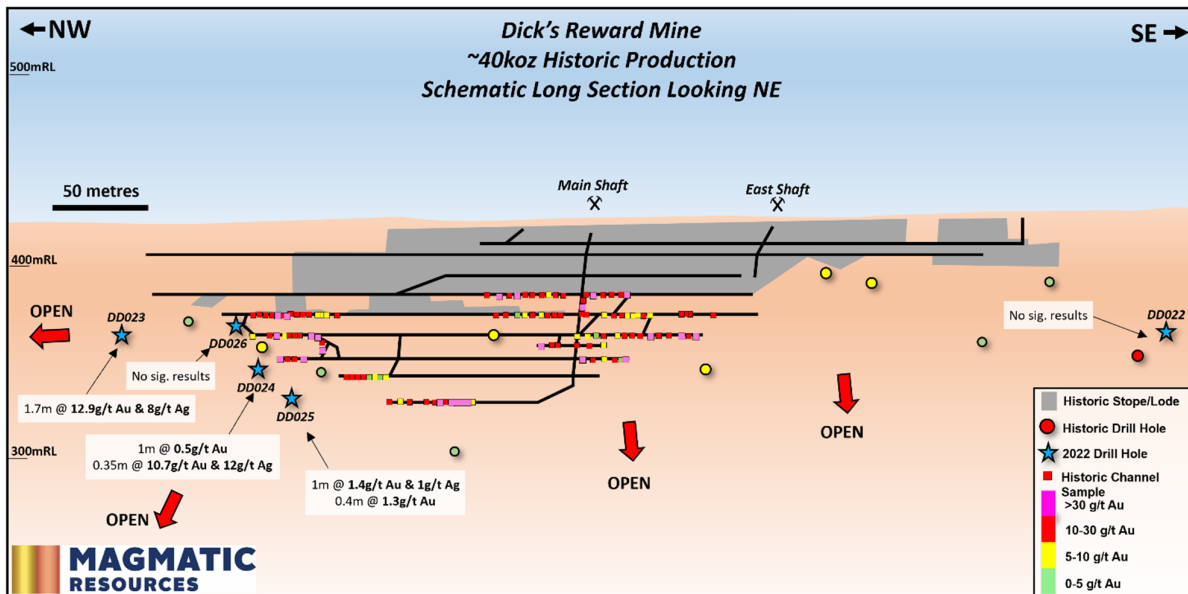


Figure 8. Schematic long section looking northeast showing the historic workings at the Dicks Reward mine in the Bodangora Goldfield showing results from recent diamond drilling (ASX:MAG 8 July 2022).

The Company was particularly encouraged by the results in hole 22BNDD023 (**1.7 metres at 12.9g/t Au**), which indicates that shallow, high grade mineralisation remains open to the northwest of the Dicks Reward workings (**Figure 8**). The results in the holes that were drilled close to the workings (22BNDD024, 025 and 026) were quite variable but do indicate the presence of further high-grade mineralisation, including **0.35 metres at 10.7g/t Au** in 22BNDD024 (**Figure 8**). Significant potential mineralisation may also be present below the central portion of the deposit, which was not able to be drilled due to the exceptionally wet conditions prevailing in the region.

Drill hole details and significant intercepts for diamond holes drilled on at the Wellington North Project during the year are summarised in **Tables 1 & 2**.

Magmatic Resources Limited
ABN 32 615 598 322

Table 1. Collar summary for DD holes in reporting period.

| Target | Hole ID | Easting (MGA55) | Northing (MGA55) | RL (m) | Dip | Azimuth | Depth (m) |
|-----------------|-----------|-----------------|------------------|--------|-----|---------|-----------|
| Mitchells Creek | 21BNDD014 | 687,604 | 6,408,263 | 465 | -60 | 297 | 198.8 |
| Mitchells Creek | 21BNDD015 | 687,607 | 6,408,262 | 465 | -75 | 297 | 198.8 |
| Mitchells Creek | 21BNDD016 | 687,654 | 6,408,252 | 465 | -70 | 228 | 225.8 |
| Mitchells Creek | 21BNDD017 | 687,709 | 6,408,177 | 465 | -70 | 220 | 243.7 |
| Mitchells Creek | 21BNDD018 | 687,991 | 6,407,769 | 464 | -69 | 245 | 304.9 |
| Mitchells Creek | 21BNDD019 | 688,003 | 6,407,780 | 465 | -75 | 261 | 309.9 |
| Mitchells Creek | 21BNDD020 | 688,013 | 6,407,787 | 466 | -70 | 280 | 300.7 |
| Mitchells Creek | 21BNDD021 | 688,035 | 6,407,313 | 431 | -60 | 250 | 189.6 |
| Dicks Reward | 22BNDD022 | 687,083 | 6,407,877 | 430 | -70 | 258 | 174.7 |
| Dicks Reward | 22BNDD023 | 686,703 | 6,408,238 | 422 | -65 | 282 | 177.6 |
| Dicks Reward | 22BNDD024 | 686,698 | 6,408,232 | 422 | -60 | 160 | 132.5 |
| Dicks Reward | 22BNDD025 | 686,707 | 6,408,257 | 423 | -60 | 142 | 129.6 |
| Dicks Reward | 22BNDD026 | 686,694 | 6,408,180 | 421 | -75 | 162 | 99.6 |

Table 2. Significant intercepts in returned for the reporting period for the Bodangora Goldfield

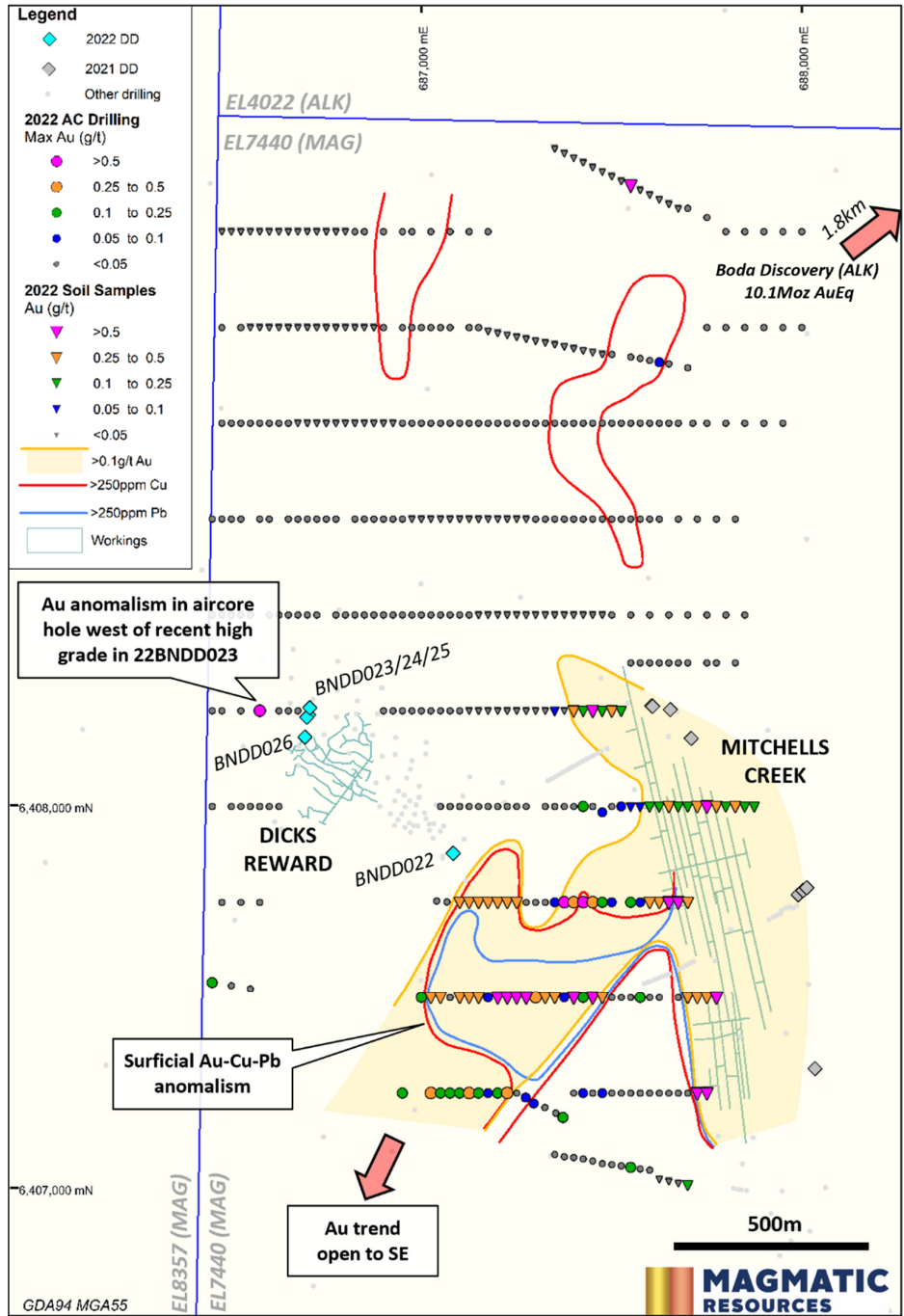
| Hole_ID | Interval | Au (g/t) | Ag (g/t) | Cu (%) | From (m) |
|-----------|--------------------|----------|----------|--------|----------|
| 21BNDD014 | 0.35 | 0.1 | 0.16 | 0.0 | 128.0 |
| | 0.4 | 4.3 | 1.84 | 0.0 | 139.0 |
| 21BNDD015 | 1.0 | 0.6 | 0.26 | 0.0 | 137.0 |
| 21BNDD016 | No sig. intercepts | | | | |
| 21BNDD017 | No sig. intercepts | | | | |
| 21BNDD018 | 0.57 | 14.3 | 21.7 | 1.1 | 265.6 |
| 21BNDD019 | 0.65 | 1.5 | 5.65 | 0.2 | 278.5 |
| 21BNDD020 | 0.05 | 0.3 | 0.49 | 0.0 | 274.3 |
| | 1.0 | 0.1 | 0.18 | 0.0 | 279.0 |
| 21BNDD021 | 1.0 | 0.1 | 0.12 | 0.0 | 2.0 |
| | 0.38 | 1.0 | 8.42 | 0.1 | 175.0 |
| 22BNDD022 | No sig. intercepts | | | | |
| 22BNDD023 | 1.7 | 12.9 | 8 | 0.0 | 65.5 |
| 22BNDD024 | 1.0 | 0.5 | 0 | 0.0 | 58.0 |
| | 0.35 | 10.7 | 12 | 0.0 | 78.8 |
| 22BNDD025 | 1.0 | 1.4 | 1 | 0.0 | 62.0 |
| | 0.4 | 1.3 | 0 | 0.0 | 66.8 |
| | 0.3 | 0.8 | 3 | 0.0 | 69.5 |
| 22BNDD026 | No sig. intercepts | | | | |

In addition to the diamond drilling, the Company completed a 279 hole, 2,908 metre air-core drill geochemical sampling program over the broader Bodangora region during the year, along with a further 160 soil samples collected on the topographic highpoints in each of the east-west sampling lines. The program identified a coherent northeast-southwest striking zone of anomalous gold over 200 metres wide and extending to 1,000 metres in length between and to the south of the historic workings (**Figure 9**). The gold trend is also coincident with both copper (Cu) and lead (Pb) anomalism greater than 250ppm. Copper and

Magmatic Resources Limited
ABN 32 615 598 322

lead sulphides are known to be associated with the gold mineralisation in the Bodangora Goldfield and Boda regions.

The new geochemical data also identified a coherent zone of copper anomalism along strike to the north of the Mitchells Creek workings, as well as a number of single-point gold anomalies on the northernmost sampling line and to the northwest of the Dicks Reward workings (**Figure 9**). Further drilling to follow-up the zones of geochemical anomalism is being considered for later in the current year.



Magmatic Resources Limited
ABN 32 615 598 322

Parkes Project (Gold)

Magmatic Resources Limited 100%

The Parkes Project comprises two exploration licences located within the Parkes Fault Zone, approximately 25 kilometres south from Alkane's Tomingley Gold Operations and recently defined resources at Roswell of 904,000oz of gold and 406,000oz of gold at San Antonio (ASX:ALK 2 May 2022). Several existing gold intersections are equivalent to early-stage exploration results at Alkane's Tomingley deposits, including:

- **16m at 1.22 g/t Au** from 13m (MM33) McGregors (ASX:MAG 17 May 2017)
- **18m at 0.72 g/t Au** from 33m (MM33) McGregors (ASX:MAG 17 May 2017)
- **26m at 0.55 g/t Au** from 34m (MM32) McGregors (ASX:MAG 17 May 2017)
- **22m at 0.79g/t Au** from 45m (S1) Stockmans (ASX:MAG 17 May 2017)
- **12m at 1.42g/t Au** from 7m (S2) Stockmans (ASX:MAG 17 May 2017)

Approximately 130 line-kilometres of a planned high resolution ground magnetics (GMAG) program was surveyed during the year at the Stockmans target, with completion of the full survey delayed due to heavy rainfall, contractor availability and cropping activities. The remaining GMAG data collection is scheduled for later in the current financial year and will assist with target generation and subsequent air core and/or RC drilling in the project area.

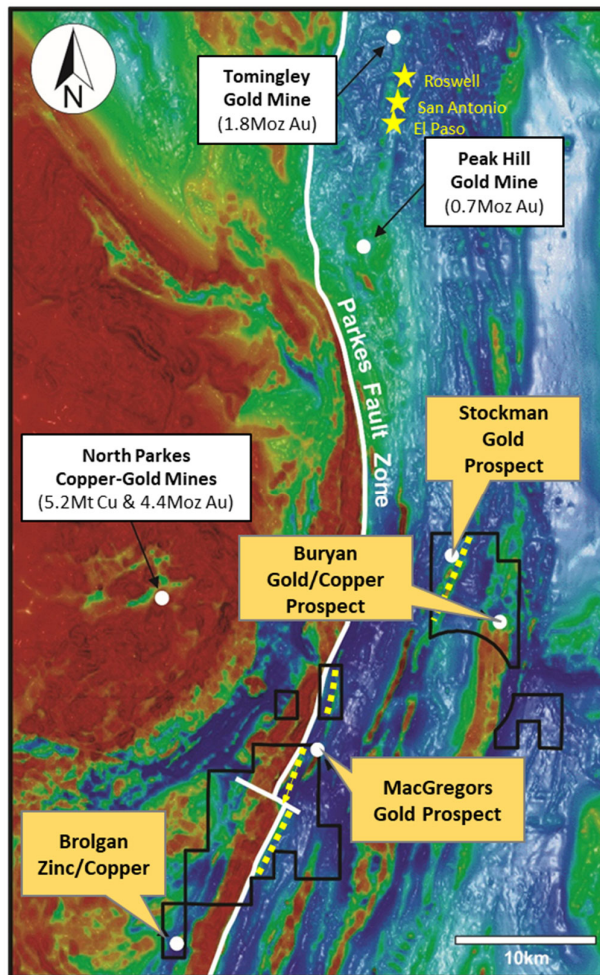


Figure 10. Parkes Project, aeromagnetic imagery, showing position along strike from Tomingley Gold Mine (ASX:ALK) and recent discoveries within the highly prospective Parkes Fault Zone

Magmatic Resources Limited
ABN 32 615 598 322

References

CMOC 2021., China Molybdenum Company Limited, <http://www.cmocinternational.com/australia/>
Evolution., 2018, <https://evolutionmining.com.au/reservesresources/>
Heithersay P S and Walshe J L, 1995, Endeavour 26 North: A porphyry Copper-Gold Deposit in the Late Ordovician, Shoshonitic Goonumbla Volcanic Complex, New South Wales, Economic Geology v90
House, M.J. 1994. Gold distribution at the E26 porphyry copper-gold deposit, NSW. M.Sc thesis, Uni of Tasmania
Lye 2006, The Discovery History of the Northparkes Deposits, Mines and Wines 2006
Newcrest., 2019, Newcrest Investor and Analyst Presentation, ASX Announcement, 18 November 2019
Newcrest 2020, Cadia Operations NI 43-101 Technical Report, 30 June 2020, https://www.newcrest.com/sites/default/files/2020-10/Technical%20Report%20on%20Cadia%20Operations%20as%20of%2030%20June%202020_0.pdf
Phillips, G N (Ed), 2017. Australian Ore Deposits, The Australasian Institute of Mining and Metallurgy: Melbourne

Competent Persons Statement

The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Adam McKinnon who is a Member of the AusIMM. Dr McKinnon is Managing Director and 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”. Dr McKinnon consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Additionally, Dr McKinnon confirms that the entity is not aware of any new information or data that materially affects the information contained in the ASX releases referred to in this report.

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 its wholly owned subsidiaries Modeling Resources Pty Ltd ("Modeling") and Landslide Investments Pty Ltd ("Landslide"). 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 year unless otherwise stated:

David J Richardson – *Executive Chairman*

Adam R McKinnon – *Managing Director (appointed 15 March 2022)*

David W Berrie – *Non-Executive Director*

Andrew J Viner – *Non-Executive Director (appointed 17 December 2021)*

Peter B Duerden – *Managing Director (appointed 3 February 2020, resigned 17 December 2021)*

Company Secretary

Andrea S Betti

David W Berrie

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 5 to 15 of this Annual Report.

Financial review

The loss for the Group after providing for income tax for the financial year amounted to \$3,019,039 (2021: profit of \$1,188,014).

As at 30 June 2022, the Group had net assets of \$6,731,700 (30 June 2021: \$7,519,063), including cash and cash equivalents of \$5,018,580 (30 June 2020: \$6,122,271).

Significant changes in the state of affairs

The Group raised \$2,514,561 from option holders who exercised 34,827,710 options.

The Company's retained 5.64% shareholding in Australian Gold and Copper Ltd was revalued down by \$394,632 at 30 June 2022 (2021: revalued down by \$338,256), based on the AGC closing market price of \$0.07 from its 30 June 2021 price of \$0.14.

Matters subsequent to the end of the financial year

During the first quarter of the 2023 financial year, the Group received \$577,600 from option holders who exercised 8,000,000 options and the Company announced the first drilling at the Corvette Prospect (ASX:MAG 23 August 2022) had returned a broad copper-gold-molybdenum mineralised zone from the upper portion of the first hole.

Likely developments and expected results

Additional comments on expected results of certain operations of the Group are included in the Review of Operations.

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.

Magmatic Resources Limited
ABN 32 615 598 322

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 Richardson B. Comm MBA Executive Chairman

Experience and expertise

Mr David Richardson has extensive international corporate experience including 15 years in Japan in Asia Pacific regional director positions with organisations such as Pacific Dunlop Ltd and Amcor Ltd, expertise includes venture capital and finance.

Mr Richardson founded Magmatic Resources in 2014, listing the Company on the ASX in 2017 and is Executive Chairman of the Company. Mr Richardson holds an Masters of Business Administration from the University of Southern California (USC), Los Angeles.

Mr Richardson is not considered to be independent due to his executive role as Executive Chairman of the Company and his interest in the securities of the Company.

Other current directorships: Australian Gold and Copper Ltd

Former directorships in the last 3 years: Nil

Special responsibilities: Executive Chairman

Interests in shares and options at the date of this report:

47,442,573 ordinary shares (indirectly held) and 8,000,000 options (indirectly held).

Adam McKinnon BSc (Hons), PhD, MAusIMM, MRACI (CCHEM) Managing Director (appointed 15 March 2022)

Experience and expertise

Dr McKinnon is a mining and geoscience professional with 16 years industry and academic experience. Before joining Magmatic Resources he was General Manager – Exploration and Business Development at Aurelia Metals Limited, where he was involved in a number of significant discoveries including the high grade Federation deposit south of Nymagee, NSW. Dr McKinnon also led several highly successful exploration programs whilst with KBL Mining Limited, including the discovery of the high grade Pearse gold-silver deposit near the Mineral Hill Mine. Dr McKinnon holds a PhD in mineralogy and geochemistry from Western Sydney University, is a Chartered Chemist with the Royal Australian Chemical Institute (RACI) and a Member of the Australian Institute of Mining and Metallurgy (AusIMM).

Dr McKinnon is not considered to be independent due to his executive role as Managing Director of the Company.

Other Current Directorships: Australian Gold and Copper Ltd (appointed 12 August 2022)

Former directorships in the last 3 years: Nil

Special Responsibilities: Managing Director

Interests in shares and options at the date of this report:

420,000 ordinary shares (directly held) and 10,000,000 options (indirectly held)

David Berrie LLB Non-Executive Director (appointed 28 October 2016)

Company Secretary (appointed 01 June 2019)

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. Mr Berrie has a Bachelor of Laws and a Bachelor of Juris Prudence from the University of Western Australia.

Other current directorships: Nil

Former directorships in the last 3 years:

Hylea Metals Limited (appointed 6 February 2018, resigned 2 January 2019)

Summit Resources Limited (appointed 19 Oct 2006, resigned 15 November 2018)

Special responsibilities: Joint Company Secretary

Interests in shares and options at the date of this report:

14,029,044 ordinary shares (indirectly held) and 4,000,000 options (indirectly held).

Magmatic Resources Limited
ABN 32 615 598 322

Andrew Viner BSc (Geology) Non-Executive Director (appointed 17 December 2021)

Experience and Expertise

Mr Viner is a geologist with more than 37 years' experience in multi commodity mining and mineral exploration in Australia, southeast and central Asia and South America. He has been an Executive and Managing Director of ASX listed Companies since 2002.

Andy has a BSc in Geology undertaken at Curtin University in Western Australia. He is a member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

Other Directorships: Nil

Former Directorships in the last 3 years: Strickland Metals Limited (appointed 21 June 2011, resigned 1 April 2021) 543,000 ordinary shares (533,000 indirectly held and 10,000 directly held).

Meetings of directors

During the financial year there were five formal directors' meetings. 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 directors have determined that the Company is not of a sufficient size to merit the establishment of Board committees of the Board, and therefore duties ordinarily assigned to committees are carried out by the full Board.

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

| | <i>Directors' meetings entitled to attend</i> | <i>Directors' meetings attended</i> |
|--------------|---|---|
| D Richardson | 5 | 5 |
| A McKinnon | 2 | 2 |
| D Berrie | 5 | 5 |
| A Viner | 3 | 3 |
| P Duerden | 2 | 2 |

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 |
|-------------------|-------------------|----------------|-------------------|
| 14 October 2019 | 14 October 2022 | \$0.0722 | 3,000,000 |
| 22 October 2019 | 30 November 2022 | \$0.0722 | 8,000,000 |
| 29 November 2019 | 30 November 2022 | \$0.2322 | 8,000,000 |
| 31 January 2020 | 31 January 2023 | \$0.3352 | 9,040,000 |
| 31 January 2020 | 31 January 2023 | \$0.5772 | 4,460,000 |
| 04 December 2019 | 31 January 2023 | \$0.3352 | 660,000 |
| 04 December 2019 | 31 January 2023 | \$0.5772 | 340,000 |
| 18 February 2020 | 12 February 2023 | \$0.5262 | 2,000,000 |
| 24 September 2020 | 30 September 2023 | \$0.2642 | 500,000 |
| 25 September 2020 | 30 September 2023 | \$0.2642 | 250,000 |
| 28 May 2021 | 28 May 2024 | \$0.2062 | 4,000,000 |
| 27 October 2021 | 31 October 2024 | \$0.1500 | 1,250,000 |
| 29 November 2021 | 31 December 2024 | \$0.1452 | 4,050,000 |
| 29 November 2021 | 31 December 2024 | \$0.1936 | 1,950,000 |
| 15 March 2022 | 31 May 2025 | \$0.1002 | 10,000,000 |

Magmatic Resources Limited
ABN 32 615 598 322

Shares issued on the exercise of options

| Options Grant Date | Date of Expiry | Date Exercised | Exercised Price | Number of Options |
|---------------------------|-----------------------|-----------------------|------------------------|--------------------------|
| 31 August 2018 | 30 August 2021 | 30 July 2021 | \$0.0722 | 5,000,000 |
| 31 August 2018 | 30 August 2021 | 6 August 2021 | \$0.0722 | 441,500 |
| 31 August 2018 | 30 August 2021 | 13 August 2021 | \$0.0722 | 3,058,410 |
| 31 August 2018 | 30 August 2021 | 17 August 2021 | \$0.0722 | 165,000 |
| 31 August 2018 | 30 August 2021 | 20 August 2021 | \$0.0722 | 2,777,356 |
| 31 August 2018 | 30 August 2021 | 27 August 2021 | \$0.0722 | 5,358,892 |
| 31 August 2018 | 30 August 2021 | 1 September 2021 | \$0.0722 | 5,886,552 |
| 31 August 2018 | 30 August 2021 | 3 September 2021 | \$0.0722 | 140,000 |
| 22 November 2019 | 30 November 2022 | 3 September 2021 | \$0.0722 | 12,000,000 |

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel of Magmatic Resources Limited (the “Company” or “Parent”) for the financial year ended 30 June 2022. 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 Richardson - Executive Chairman
Adam McKinnon – Managing Director (appointed 15 March 2022)
David Berrie – Non-Executive Director
Andy Viner – Non-Executive Director (appointed 17 December 2021)
Peter Duerden – Managing Director (appointed 3 February 2020, resigned 17 December 2021)

(ii) Executives

Michael Franklin - Chief Financial Officer

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

Magmatic Resources Limited
ABN 32 615 598 322

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. Non-executive directors receive a board fee and fees for chairing or participating on board committees. They do not receive performance-based pay or retirement allowances.

For the year ended 30 June 2022, exclusive of superannuation guarantee, the annual cash remuneration for the Non-Executive Directors was \$122,862.

The non-executive directors fee pool approved by shareholders is \$250,000 per annum.

Directors' fees

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. The letter summarises the Board policies and terms, including remuneration relevant to the office of director.

The Board policy is to remunerate non-executive directors at commercial market rates for comparable companies for their time, commitment and responsibilities. Non-executive directors receive a Board fee but do not receive fees for chairing or participating on Board committees. Board members are allocated superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals may choose to sacrifice their salary or consulting fees to increase payments towards superannuation. Non-executive directors are granted options in the Company from time to time subject to shareholder approval.

Fees for non-executive directors are not linked to the performance of the Group.

Retirement allowances for directors

Apart from superannuation payments paid on salaries there are no retirement allowances for directors.

Executive pay

The executive pay and rewards framework has the following components:

- base pay and benefits such as superannuation where appropriate
- 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, in the past, issued options and performance rights to some key personnel.

Share-based compensation

Issue of shares

No shares were issued to directors during the year ended 30 June 2022.

Magmatic Resources Limited
ABN 32 615 598 322

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| | Number of Options Granted | Grant Date | Vesting and exercisable date | Option Life (Years) | Expiry Date | Share price on Grant Date | Exercise Price | Risk Free Interest Rate on Grant Date | Fair value Per option at grant date # |
|------------------|---------------------------|-------------|------------------------------|---------------------|-------------|---------------------------|----------------|---------------------------------------|---------------------------------------|
| David Richardson | 2,700,000 | 29 Nov 2021 | 1 Dec 2021 | 3.09 | 31 Dec 2024 | \$0.0990 | \$0.14520 | 0.929% | \$0.054596 |
| David Richardson | 1,300,000 | 29 Nov 2021 | 1 Dec 2021 | 3.06 | 31 Dec 2024 | \$0.0990 | \$0.19360 | 0.929% | \$0.048858 |
| David Berrie | 1,350,000 | 29 Nov 2021 | 1 Dec 2021 | 3.09 | 31 Dec 2024 | \$0.0990 | \$0.14520 | 0.929% | \$0.054596 |
| David Berrie | 650,000 | 29 Nov 2021 | 1 Dec 2021 | 3.09 | 31 Dec 2024 | \$0.0990 | \$0.19360 | 0.929% | \$0.048858 |
| Michael Franklin | 500,000 | 27 Oct 2021 | 1 Dec 2021 | 3.01 | 31 Oct 2024 | \$0.0930 | \$0.15000 | 1.032% | \$0.048889 |
| Adam McKinnon | 10,000,000 | 15 Mar 2022 | 27 May 2022 | 3.21 | 31 May 2025 | \$0.0950 | \$0.10020 | 1.88% | \$0.059968 |

The Black Scholes valuations for each option granted assumed the Expected Volatility parameter was 100% and the Dividend Yield parameter was 0.00%.

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the Company. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

The table below shows a reconciliation of options held by each KMP from the beginning to the end of the financial year ending 30 June 2022:

| 2022 Name & Grant dates | Balance at the start of the year | | Granted as compensation | Vested | | Forfeited | | Other changes | Balance at the end of the year | |
|-------------------------|----------------------------------|-----------|-------------------------|--------|---|--------------------------|-----------|---------------|--------------------------------|------------|
| | Unvested | Vested | | Number | % | Number | % | | Vested and exercisable | Unvested |
| D Richardson | | | | | | | | | | |
| 21 Nov 2021 | - | - | 4,000,000 | - | - | - | - | - | - | 4,000,000 |
| 23 Jan 2020 | 4,000,000 | - | - | - | - | - | - | - | - | 4,000,000 |
| 30 Aug 2018 | - | 5,000,000 | - | - | - | 5,000,000 ⁽¹⁾ | - | - | - | - |
| A McKinnon | | | | | | | | | | |
| 15 Mar 2022 | - | - | 10,000,000 | - | - | - | - | - | - | 10,000,000 |
| D Berrie | | | | | | | | | | |
| 21 Nov 2021 | - | - | 2,000,000 | - | - | - | - | - | - | 2,000,000 |
| 23 Jan 2020 | 2,000,000 | - | - | - | - | - | - | - | - | 2,000,000 |
| 30 Aug 2018 | - | 675,000 | - | - | - | - | 675,000 | 100 | - | - |
| M Franklin | | | | | | | | | | |
| 27 Oct 2021 | - | - | 500,000 | - | - | - | - | - | - | 500,000 |
| P Duerden | | | | | | | | | | |
| 23 Jan 2020 | 6,000,000 | - | - | - | - | - | 6,000,000 | 100 | - | - |

⁽¹⁾The total amount paid on the exercise of these options was \$361,000 at the rate of \$0.0722 per option.

Performance rights

No performance rights were issued during the year ended 30 June 2022.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance due to the nature of the Company's operations being a non-producing resources exploration company.

Magmatic Resources Limited
ABN 32 615 598 322

The table below shows the losses and earnings per share of the Company for the last four financial years:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|--------------------|----------------------|----------------------|----------------------|
| Net profit / (loss) | (\$3,019,039) | \$1,188,014 | (\$4,318,026) | (\$1,993,025) | (\$2,533,870) |
| Share Price at year end (cents) | 5.2 | 12.5 | 27.0 | 1.8 | 6.1 |
| Profit / (Loss) per share (cents) | (1.16) | 0.58 | (3.02) | (1.76) | (2.75) |

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 2022 are set out in the following tables.

The key management personnel of the Group comprise the directors of the Company and persons 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.

Year ended 30 June 2022

| Name | Salary / Fees \$ | Post- employment benefits / Superannuation \$ | Share-based compensation ¹ \$ | Other \$ | Total \$ |
|---------------------------------------|------------------------|---|--|-------------|----------------|
| Director | | | | | |
| D Richardson | 225,725 | 22,572 | 201,489 | - | 449,786 |
| A McKinnon (appointed 15 March 2022) | 103,985 | 10,399 | 54,703 | - | 169,087 |
| D Berrie | 90,000 | 9,000 | 100,745 | - | 199,745 |
| A Viner (appointed 17 December 2021) | 21,692 | 2,169 | - | - | 23,861 |
| P Duerden (resigned 17 December 2021) | 162,800 | 16,280 | (360,383) | - | (181,303) |
| Key Management Personnel | | | | | |
| M Franklin | 100,000 | 7,500 | 5,437 | - | 112,937 |
| | 704,202 | 67,920 | 1,991 | - | 774,113 |

¹ *Equity-settled share-based payments as per Corporations Regulation 2M.3.03(1) Item 11. These include negative amounts for options forfeited during the year and the reversal of prior year expenses.*

Year ended 30 June 2021

| Name | Salary / Fees \$ | Post- employment benefits / Superannuation \$ | Share-based compensation \$ | Other \$ | Total \$ |
|--|------------------------|---|-----------------------------------|-------------|------------------|
| Director | | | | | |
| D Richardson | 180,000 | 24,680 | 167,644 | - | 372,324 |
| P Duerden | 262,866 | 48,685 | 251,030 | - | 562,581 |
| D Berrie | 60,000 | 5,700 | 83,822 | - | 149,522 |
| D Flanagan (appointed 28 October 2020 resigned 4 February 2021) | 53,272 | 5,061 | - | - | 58,333 |
| Key Management Personnel | | | | | |
| M Franklin | 100,000 | - | - | - | 100,000 |
| | 656,138 | 84,126 | 502,496 | - | 1,242,760 |

Magmatic Resources Limited
ABN 32 615 598 322

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.

Remuneration of the Managing Director and other executives are formalised in letters of appointment and employment agreements and amendments thereof. These agreements and amendments thereof provide details of the salary and employment conditions relating to each employee.

| Name | Term of agreement and notice period | Base salary (excl. superannuation) | Termination payments |
|--|-------------------------------------|------------------------------------|----------------------|
| David Richardson <i>Executive Chairman</i> | N/A 3 months | \$240,000 | N/A |
| Adam McKinnon <i>Managing Director</i> | N/A 6 months | \$350,000 | N/A |
| Michael Franklin <i>Chief Financial Officer</i> | N/A 3 months | \$100,000 | N/A |

D Key management personnel equity holdings

| 2022 | Balance at beginning of year | Net movement during the year | Balance at the end of year |
|--|------------------------------|------------------------------|----------------------------|
| <i>Ordinary shares</i> | | | |
| Directors | | | |
| D Richardson | 42,442,571 | 5,000,000 ⁽¹⁾ | 47,442,571 |
| A McKinnon (appointed 15 March 2022) | - | 240,000 | 240,000 |
| D Berrie | 14,029,044 | - | 14,029,044 |
| A Viner (appointed 17 December 2021) | 243,000 | - | 243,000 |
| P Duerden (appointed 3 February 2020, resigned 17 December 2021) | 4,850,313 | (3,172,714) | 1,677,599 |
| Other Key management personnel | | | |
| M Franklin | 100,000 | 101,110 | 201,110 |

⁽¹⁾ This increase in shares was due to the exercise of options.

| Options | Balance at beginning of year | Net movement during the year | Balance at the end of year |
|--|------------------------------|------------------------------|----------------------------|
| Directors | | | |
| D Richardson | 9,000,000 | (1,000,000) | 8,000,000 |
| A McKinnon (appointed 15 March 2022) | - | 10,000,000 | 10,000,000 |
| D Berrie | 2,675,000 | 1,325,000 | 4,000,000 |
| A Viner (appointed 17 December 2021) | - | - | - |
| P Duerden (appointed 3 February 2020, resigned 17 December 2021) | 6,000,000 | (6,000,000) | 0 |
| Other Key management personnel | | | |
| M Franklin | - | 500,000 | 500,000 |

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

Loans to Key Management Personnel

There were no loans to individuals or members of key management personnel during the financial year.

Magmatic Resources Limited
ABN 32 615 598 322

Transactions with Key Management Personnel

Mr Andrew Viner (Non-Executive Director)

During the financial year Mr Viner's consulting company provided geological consultancy services to the Company to the value of \$59,280. These services were provided on normal commercial terms and conditions.

Other than described above, there were no transactions with key management personnel during the financial year or the previous financial year

E Voting and comments made at the Company's 2021 Annual General Meeting

Magmatic Resources Ltd received more than 99.18% of "yes" votes on its remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report.

Auditor's 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 24 and forms part of this directors' report for the year ended 30 June 2022.

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 | |
|---|---------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Assurance services | | |
| BDO Audit (WA) Pty Ltd | | |
| Audit and review of financial statements | 43,680 | 42,151 |
| Total remuneration for audit services | 43,680 | 42,151 |
| Consultancy services | | |
| BDO Corporate Finance (WA) Pty Ltd | | |
| Preparation of Independent Limited Assurance report | - | 10,622 |
| Total remuneration for audit services | - | 10,622 |
| Total auditor's remuneration | 43,680 | 57,773 |

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.

Magmatic Resources Limited
ABN 32 615 598 322

Insurance of Directors and Officers

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.



D Richardson
Executive Chairman
PERTH, Western Australia
Dated: 28 September 2022

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF MAGMATIC RESOURCES LIMITED

As lead auditor of Magmatic Resources Limited for the year ended 30 June 2022, 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.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2022

Corporate Governance Statement

The Company and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2022 Corporate Governance Statement is lodged with the ASX as a separate document to the Annual Report.

The 2022 Corporate Governance Statement was approved by the Board on 28 September 2022 and is current as at 30 June 2022. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.magmaticresources.com.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

| | | Consolidated | |
|--|------|--------------------|-------------|
| Note | 2022 | 2021 | |
| | \$ | \$ | |
| Continuing Operations | | | |
| Other income | 2 | 77,179 | 6,433,474 |
| | | 77,179 | 6,433,474 |
| Corporate administration expenses | 3 | (896,240) | (1,257,527) |
| Exploration and evaluation expenses | 3 | (2,085,934) | (3,135,379) |
| Exploration asset impairments | 8 | - | (260,000) |
| Share based payment expense | 12 | (111,747) | (588,039) |
| Finance costs | | (2,297) | (4,515) |
| | | (3,096,218) | (5,245,460) |
| Profit / (Loss) before tax | | (3,019,039) | 1,188,014 |
| Income tax | 4 | - | - |
| Net profit / (loss) for the year | | (3,019,039) | 1,188,014 |
| Other comprehensive income, net of tax | | | |
| Items that will not be classified subsequently to profit or loss | | - | - |
| Changes in the fair value of investments at fair value through other comprehensive income | 9 | (394,632) | (338,256) |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Total comprehensive profit / (loss) for the year | | (3,413,671) | 849,758 |
| Total comprehensive profit / (loss) for the period attributable to the members of Magmatic Resources Limited: | | (3,413,671) | 849,758 |
| Profit / (Loss) per share attributable to the members of Magmatic Resources Limited | | | |
| Profit / (Loss) per share (dollars) | 5 | (\$0.012) | \$0.006 |
| Profit / (Loss) per share fully diluted (dollars) | 5 | (\$0.012) | \$0.004 |

The above Consolidated 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 2022

| | | Consolidated | |
|--|------|------------------|------------------|
| Note | 2022 | 2021 | |
| | \$ | \$ | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 5,018,580 | 6,122,271 |
| Other receivables | | 116,948 | 107,628 |
| | | 5,135,528 | 6,229,899 |
| Total Current Assets | | | |
| Non-Current Assets | | | |
| Plant and Equipment | | 134,986 | 63,636 |
| Security Bonds | | 74,300 | 69,300 |
| Exploration assets | 8 | 1,368,350 | 1,368,350 |
| Right-of-use assets | | 21,529 | 68,765 |
| Financial assets held at fair value through other comprehensive income | 9 | 394,631 | 789,263 |
| | | 1,993,796 | 2,359,314 |
| Total Non-Current Assets | | | |
| Total Assets | | | |
| | | 7,129,324 | 8,589,213 |
| Current Liabilities | | | |
| Trade and other payables | 10 | 375,016 | 999,506 |
| Lease Liabilities | | 22,608 | 41,378 |
| | | 397,624 | 1,040,884 |
| Total Current Liabilities | | | |
| Non-Current Liabilities | | | |
| Lease Liabilities | | - | 29,266 |
| | | - | 29,266 |
| Total Liabilities | | | |
| | | 397,624 | 1,070,150 |
| Net Assets | | | |
| | | 6,731,700 | 7,519,063 |
| Equity | | | |
| Issued capital | 11 | 17,094,843 | 14,580,282 |
| Reserves | 12 | 4,480,256 | 4,763,141 |
| Accumulated losses | | (14,843,399) | (11,824,360) |
| | | 6,731,700 | 7,519,063 |
| Total Equity | | | |

The above Consolidated 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 2022

| Consolidated | Issued Capital \$ | Share Based Payments Reserve \$ | Capital Restructure Reserve \$ | Fair Value Other Comprehensive Income ("FVOCI") Reserve | Accumulated Losses \$ | Total Equity \$ |
|---|-------------------------|---|---|--|-----------------------------|-----------------------|
| Balance at 1 July 2020 | 15,071,988 | 3,752,985 | 250 | - | (13,012,374) | 5,812,849 |
| Profit after income tax expense for the year | - | - | - | - | 1,188,014 | 1,188,014 |
| Other comprehensive income for the year, net of tax | - | - | - | (338,256) | - | (338,256) |
| Total comprehensive (loss)/profit for the year | - | - | - | (338,256) | 1,188,014 | 849,758 |
| Transactions with owners recorded directly in equity | | | | | | |
| Share-based payments | - | 588,039 | - | - | - | 588,039 |
| Issue of ordinary shares | 5,415,898 | - | - | - | - | 5,415,898 |
| Capital raising expenses | (1,035,123) | 760,123 | - | - | - | (275,000) |
| In-specie Distribution to Shareholders | (4,872,481) | - | - | - | - | (4,872,481) |
| Total transactions with owners recorded directly in equity | (491,706) | 1,348,162 | - | (338,256) | 1,188,014 | 856,456 |
| Balance at 30 June 2021 | 14,580,282 | 5,101,147 | 250 | (338,256) | (11,824,360) | 7,519,063 |
| Balance at 1 July 2021 | 14,580,282 | 5,101,147 | 250 | (338,256) | (11,824,360) | 7,519,063 |
| Loss after income tax expense for the year | - | - | - | - | (3,019,039) | (3,019,039) |
| Other comprehensive income for the year, net of tax | - | - | - | (394,632) | - | (394,632) |
| Total comprehensive loss for the year | - | - | - | (394,632) | (3,019,039) | (3,413,671) |
| Transactions with owners recorded directly in equity | | | | | | |
| Share-based payments | - | 111,747 | - | - | - | 111,747 |
| Issue of ordinary shares | 2,514,561 | - | - | - | - | 2,514,561 |
| Capital raising expenses | - | - | - | - | - | - |
| Total transactions with owners recorded directly in equity | 2,514,561 | 111,747 | - | (394,632) | (3,019,039) | (787,363) |
| Balance at 30 June 2022 | 17,094,843 | 5,212,894 | 250 | (732,888) | (14,843,399) | 6,731,700 |

The above Consolidated 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 2022

| | Consolidated | |
|---|--------------------------|--------------------|
| | 2022 | 2021 |
| Note | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers and Government Subsidies | 53,199 | 171,382 |
| Payments to suppliers and employees | (907,784) | (868,663) |
| Payments for exploration expenditure | (2,718,430) | (2,517,984) |
| Net Interest received / (paid) | 17,735 | 9,690 |
| Net cash used in operating activities | 17(a) (3,555,280) | (3,205,575) |
| Cash flows from investing activities | | |
| Payments for property, plant & equipment | (9,936) | - |
| Tenement bonds refunded net of bonds (paid) | (5,000) | 22,000 |
| Net cash from / (used in) investing activities | (14,936) | 22,000 |
| Cash flows from financing activities | | |
| Repayment of lease liabilities | (48,036) | (44,873) |
| Proceeds from the exercise of options | 2,514,561 | 5,415,900 |
| Payment of capital raising costs | - | (300,000) |
| Net cash from financing activities | 2,466,525 | 5,071,027 |
| Net increase/(decrease) in cash and cash equivalents | (1,103,691) | 1,887,451 |
| Cash and cash equivalents at the beginning of the year | 6,122,271 | 4,234,820 |
| Cash and cash equivalents at the end of the year | 7 5,018,580 | 6,122,271 |

The above Consolidated 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 2022

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) Adoption of new and revised accounting standards and interpretations

In the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations issued by the AASB and, therefore, no change is necessary to Company accounting policies.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods as leases were only short term leases and low value leases.

(b) New accounting standards and interpretations that are not yet mandatory

The Directors have also reviewed all Standards and Interpretations issued and not yet adopted for the year ended 30 June 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Company accounting policies.

(c) 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.

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 1(u).

(d) Statement of compliance

The financial report was authorised by the Board of directors for issue on 28 September 2022.

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

(e) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(f) 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 subsidiaries; Modeling Resources Pty Ltd and Landslide Investments Pty Ltd. 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

Notes to the consolidated financial statements for the year ended 30 June 2022

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.

(g) 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.

(h) 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.

(i) 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.

(j) Other receivables

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

(k) 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.

Notes to the consolidated financial statements for the year ended 30 June 2022

(I) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate (being the interest rate implicit in the lease for the remainder of the lease term or, if that cannot be readily determined, the Group's incremental borrowing rate at the re-assessment date). An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised or there is a revision to the estimate of amounts payable under a residual value guarantee. In both cases an unchanged discount rate is used. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then

Notes to the consolidated financial statements for the year ended 30 June 2022

further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items such as IT-equipment and small items of office furniture.

(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.

Investments and other financial assets

Investments and other financial assets are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); or
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(i) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and pricing models to reflect the issuer's specific circumstances.

Notes to the consolidated financial statements for the year ended 30 June 2022

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(ii) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

(o) Exploration expenditure

Exploration expenditure is expensed to the statement of profit or loss as incurred and acquisition costs are capitalised as noncurrent 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 measured reliably, therefore the fair value of the equity instrument is used to determine the fair value of the asset.

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(n) (ii).

(p) Share based payments

Equity-settled share-based payment transactions to Directors and seed capitalists for services are measured 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.

Notes to the consolidated financial statements for the year ended 30 June 2022

The fair value is measured at the grant date of the equity instrument and is recognised in equity in the share-based payment reserve. The number of instruments expected to vest is estimated based on the non-market vesting conditions. The total expense is recognised at the date of grant of the options and rights.

(q) 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.

(r) 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.

(s) 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.

(t) In-specie distribution

The share capital of the Company was reduced by the fair value of an investment that was returned to shareholders.

(u) 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.

Judgements:

Impairment 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(o). The carrying amounts of exploration and evaluation assets are set out in Note 8.

Notes to the consolidated financial statements for the year ended 30 June 2022

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note (q).

| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Note 2: Other income | | |
| Gain on disposal of AGC | - | 6,243,740 |
| AGC shared services agreement income | 58,398 | 32,168 |
| NSW Government Co-operative Drilling Programme grant | - | 35,250 |
| COVID 19 Cash Boost subsidy | - | 103,995 |
| Office sub-lease | (952) | 1,905 |
| Interest income | 20,033 | 14,205 |
| Other | (300) | 2,211 |
| | 77,179 | 6,433,474 |
| Note 3: Expenses | | |
| Corporate and administration expenses | | |
| Depreciation | 27,440 | 25,986 |
| Director and Company Secretarial Fees | 216,230 | 220,487 |
| Consulting Fees | 25,000 | 100,000 |
| Investor Relations | 28,083 | 40,141 |
| Legal Fees | 39,518 | 65,272 |
| Travel | 31,486 | 11,396 |
| Employee Expenses | 368,999 | 292,756 |
| Rental Expense | 30,233 | 29,983 |
| Other | 129,251 | 471,506 |
| | 896,240 | 1,257,527 |
| Exploration and evaluation expenses | | |
| Exploration expenses incurred | 2,085,934 | 3,135,379 |
| Net exploration and evaluation expense | 2,085,934 | 3,135,379 |

Notes to the consolidated financial statements for the year ended 30 June 2022

Note 4: Income tax

(a) Income tax benefit

| | Consolidated 2022 | 2021 |
|--|----------------------|------------------|
| | \$ | \$ |
| 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 profit/(loss) from continuing operations before income tax | (3,019,039) | 1,188,014 |
| At the statutory income tax rate of 25% (2021: 26%) | (754,760) | 308,884 |
| Add | | |
| - Non-assessable income | - | (1,357,256) |
| - Share based payments | 27,936 | 152,890 |
| - Deductible equity costs | (39,477) | (68,158) |
| - Capital gain on exit from consolidated group | - | 51,297 |
| - Capital losses utilised | - | (51,297) |
| - Non-deductible expenses | - | 50,717 |
| - Under provision and correction of prior year balances | (971,627) | - |
| - Tax loss not brought to account | 1,737,927 | 912,923 |
| Income tax (benefit) | - | - |
| | (394,632) | (338,256) |
| Accounting profit/(loss from Other Comprehensive Income before income tax | 98,658 | 87,947 |
| At the statutory income tax rate of 25% (2021: 26%) | 98,658 | 87,947 |
| Add | | |
| - Temporary differences not brought to account | (98,658) | (87,947) |
| Income tax (benefit) reported in the statement of comprehensive income | - | - |

(b) Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account

Deferred tax assets comprise:

| | | |
|---|------------------|-----------|
| Accruals | 5,450 | 6,614 |
| Operating lease | 270 | 489 |
| Employee entitlements | 44,392 | 39,301 |
| Share issues & capital costs | 120,043 | 186,296 |
| Investments | 183,222 | - |
| Losses available for offset against future income – revenue | 2,612,765 | 3,407,824 |
| | 2,966,142 | 3,640,524 |
| Deferred tax liabilities comprise: | | |
| Prepayments | 16,085 | 10,227 |
| Exploration Equipment | 165 | - |
| Investments | - | 205,208 |
| Capitalised expenditure deductible for tax purposes | - | - |
| | 16,250 | 215,435 |
| Net unrecognised deferred tax assets | 2,949,892 | 3,425,089 |

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

Tax Losses

As at 30 June 2022, the Consolidated Entity has \$10,451,059 (2021: \$13,107,014) of taxable losses that are available for offset against future taxable profits of the consolidated entity, subject to the loss recoupment requirements in the Income Tax Assessment Act 1997. No deferred tax assets have been recognised in the Statement of Financial Position in respect of the amount of these losses, as it is not presently probable future taxable profits will be available against which the Company can utilise the benefit.

Notes to the consolidated financial statements for the year ended 30 June 2022

| | Consolidated | |
|--|--------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Note 5: Profit / (Loss) per share | | |
| Total basic profit / (loss) per share | (0.0116) | 0.0058 |
| Total fully diluted profit / (loss) per share | (0.0116) | 0.0042 |
| The profit / (loss) and weighted average number of ordinary shares used in the calculation of basic profit / (loss) per share is as follows: | | |
| Net profit / (loss) for the period | (3,019,039) | 1,188,014 |
| The weighted average number of ordinary shares | 259,750,467 | 205,768,090 |
| Options outstanding at year end | 51,500,000 | 75,908,558 |
| Fully diluted total weighted average securities on issue | 311,250,467 | 281,676,648 |

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 and Landslide Investments Pty Ltd. The Group has one reportable operating segment being gold exploration projects in Australia.

Note 7: Cash and cash equivalents

| | Consolidated | |
|--------------------------|------------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Cash at bank and on hand | 5,018,580 | 6,122,271 |
| | 5,018,580 | 6,122,271 |

(Refer to Note 13(f) which contains risk exposure analysis for cash and cash equivalents)

Note 8: Exploration project acquisition costs

| | Consolidated | |
|--|------------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | 1,368,350 | 1,628,350 |
| Project acquisition costs | - | - |
| Impairment of acquired exploration projects* | - | (260,000) |
| Acquisition costs in respect of areas of interest in the exploration phase | 1,368,350 | 1,368,350 |

*\$260,000 was impaired during the 2021 financial year in relation to the Mt Venn area of interest after the relevant exploration licences were surrendered in June 2021.

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.

Notes to the consolidated financial statements for the year ended 30 June 2022

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 9: Financial assets held at fair value through other comprehensive income

Investments

| | Consolidated | |
|--|-----------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | <u>789,263</u> | - |
| Investment in AGC retained at listing (5,367,594 shares) | - | 1,127,519 |
| Revaluation to fair market value | <u>(394,632)</u> | <u>(338,256)</u> |
| Closing balance | <u>394,631</u> | <u>789,263</u> |

Note 10: Trade and other payables

Current Trade and other payables

| | Consolidated | |
|--------------------------------|-----------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade creditors * | <u>154,737</u> | 817,690 |
| Other creditors | <u>218,407</u> | 180,732 |
| Goods and services tax payable | <u>1,872</u> | 1,084 |
| | <u>375,016</u> | <u>999,506</u> |

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

Note 11: Issued capital

(a) Ordinary shares issued

| | Consolidated | |
|---|--------------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| 254,486,798 (2021: 219,659,088) ordinary shares | <u>17,094,843</u> | <u>14,580,282</u> |

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.

Notes to the consolidated financial statements for the year ended 30 June 2022

(b) Movements in ordinary share capital:

| Date | Details | Number of shares | \$ |
|-----------------------------------|--|--------------------|-------------------|
| Balance as at 30 June 2020 | | 173,115,298 | 15,071,988 |
| 18 November 2020 | Options exercised at \$0.10 | 305,000 | 30,500 |
| 22 December 2020 | AGC in-specie distribution to shareholders | | (4,872,481) |
| 23 December 2020 | Options exercised at \$0.10 | 326,669 | 32,667 |
| 29 December 2020 | Options exercised at \$0.10 | 1,662,250 | 166,225 |
| 8 February 2021 | Options exercised at \$0.0722 | 10,000 | 722 |
| 12 March 2021 | Options exercised at \$0.0722 | 250,000 | 18,050 |
| 12 March 2021 | Share Placement at \$0.12 per share | 41,666,670 | 5,000,000 |
| 17 May 2021 | Options exercised at \$0.0722 | 2,000,000 | 144,400 |
| 11 June 2021 | Options exercised at \$0.0722 | 323,201 | 23,336 |
| | Capital Raising Expenses | | (1,035,125) |
| Balance as at 30 June 2021 | | 219,659,088 | 14,580,282 |
| Balance as at 30 June 2021 | | 219,659,088 | 14,580,282 |
| 30 July 2021 | Options exercised at \$0.0722 | 5,000,000 | 361,000 |
| 6 August 2021 | Options exercised at \$0.0722 | 441,500 | 31,876 |
| 13 August 2021 | Options exercised at \$0.0722 | 3,058,410 | 220,817 |
| 17 August 2021 | Options exercised at \$0.0722 | 165,000 | 11,913 |
| 20 August 2021 | Options exercised at \$0.0722 | 2,777,356 | 200,525 |
| 27 August 2021 | Options exercised at \$0.0722 | 5,358,892 | 386,912 |
| 1 September 2021 | Options exercised at \$0.0722 | 5,886,552 | 425,009 |
| 3 September 2021 | Options exercised at \$0.0722 | 12,140,000 | 876,508 |
| Balance as at 30 June 2022 | | 254,486,798 | 17,094,843 |

(c) Movements in share options

| | 2022 | | 2021 | |
|---|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted average exercise price | Number of Options | Weighted average exercise price |
| Listed Options to acquire ordinary fully paid shares at \$0.0722 on or before 30 August 2021: | | | | |
| Beginning of the financial year | 26,535,708 | 0.0722 | 26,535,708 | 0.10 |
| Issued during the year | - | - | - | - |
| Converted during the year | (22,827,710) | 0.0722 | (2,877,120) | 0.0944 |
| Expired during the year | (3,707,998) | - | - | - |
| Balance at end of financial year | - | - | 23,658,588 | 0.0722 |
| Unlisted Options to acquire ordinary fully paid shares on or before 14 October 2022: | | | | |
| Beginning of the financial year | 3,000,000 | 0.0722 | 3,000,000 | 0.10 |
| Issued during the year | - | - | - | - |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 3,000,000 | 0.0722 | 3,000,000 | 0.0722 |

Notes to the consolidated financial statements for the year ended 30 June 2022

| | 2022 | | 2021 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
| | 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 30 November 2022: | | | | |
| Beginning of the financial year | 28,000,000 | 0.1179 | 30,000,000 | 0.1426 |
| Issued during the year | - | - | - | - |
| Converted during the year | (12,000,000) | 0.0722 | (2,000,000) | 0.0722 |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 16,000,000 | 0.1522 | 28,000,000 | 0.1179 |
| Unlisted Options to acquire ordinary fully paid shares on or before 31 January 2023: | | | | |
| Beginning of the financial year | 14,500,000 | 0.4153 | 14,500,000 | 0.4631 |
| Issued during the year | - | - | - | - |
| Converted during the year | - | - | - | - |
| Expired during the year | (6,000,000) | 0.3352 | - | - |
| Balance at end of financial year | 8,500,000 | 0.4149 | 14,500,000 | 0.4153 |
| Unlisted Options to acquire ordinary fully paid shares on or before 12 February 2023: | | | | |
| Beginning of the financial year | 2,000,000 | 0.5262 | 2,000,000 | 0.5540 |
| Issued during the year | - | - | - | - |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 2,000,000 | 0.5262 | 2,000,000 | 0.5262 |
| (1) Unlisted Options to acquire ordinary fully paid shares on or before 30 September 2023: | | | | |
| Beginning of the financial year | 750,000 | 0.2642 | - | - |
| Issued during the year | - | - | 750,000 | 0.2920 |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 750,000 | 0.2642 | 750,000 | 0.2642 |
| (2) Unlisted Options to acquire ordinary fully paid shares on or before 28 May 2024: | | | | |
| Beginning of the financial year | 4,000,000 | 0.2062 | - | - |
| Issued during the year | - | - | 4,000,000 | 0.2062 |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 4,000,000 | 0.2062 | 4,000,000 | 0.2062 |
| (3) Unlisted Options to acquire ordinary fully paid shares on or before 31 October 2024: | | | | |
| Beginning of the financial year | - | - | - | - |
| Issued during the year | 1,250,000 | 0.1500 | - | - |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 1,250,000 | 0.1500 | - | - |

Notes to the consolidated financial statements for the year ended 30 June 2022

| | 2022 | Weighted average exercise price | 2021 | Weighted average exercise price |
|---|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Number of Options | | Number of Options | |
| (4) Unlisted Options to acquire ordinary fully paid shares on or before 31 December 2024: | | | | |
| Beginning of the financial year | - | - | - | - |
| Issued during the year | 6,000,000 | 0.1609 | - | - |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 6,000,000 | 0.1609 | - | - |
| (5) Unlisted Options to acquire ordinary fully paid shares on or before 31 May 2025: | | | | |
| Beginning of the financial year | - | - | - | - |
| Issued during the year | 10,000,000 | 0.1002 | - | - |
| Converted during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of financial year | 10,000,000 | 0.1002 | - | - |

(1) During the prior year, the Group issued 750,000 options with the fair value of \$90,338 in accordance with the Company's employee share ownership plan to certain key management personnel which vest progressively throughout the period during which they can be exercised but lapse if their employment is terminated. The options were valued using a Black-Scholes option pricing model using the following inputs:

| Grant Date | Share Price on Grant Date | Exercise Price | Expected Volatility | Option Life | Dividend Yield | Interest Rate | Fair Value per Option |
|-------------------|---------------------------|----------------|---------------------|-------------|----------------|---------------|-----------------------|
| 24 September 2020 | \$0.215 | \$0.292 | 100% | 3.02 years | 0.00% | 0.178% | \$0.119 |
| 25 September 2020 | \$0.220 | \$0.292 | 100% | 3.01 years | 0.00% | 0.182% | \$0.123 |

(2) During the prior year, the Group issued 4,000,000 to the broker who managed the \$5,000,000 share placement that occurred during the year. The fair value of the service provided was not able to be estimated, therefore a Black-Scholes model was used to fair value these options using the following inputs:

| Grant Date | Share Price on Grant Date | Exercise Price | Expected Volatility | Option Life | Dividend Yield | Interest Rate | Fair Value per Option |
|------------------|---------------------------|----------------|---------------------|-------------|----------------|---------------|-----------------------|
| 26 February 2021 | \$0.150 | \$0.2062 | 100% | 3.25 years | 0.00% | 0.128% | \$0.084 |

(3) During the year, the Group issued 1,250,000 options with the fair value of \$61,098 in accordance with the Company's employee share ownership plan to certain key management personnel which vest progressively throughout the period during which they can be exercised but lapse if their employment is terminated. The options were valued using a Black-Scholes option pricing model using the following inputs:

| Grant Date | Share Price on Grant Date | Exercise Price | Expected Volatility | Option Life | Dividend Yield | Interest Rate | Fair Value per Option |
|-----------------|---------------------------|----------------|---------------------|-------------|----------------|---------------|-----------------------|
| 27 October 2021 | \$0.093 | \$0.15 | 100% | 3.01 years | 0.00% | 1.032% | \$0.049 |

Notes to the consolidated financial statements for the year ended 30 June 2022

(4) During the year, the Group issued 6,000,000 options with the fair value of \$316,387 in accordance with the Company's employee share ownership plan to certain key management personnel which vest progressively throughout the period during which they can be exercised but lapse if their employment is terminated. The options were valued using a Black-Scholes option pricing model using the following inputs:

| Grant Date | Share Price on Grant Date | Exercise Price | Expected Volatility | Option Life | Dividend Yield | Interest Rate | Fair Value per Option |
|------------------|---------------------------|----------------|---------------------|-------------|----------------|---------------|-----------------------|
| 29 November 2021 | \$0.099 | \$0.1452 | 100% | 3.09 years | 0.00% | 0.929% | \$0.055 |
| 29 November 2021 | \$0.099 | \$0.1936 | 100% | 3.09 years | 0.00% | 0.929% | \$0.049 |

(5) During the year, the Group issued 10,000,000 options with the fair value of \$599,684 in accordance with the Company's employee share ownership plan to the Company's new managing director which vest progressively throughout the period during which they can be exercised but lapse if his employment is terminated. The options were valued using a Black-Scholes option pricing model using the following inputs:

| Grant Date | Share Price on Grant Date | Exercise Price | Expected Volatility | Option Life | Dividend Yield | Interest Rate | Fair Value per Option |
|---------------|---------------------------|----------------|---------------------|-------------|----------------|---------------|-----------------------|
| 15 March 2022 | \$0.095 | \$0.1002 | 100% | 3.21 years | 0.00% | 1.880% | \$0.060 |

Note 12: Reserves

| | 2022 \$ | Consolidated 2021 \$ |
|--|------------------|----------------------------|
| Capital Restructure reserve | | |
| Opening balance | 250 | 250 |
| Expense for the year | - | - |
| Closing balance | <u>250</u> | <u>250</u> |
| Share-based payment reserve | | |
| Opening balance | 5,101,147 | 3,752,985 |
| Share based expense for year | 111,747 | 588,039 |
| Share based capital raising costs | - | 760,123 |
| Closing balance | <u>5,212,144</u> | <u>5,101,147</u> |
| Fair Value Other Comprehensive Income ("FVOCI") Reserve | | |
| Opening balance | (338,256) | - |
| Fair Value Other Comprehensive Income ("FVOCI") Reserve movement | (394,632) | (338,256) |
| Closing balance | <u>(732,888)</u> | <u>(338,256)</u> |

Nature of reserves:

- (a) Capital restructure reserve
The capital restructure reserve arises from the acquisition of Modeling Resources Pty Ltd
- (b) Share-based payment reserve
This reserve records the value of equity instruments issued to directors, employees and suppliers as recognition for services provided.
- (c) Fair Value Other Comprehensive Income ("FVOCI") Reserve
This reserve records the value change in the Company's investment in Australian Gold and Copper Ltd [ASX:AGC].

Notes to the consolidated financial statements for the year ended 30 June 2022

Note 13: 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 is the price risk of Australian Gold and Copper Ltd's shares. 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 2021, if interest rates had changed by + 50 basis points and all other variables were held constant, the Group's loss would have been \$31,832 (2021: \$19,285) lower as a result of higher interest income on cash and cash equivalents. If interest rates dropped on average – 50 basis points then the Group's loss would have increased the by \$31,832 (2021: \$19,285).

(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.

Notes to the consolidated financial statements for the year ended 30 June 2022

(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.

| 2022 | 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 | 68,533 | - | - | - |
| Cash and cash equivalents – interest bearing | 0.32% | 450,046 | 4,500,000 | - | - |
| Trade and other receivables | n/a | 4,439 | - | - | 4,229 |
| | | 523,018 | 4,500,000 | - | 4,229 |
| Financial liabilities | | | | | |
| Trade and other payables | n/a | 197,446 | 118,056 | 59,514 | - |
| Lease Liabilities | 5% | 4,510 | 13,529 | 4,569 | - |
| | | 201,956 | 131,585 | 64,083 | - |

| 2021 | 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 | 122,261 | - | - | - |
| Cash and cash equivalents – interest bearing | 0.27% | 1,000,010 | 5,000,000 | - | - |
| Trade and other receivables | n/a | 4,945 | - | - | 5,276 |
| | | 1,127,216 | 5,000,000 | - | 5,276 |
| Financial liabilities | | | | | |
| Trade and other payables | n/a | 931,462 | 34,332 | 33,712 | - |
| Lease Liabilities | 5% | 4,166 | 12,497 | 33,725 | 25,393 |
| | | 935,628 | 46,829 | 67,437 | 25,393 |

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 14: Commitments and contingencies

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligation of the Group are subject to the minimum expenditure commitments over the life of the licenses, required as per the Mining Act 1978, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. Currently, the minimum expenditure commitment for the granted tenements is approximately \$962,650 (2021: \$1,574,325).

Notes to the consolidated financial statements for the year ended 30 June 2022

Note 15: Key management personnel disclosures

(a) Directors

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

D Richardson – *Executive Chairman*

A McKinnon – *Managing Director (appointed 15 March 2022)*

D Berrie – *Non-Executive Director and Joint Company Secretary*

A Viner – *Non-Executive Director (appointed 17 December 2021)*

P Duerden – *Managing Director (appointed 3 February 2020, resigned 17 December 2021)*

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:

M Franklin – *Chief Financial Officer*

(c) Key management personnel compensation

| | Consolidated | |
|----------------------|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Short-Term | 704,202 | 656,138 |
| Post-employment | 67,920 | 84,126 |
| Share-based payments | 1,991 | 502,496 |
| Termination benefits | - | - |
| | 774,113 | 1,242,760 |

Detailed remuneration disclosures of directors and key management personnel are in pages 18 to 20 of this report.

There were no loans to individuals or members of the key management personnel during the financial year or the previous financial year.

During the financial year Mr Viner's consulting company AJV Discoveries Pty Ltd provided geological consultancy services to the Company to the value of \$59,280. These services were provided on normal commercial terms and conditions.

Note 16: Subsidiaries

| Name of entity | Country of incorporation | Class of shares | Equity holding | |
|-------------------------------|--------------------------|-----------------|----------------|------|
| | | | 2022 | 2021 |
| | | | % | % |
| Modeling Resources Pty Ltd | Australia | Ordinary | 100 | 100 |
| Landslide Investments Pty Ltd | Australia | Ordinary | 100 | 100 |

Notes to the consolidated financial statements for the year ended 30 June 2022

Note 17: Reconciliation of loss after income tax to net cash outflow from operating activities

| | Consolidated | |
|--|--------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| a) <i>Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities</i> | | |
| Net profit / (loss) for the year after income tax | (3,019,039) | 1,188,014 |
| Profit on disposal of AGC | - | (6,243,740) |
| Share based payment expense | 111,747 | 588,039 |
| Depreciation | 27,440 | 25,986 |
| ROU Asset Amortisation | 47,237 | 46,470 |
| Exploration asset impairments | - | 260,000 |
| Movements in working capital | | |
| (Increase) / Decrease in other receivables | 15,688 | 216,212 |
| (Increase) in prepayments | (25,008) | (6,423) |
| Increase / (Decrease) in trade and other payables | (713,345) | 719,867 |
| Net cash outflows from operating activities | (3,555,280) | (3,205,575) |
| b) <i>Non-cash financing and investing activities</i> | | |

There were no non-cash financing and investing activities in the financial year ended 30 June 2022.

Note 18: Parent Entity Disclosures

Financial position

| | 2022 | 2021 |
|-----------------------------------|--------------|--------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 5,027,454 | 6,102,862 |
| Non-current assets | 1,768,493 | 1,605,472 |
| Total assets | 6,795,947 | 7,708,334 |
| Liabilities | | |
| Current liabilities | 178,376 | 189,271 |
| Total liabilities | 178,376 | 189,271 |
| Net assets | 6,617,571 | 7,519,063 |
| Equity | | |
| Issued capital | 17,139,992 | 14,625,431 |
| Reserves | 4,434,858 | 4,717,743 |
| Accumulated losses | (14,957,279) | (11,824,111) |
| Total equity | 6,617,571 | 7,519,063 |
| Financial performance | | |
| Profit / (Loss) for the year | (848,979) | 4,377,204 |
| Other comprehensive income/(loss) | (394,632) | (338,256) |
| Total comprehensive income/(loss) | (1,243,611) | 4,038,948 |

Notes to the consolidated financial statements for the year ended 30 June 2022

Note 19: Events after the reporting date

During the first quarter of the 2023 financial year, the Company received \$577,600 from option holders who exercised 8,000,000 options and the Company announced the first drilling at the Corvette Prospect (ASX:MAG 23 August 2022) had returned a broad copper-gold-molybdenum mineralised zone from the upper portion of the first hole.

Note 20: Auditor's remuneration

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

| | Consolidated | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Assurance services | | |
| BDO Audit (WA) Pty Ltd | | |
| Audit and review of financial statements | 43,680 | 42,902 |
| Total remuneration for audit services | 43,680 | 42,902 |
| Consultancy services | | |
| BDO Corporate Finance (WA) Pty Ltd | | |
| Preparation of independent limited assurance report | - | 10,622 |
| Total remuneration for audit services | - | 10,622 |
| Total auditor's remuneration | 43,680 | 57,773 |

Note 21: Fair Value Measurement

This note provides an update on the judgements and estimates in determining the fair values of the financial instruments since the last annual financial report.

Fair Value Hierarchy

To provide an indication about the reliability of the inputs used in determining fair value. The Group classifies its financial instruments into the three levels prescribed under accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value.

| | Level 1 | Level 2 | Level 3 | Total \$ |
|--|---------|---------|---------|----------|
| | \$ | \$ | \$ | |
| As at 30 June 2022 | | | | |
| Financial assets as FVOCI – Equity Securities | 394,631 | - | - | 394,631 |
| As at 30 June 2021 | | | | |
| Financial assets as FVOCI – Equity Securities | 789,263 | - | - | 789,263 |

There were no transfers between levels during the year. The Group's policy is to recognise transfers into and out of the fair value hierarchy levels at reporting date.

The fair value of the financial assets and liabilities held by the Group must be estimated for recognition, measurement and /or disclosure purposes. The Group measures fair value by level, per the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or the liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements for the year ended 30 June 2022

Valuation techniques used to determine fair values

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of assets and liabilities are included at an amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying value of amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair value largely due to the short-term maturities of these payments.

Financial assets at fair value through other comprehensive income – equity securities

The fair value of the equity holdings held in ASX companies are based on the quoted market prices from the ASX on the last trading day prior to the period end.

Notes to the consolidated financial statements for the year ended 30 June 2022

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 2022 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 2022.

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



D Richardson
Chairman

Perth, Western Australia

28 September 2022

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 2022, 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 2022 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Recoverability of Exploration and Evaluation expenditure

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>As disclosed in Note 8 to the financial report, the carrying value of the exploration and evaluation asset represents a significant asset of the Group. The Group's accounting policies and significant judgements applied to capitalised exploration and evaluation expenditure are detailed in Note 1 of the financial report.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ('AASB 6'), the recoverability of exploration and evaluation expenditure requires significant judgement by management in determining whether there are any facts and circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing whether rights to tenure of the Group's area of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • 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 Notes 1 and 8 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 2022, 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 at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 19 to 24 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Magmatic Resources Limited, for the year ended 30 June 2022, 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



Dean Just

Director

Perth, 28 September 2022

Magmatic Resources Limited
ABN 32 615 598 322

Additional Shareholder Information

The following additional information is current as at 27 September 2022.

Corporate Governance:

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

Substantial Shareholders:

| Holder Name | Holding | % IC |
|---|------------|--------|
| Bilingual Software Pty Ltd <Let's Go Investment A/C> and D & R Richardson | 47,442,571 | 18.07% |
| Gold Fields Australia Pty Ltd | 19,200,000 | 7.31% |
| Mr Marc David Harding | 15,020,925 | 5.72% |
| Mr Ming Yiu Ko | 15,000,000 | 5.71% |
| Davthea Pty Ltd <David Berrie Super Fund A/C> | 14,029,044 | 5.34% |

Ordinary Shares – Range of Units:

| Holdings Ranges | Holders | Total Units | % |
|------------------|--------------|--------------------|---------------|
| 1 - 1,000 | 53 | 5,495 | 0.00 |
| 1,001 - 5,000 | 186 | 617,289 | 0.24 |
| 5,001 - 10,000 | 211 | 1,805,659 | 0.69 |
| 10,001 - 100,000 | 721 | 30,682,271 | 11.69 |
| >100,000 | 281 | 229,376,084 | 87.38 |
| Totals | 1,452 | 262,486,798 | 100.00 |

There are 240 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 | BILINGUAL SOFTWARE PTY LTD <LET'S GO INVESTMENT A/C> | 36,668,823 | 13.97 |
| 2 | GOLD FIELDS AUSTRALIA PTY LTD | 19,200,000 | 7.31 |
| 3 | MR MARC DAVID HARDING | 15,020,925 | 5.72 |
| 4 | MR MING YIU KO | 15,000,000 | 5.71 |
| 5 | DAVTHEA PTY LTD <DAVID BERRIE S/F A/C> | 14,029,044 | 5.34 |
| 6 | MR DAVID RICHARDSON + MRS RYOKO RICHARDSON <D&R RICHARDSON S/F A/C> | 10,367,502 | 3.95 |
| 7 | MR NEVRES CRLJENKOVIC | 9,471,248 | 3.61 |
| 8 | CITICORP NOMINEES PTY LIMITED | 3,232,540 | 1.23 |
| 9 | WESTGATE CAPITAL PTY LTD <WESTGATE ASSET MANAGE A/C> | 3,000,000 | 1.14 |
| 10 | AG INVESTMENT SERVICES PTY LTD | 2,888,888 | 1.10 |
| 11 | KAOS INVESTMENTS PTY LIMITED | 2,700,000 | 1.03 |
| 12 | BOND STREET CUSTODIANS LIMITED <TRYLAN - D83486 A/C> | 2,500,000 | 0.95 |
| 13 | MR BINH THANH LE | 1,980,000 | 0.75 |
| 14 | CRLJENKOVIC SUPER FUND PTY LTD <CRLJENKOVIC FAMILY S/F A/C> | 1,851,428 | 0.71 |
| 15 | WOMBAT SUPER INVESTMENTS PTY LTD <WOMBAT SUPER A/C> | 1,760,000 | 0.67 |
| 16 | MR BEVAN JAMES COOTE <BJCOOTE TRADING A/C> | 1,676,208 | 0.64 |
| 17 | GOSOJO PTY LTD | 1,665,000 | 0.63 |
| 18 | MRS MARISA MACKOW | 1,580,000 | 0.60 |
| 19 | SERCA SUPERFUND PTY LTD <SERCA SUPER FUND A/C> | 1,509,234 | 0.57 |
| 20 | MR ARDAVAN GHORBANI | 1,503,860 | 0.57 |
| | Total | 147,604,700 | 56.23 |
| | Total remaining holders | 114,882,098 | 43.77 |

Magmatic Resources Limited
ABN 32 615 598 322

Unquoted equity securities

Unquoted equity securities on issue as at 27 September 2022 was as follows:

- 1 Optionholder holding 3,000,000 options, exercisable at \$0.0722, expiring 14 October 2022
- 1 Optionholder holding 10,000,000 options, exercisable at \$0.1002, expiring 31 May 2025
- 2 Optionholders holding 4,050,000 options, exercisable at \$0.1452, expiring 31 Dec 2024
- 3 Optionholders holding 1,250,000 options, exercisable at \$0.1500, expiring 31 October 2024
- 2 Optionholders holding 1,950,000 options, exercisable at \$0.1936, expiring 31 Dec 2024
- 2 Optionholders holding 4,000,000 options, exercisable at \$0.2062, expiring 28 May 2024
- 2 Optionholders holding 8,000,000 options, exercisable at \$0.2322, expiring 30 November 2022
- 2 Optionholders holding 750,000 options, exercisable at \$0.2642, expiring 30 September 2023
- 5 Optionholders holding 5,700,000 options, exercisable at \$0.3352, expiring 31 January 2023
- 2 Optionholders holding 2,000,000 options, exercisable at \$0.5262, expiring 12 February 2023
- 5 Optionholder holding 2,800,000 options, exercisable at \$0.5772, expiring 31 January 2023

Tenement Listing

| Project Area | Tenement Details | % Held |
|------------------------------|-------------------------|---------------|
| Wellington North – Duke | EL6178 | 100 |
| Myall | EL6913 | 100 |
| Parkes – Alectown | EL7424 | 100 |
| Wellington North – Bodangora | EL7440 | 100 |
| Parkes | EL7676 | 100 |
| Wellington North - Combo | EL8357 | 100 |